



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

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

€20,000,000,000 Covered Bond Programme

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

MPS COVERED BOND 2 S.R.L.

(incorporated as a 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 €20,000,000,000 covered bond programme (the "**Programme**"), Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**" or the "**Issuer**" or the "**Bank**" or the "**Main Seller**") 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 €20,000,000,000 (or its equivalent in other currencies calculated as described herein). 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. 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 2 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**") consisting of Receivables and Asset Backed Securities assigned and to be assigned to the Guarantor by the Main Seller and, upon accession to the Programme, the Additional Seller(s), and of other Eligible Assets and Top-Up Assets. Recourse against the Guarantor under the Guarantee is limited to the Segregated Assets and any amounts paid by the relevant Debtors and/or the Swap Providers in the context of the Programme.

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 dematerialised form or in other form as set out in the relevant Final Terms. Covered Bonds issued in 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 may also act as depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"). The Covered Bonds issued in dematerialised form will at all times be evidenced by book-entries in accordance with the provisions of article 83-bis of the Financial Laws Consolidation Act and the regulation issued jointly by the Bank of Italy and the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") on 22 February 2008, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in 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 10 (*Redemption and Purchase*)). Unless previously redeemed in full in accordance with the Terms and Conditions, 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), subject as provided in the relevant Final Terms. 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 number 239 of 1 April 1996 (the "**Decree 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.

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, "**A**" by DBRS Ratings Limited ("**DBRS**" or the "**Rating Agency**"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject at any time 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.

The Covered Bonds will not be listed on any stock exchange. Accordingly, this Prospectus is neither subject to any approval or authorisation of CONSOB or Borsa Italiana S.p.A., nor to any disclosure duties in the Republic of Italy, other than those provided for by Italian Law.

Dealer

MPS CAPITAL SERVICES S.P.A.

*The Issuer accepts responsibility for the information contained in this Prospectus other than the information regarding the Guarantor (as set out in the section headed "**Description of the Guarantor**" below) for which the Guarantor accepts responsibility. 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 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 the Dealer. 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 that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof 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 or the Dealer 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 Guarantor and the Dealer 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 Union, including the United Kingdom and the Republic of Italy, and in Japan.*

The Dealer has not separately verified the information contained in this Prospectus. The Dealer makes no 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 or the Dealer 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 investigations as it deems necessary. None of the Dealer or the Representative of the Bondholders 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 or the Representative of the Bondholders.

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.

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SUPPLEMENTS, FINAL TERMS AND FURTHER PROSPECTUSES

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 "*Terms and Conditions of the Covered Bonds*", as amended and/or replaced to the extent described in the relevant Final Terms or 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 specified or identified 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.

STRUCTURE OVERVIEW

1. *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.
2. *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 euro 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.
3. *Guarantee*: In accordance with the provisions of the Law 130 and Decree 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 Segregated Assets. 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).
4. *Subordinated Loan Agreement(s)*: Under the terms of the relevant Subordinated Loan Agreement, the Main Seller and each Additional Seller (if any), in their capacity, respectively, as Main 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 the 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 occurrence of a Segregation Event upon 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 or a Guarantor 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 a 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.

5. *The proceeds of Term Loans:* Pursuant to each Subordinated Loan Agreement:
- (a) each Programme Term Loan will be granted for the purpose of, *inter alia*, (a) funding the purchase price of the Eligible Assets included in the Initial Portfolio; (b) funding, in whole (upon delivery by the Test Calculation Agent of a Test Performance Report showing the breach of any of the Tests) or in part, the purchase price of the Eligible Assets and Top-Up Assets to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement and the Cover Pool Management Agreement in order to remedy the breach of any of the Tests; (c) funding (in whole or in part) the purchase price of the Eligible Assets to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement and the Cover Pool Management Agreement in order to comply with the 15% Limit with respect to the Top-Up Assets, and/or (d) funding (in whole or in part) the purchase price of any Eligible Assets and Top-Up Assets transferred to the Guarantor pursuant to the Master Assets Purchase Agreement for over-collateralisation purposes; and
 - (b) each Floating Interest Term Loan or Fixed Interest Term Loan will be granted for the purpose of, *inter alia*, funding (in whole or in part) (a) 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 (b) the repayment (in whole or in part) of any Term Loan previously granted.
6. *Cash-flows:* Prior to the service of an Issuer Default Notice on the Issuer and 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:
- (a) apply Interest Available Funds to pay interest and/or Premium on the relevant Term Loans, but only after payment of the other 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 Agreement(s)). For further details of the Pre-Issuer Default Interest Priority of Payments, see "*Cash-flows*" below; and
 - (b) apply Principal Available Funds to pay, *inter alia*, in whole or in part, the purchase price of any New Portfolios and repay the Term Loans, but only after payment of the other 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 "*Cash-flows*" 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 to the Other Guarantor Creditors in accordance with the Pre-Issuer Default Interest Priority of Payments and the Pre-Issuer Default Principal Priority of Payments, provided that, until a Breach of Tests Cure Notice has been delivered, there shall be no further payments (whether of interest or principal) to the Subordinated Lender(s) under any relevant Term Loan and

the purchase price for any New Portfolios to be acquired by the Guarantor shall be paid only by using the proceeds of a new Term Loan.

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 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 under the Guarantee Priority of Payments. In such circumstances, the Main Seller, and the Additional Seller(s) if any, will only be entitled to receive payment from the Guarantor of interest, Premium (if any) and repayment of principal under the relevant Term Loan(s) after all amounts due under the Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for. The above provisions will apply following the service of an Issuer Default Notice as a consequence of an Issuer Event of Default consisting of an Article 74 Event, it being understood that the Article 74 Event may be temporary, so that upon delivery of an Article 74 Event Cure Notice (to the extent that no other Issuer Event of Default or Guarantor Event of Default has occurred and is continuing), such above provisions shall cease to apply until the Guarantee is newly enforced by the Representative of the Bondholders in accordance with the provisions hereof.

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 "*Cash-flows*" below.

7. *Mandatory Tests*: The Programme provides that the Assets of the Guarantor are subject to certain tests (the "**Mandatory Tests**") intended to ensure that the Guarantor can meet its obligations under the Guarantee as set out under article 3 of Decree 310. Accordingly, starting from the First Issue Date and until the date on which all Series or Tranches of the Covered Bonds have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms, the Issuer and any Additional Seller(s) (if any) must ensure that the following tests are satisfied on each Quarterly Test Calculation Date and on each Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Tests was breached:
 - (a) *Nominal Value Test*: the aggregate Outstanding Principal Balance of the Cover Pool shall be higher than or equal to the aggregate Principal Amount Outstanding of all Series or Tranches of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms 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 or Test Calculation Date, as the case may be;

- (b) *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 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 the Terms and Conditions and the relevant Final Terms as at the relevant Quarterly Test Calculation Date or the Test Calculation Date, as the case may be;
- (c) *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 or paid 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 or equal to the amount of interest due on all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms as at the relevant Quarterly Test Calculation Date or the Test Calculation Date, as the case may be.

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

8. *Asset Coverage Test*: In addition to the Mandatory Tests, the Programme provides that 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 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), the Issuer, also in its capacity as Main Seller, and any Additional Seller(s) (if any), jointly and severally undertake to procure that the Asset Coverage Test is satisfied on each Quarterly Test Calculation Date and on each Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date the Asset Coverage Test was breached. 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 Quarterly 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 the Terms and Conditions at the relevant Quarterly Test Calculation Date. The Amortisation Test shall not apply if the Extended Maturity Date equal to

the Long Due for Payment Date is applied to the Covered Bonds. For a more detailed description, see section "*Credit structure - Tests*" below.

9. *Extendable obligations under the Guarantee*: An Extended Maturity Date may be specified as applying in relation to a Series or Tranche of 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 Issuer and 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 on the Extended Maturity Date specified in the applicable Final Terms. However, any amount representing the Final Redemption Amount (as defined below) due and remaining unpaid on the Extension Determination Date shall 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 10 (*Redemption and Purchase*).
10. *Servicing*: Banca Monte dei Paschi di Siena S.p.A. (in its capacity as Main Servicer) has entered into the Master Servicing Agreement with the Guarantor, pursuant to which (i) the Main Servicer has agreed to provide administrative services in respect of the Assets transferred by itself as Main Seller and to act as the *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento* pursuant article 2, paragraphs 3 and 6-bis of Law 130, and (ii) the parties thereto agreed that, should any Additional Seller 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; (iii) the parties thereto agreed that, upon the long-term rating of the Main Servicer's unsecured, unsubordinated and unguaranteed debt obligations falling below "**BBB (low)**" from the Rating Agency, the Guarantor will, in consultation with the Main Servicer and the Representative of the Bondholders, appoint a Back-up Servicer Facilitator and, in addition, upon the long-term rating of the Main Servicer's unsecured, unsubordinated and unguaranteed debt obligations falling below "**BB (high)**" from the Rating Agency, the Guarantor will, in consultation with the Main Servicer, the Representative of the Bondholders and the Back-up Servicer Facilitator, appoint a Back-up Servicer. For further details, see section "*Description of the Programme Documents*", below.
11. *Asset Monitor Engagement Letter*: Pursuant to an engagement letter entered into on 23 May 2012 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 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 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

12. *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*", "*Terms and Conditions of the Covered Bonds*", "*Description of the Programme Documents*", "*Credit Structure*", and "*Cash-flows*", below.

OVERVIEW OF THE PROGRAMME

This section constitutes a general description of the Programme. 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.

1. THE PRINCIPAL PARTIES

Issuer, Main Seller, Main Servicer, Main Subordinated Lender, Principal Paying Agent, Italian Account Bank, Test Calculation Agent, Cash Manager and Quotaholder	BANCA MONTE DEI PASCHI DI SIENA S.P.A. , a bank incorporated under the laws of the Republic of Italy as a <i>società per azioni</i> , having its registered office at Piazza Salimbeni, 3 - 53100 Siena, Italy, share capital of Euro 7,484,508,171.08 fully paid up, fiscal code and enrolment with the companies register of Siena number 00884060526, enrolled under number 5274 in the register of banks held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act, holding of the Montepaschi Group, enrolled under number 1030.6 in the register of banking groups held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act (" BMPS ").
Guarantor	MPS COVERED BOND 2 S.R.L. , a special purpose entity incorporated as limited liability company (<i>società a responsabilità limitata</i>) under the laws of the Republic of Italy pursuant to article 7-bis of Law 130, quota capital of Euro 10,000.00 fully paid up, having its registered office at Via V. Alfieri, 1 - 31015, Conegliano (TV), Italy, fiscal code and enrolment with the companies register of Treviso number 04508680263, enrolled under number 42017 in the general register held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act, part of the Montepaschi Group and subject to the direction and coordination activities (<i>soggetta all'attività di direzione e coordinamento</i>) of BMPS.
Additional Seller(s)	Any other bank which is a member of the Montepaschi Group and wishes to sell Assets to the Guarantor in the context of the Programme, subject to satisfaction of certain conditions and which, for such purpose, shall accede to, <i>inter alia</i> , the Master Assets Purchase Agreement and the Cover Pool Management Agreement.
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 Assets from time to time assigned by it to the Guarantor and which, for such purpose, shall accede to the Master Servicing Agreement.
Back-up Servicer Facilitator	Any eligible counterparty appointed upon downgrading of the Servicer below " BBB (low) " by DBRS pursuant to the Master

Servicing Agreement.

Back-up Servicer	Any eligible counterparty appointed upon downgrading of the Servicer below " BB (high) " by DBRS pursuant to the Master Servicing Agreement.
Additional Subordinated Lender	Any Additional Seller that has acceded to the Programme as Additional Seller will also act as Additional Subordinated Lender in respect of the Assets transferred by itself to the Guarantor and, for such purpose, shall enter into a Subordinated Loan Agreement with the Guarantor.
Guarantor Calculation Agent, Guarantor Corporate Servicer and Representative of the Bondholders	SECURITISATION SERVICES S.P.A. , a company incorporated under the laws of the Republic of Italy as a <i>società per azioni</i> , having its registered office at Via Vittorio Alfieri, 1 - 31015 Conegliano (TV), Italy, share capital of Euro 1,595,055.00 fully paid up, fiscal code and enrolment with the companies register of Treviso number 03546510268, currently enrolled under number 31816 in the <i>elenco generale</i> and in the <i>elenco speciale</i> held by the Bank of Italy pursuant to, respectively, articles 106 and 107 of the Consolidated Banking Act, subject to the direction and coordination activities (<i>attività di direzione e coordinamento</i>) of Finanziaria Internazionale Holding S.p.A.
Asset Monitor	DELOITTE & TOUCHE S.P.A. , a company incorporated under the laws of Italy, having its registered office at via Tortona, 25 - 20144 Milan, Italy, share capital of Euro 10,328,220.00 fully paid up, fiscal code and enrolment with the companies' register of Milan number 03049560166 and enrolled with the special register of accounting firms held by the CONSOB pursuant to the Financial Laws Consolidation Act.
Quotaholder	SVM SECURITISATION VEHICLES MANAGEMENT S.R.L. , a company incorporated under the laws of the Republic of Italy as a <i>società a responsabilità limitata</i> , having its registered office at Via V. Alfieri, 1 - 31015 Conegliano (TV), Italy, quota capital of Euro 30,000.00 fully paid up, fiscal code and enrolment in the companies register of Treviso number 03546650262.
Dealer(s)	MPS CAPITAL SERVICES S.P.A. , a bank incorporated under the laws of the Republic of Italy as a <i>società per azioni</i> , having its registered office at Via L. Pancaldo, 4, 50127 Florence, Italy, share capital of Euro 276,434,746.28 fully paid up, fiscal code and enrolment with the companies register of Florence number 00816350482, registered under number 4770 with the register of banks held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act, subject to the direction and coordination activities (<i>attività di direzione e coordinamento</i>) of Banca Monte dei Paschi di Siena S.p.A., and any other Dealer(s) appointed in accordance with the Programme Agreement.

2. 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 20,000,000,000 (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.

Programme Termination Date "**Programme Termination Date**" means the later of:

- (a) the date that falls ten calendar years after the First Issue Date; and
- (b) the date on which all Series of Covered Bonds issued under the Programme have been fully redeemed.

3. THE COVERED BONDS

Form of Covered Bonds Unless otherwise specified in the Terms and Conditions and the relevant Final Terms, the Covered Bonds will be issued in 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 may also act as depository for Euroclear and Clearstream. No physical document of title will be issued in respect of any such 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.

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 or central bank requirements, 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) and the Principal Paying Agent.

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 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 for such amounts and on the dates indicated in the Final Terms. For further details, see Condition 10 (*Redemption and purchase*).

Redemption at the option of Bondholders

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

Extended Maturity Date

The applicable Final Terms relating to each Series or Tranche of Covered Bonds 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 up to the Long Due for Payment 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 shall 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 floating rate as shall be indicated in the relevant Final Terms up to the Extended Maturity Date, subject to and in accordance with the provisions of the relevant Final Terms.

The Extended Maturity Date, up to the Long Due for Payment Date, if applicable in respect of a Series of Covered Bonds will be specified in the relevant Final Terms.

For further details, see Condition 10 (*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 or other variable rate or be index-linked, credit-linked or equity-linked 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:

- (c) 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
- (d) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

- (e) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

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.

Index-Linked and Other Variable-Linked Interest Covered Bonds

Payments of interest in respect of Index-Linked and Other Variable-Linked Interest Covered Bonds (including Covered Bonds bearing credit- or equity-linked interest) will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree, as set out in the applicable Final Terms.

Dual Currency Interest Covered Bonds

Payments of interest, whether at maturity or otherwise, in respect of Dual Currency Interest Covered Bonds will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree as set out in the applicable Final Terms.

Zero Coupon Covered Bonds

Zero Coupon Covered Bonds, bearing no interest, may be offered and sold at a discount to their nominal amount, as specified in the applicable Final Terms.

Amortising Covered Bonds

Covered Bonds may be issued with a predefined, prescheduled amortisation schedule where, in addition to interest, the Issuer will pay, on each relevant Interest Payment Date, a portion of principal up to the relevant Maturity Date (as set out in the applicable Final Terms) in instalments.

Partly-Paid Covered Bonds

Covered Bonds may be issued on a partly-paid basis in which case interest will accrue on the paid-up amount of such Covered Bonds or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Final Terms.

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 12 (*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 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 13 (*Segregation Event and Events of Default*).

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 a rating on the relevant Issue Date unless otherwise stated in the applicable Final Terms of "A" by DBRS.

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

Governing Law

The Covered Bonds, the related Programme Documents and any non-contractual obligations arising out thereof will be governed by Italian law, except for any Swap Agreement and the Deed of Charge (if any) which will be governed by English law.

4. BREACH OF THE TESTS, SEGREGATION EVENTS, ISSUER EVENTS OF DEFAULT AND GUARANTOR EVENTS OF DEFAULT

Breach of Mandatory Tests and/or Asset Coverage Test

If any Test Performance Report specifies the breach of any of the Mandatory Tests and/or the Asset Coverage Test, then, within the Test Grace Period, the Main Seller (and/or, if any, any Additional Seller) will either (i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test(s) to be met on the Test Calculation Date falling at the end of the Test Grace Period, 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 Main 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(s) to be met on the

Test Calculation Date falling at the end of the Test Grace Period.

If, within the Test Grace Period, the breach of the relevant Test(s) is not remedied in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Breach of Tests Notice and a Segregation Event will occur.

If, after the delivery of a Breach of Tests Notice, the breach of the relevant Test(s) is not remedied within the Test Remedy Period, an Issuer Event of Default will occur and the Representative of the Bondholders will deliver an Issuer Default Notice to the Issuer and the Guarantor.

If, after the delivery of a Breach of Tests Notice, but prior to the delivery of an Issuer Default Notice, the relevant Test(s) is/are newly met at the end of the Test Remedy Period according to the information included in the relevant 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 deliver to the Issuer and the Guarantor a Breach of Tests Cure Notice, informing such parties that the Breach of Tests Notice then outstanding has been revoked.

Breach of Amortisation Test

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, a Guarantor Event of Default will occur and the Representative of the Bondholders will deliver a Guarantor Default Notice (unless the Representative of the Bondholders, having exercised its discretion, resolves otherwise or a Programme Resolution of the Bondholders is passed resolving otherwise), **provided that** the Amortisation Test shall not apply and, accordingly, no Guarantor Event of Default will occur, if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds.

Upon receipt of an Issuer Default Notice or a Guarantor Default Notice the Guarantor may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, dispose of the Assets included in the Cover Pool.

The Tests

For an overview of the Tests, see paragraphs "*Mandatory Tests*", "*Asset Coverage Test*" and "*Amortisation Test*" of section "*Structure Overview*" above.

For a detailed description of the Tests, see paragraph "*Tests*" of

section "*Credit Structure*" below.

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 "**15% Limit**").

Segregation Events

In case of the occurrence of a breach of any of the Mandatory Tests and/or the Asset Coverage Test on the relevant Quarterly Test Calculation Date, which in either case has not been remedied within the applicable Test Grace Period, the Representative of the Bondholders will serve a Breach of Tests Notice on the Issuer and the Guarantor.

Upon delivery of a Breach of Tests Notice, a Segregation Event will occur and:

- (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;
- (d) the Main Servicer (and any Additional Servicer, if any) will be prevented from carrying out renegotiations of the Loans pursuant to the Master Servicing Agreement; and
- (e) payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Default Notice has been delivered.

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 Business Days, in case of amounts of interest, or 20 Business Days, in case of amounts of principal, as the case may be;
- (ii) *Breach of other obligations*: a material breach by the Issuer of any obligation under the Programme Documents occurs (other than payment obligations referred to in item (i) (Non-payment) above) 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; or
- (v) *Breach of Tests*: following the delivery of a Breach of Tests Notice, any of the Mandatory Tests or the Asset Coverage Test is not met at the end of the Test Remedy Period, unless a Programme Resolution of the Bondholders is passed resolving to extend the Test Remedy Period.

If any of the events set out in points from (i) to (v) above (each, an "**Issuer Event of Default**") occurs and is continuing, then the Representative of the Bondholders shall, or, in the case of the event under item (ii) (*Breach of other obligations*) above shall, if so directed by a Programme Resolution, 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) (*Article 74 Event*) 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 items (a) to (d) shall apply; and
- (b) *Guarantee*: (i) interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under the Terms and 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; (ii) the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall be entitled to request from the Issuer an amount up to the Guaranteed Amounts and any sum so received or recovered from the Issuer will be used to make payments in accordance with the Guarantee; and
- (c) *Disposal of Assets*: the Guarantor may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, sell or otherwise liquidate 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) during the Suspension Period, the Guarantor, shall be responsible for the payments of the amounts due and payable under the Covered Bonds, in accordance with Decree 310; 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 13.2 (*Issuer Events of Default*).

Guarantor Event of Default

Following the delivery of an Issuer Default Notice, a Guarantor Event of Default will occur if:

- (i) *Non-payment*: the Guarantor fails to pay any Guaranteed Amount under the Guarantee and such breach is not remedied within the next following 10 Business Days, in case of amounts of interests, or 15 Business Days, in case of amounts of principal, as the case may be; or
- (ii) *Insolvency*: an Insolvency Event occurs in respect of the Guarantor; or
- (iii) *Breach of other obligations*: 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 Quarterly Test Calculation Date, **provided that** the Amortisation Test shall not apply and no Guarantor Event of Default will occur, if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds.

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 Programme 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 Post-Enforcement Priority of Payments;
- (iii) *Disposal of Assets*: the Guarantor may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, sell or otherwise liquidate, the 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 13.3 (*Guarantor Events of Default*).

5. 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, provided that, to the extent the Issuer Event of Default consists of an Article 74 Event, no Article 74 Event Cure Notice has been delivered.

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:

- (a) collateralised by the Cover Pool, constituted by (i) the Portfolio comprised of (a) Receivables and (b) Asset Backed Securities, assigned from time to time to the Guarantor by the Main Seller (and/or each Additional Seller, if any) in accordance with the terms of the Master Assets Purchase Agreement, and (c) any other Eligible Assets and Top-Up Assets held by the Guarantor with respect to the Covered Bonds (including any 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), and
- (b) limited to the Segregated Assets, consisting of (i) the Cover Pool, (ii) any amounts paid by the relevant Debtors and/or the Swap Providers and (iii) any amount paid to the Guarantor from any other party to the Programme Documents.

For further details, see "*Description of the Cover Pool*".

Limited recourse

The obligations of the Guarantor to the Bondholders and, in general, to the Main Seller (and/or any Additional Seller(s), if any) and other creditors will be limited recourse obligations of the Guarantor. The Bondholders, the Seller (and /or any Additional Seller(s), if any) and such other creditors will have a claim against the Guarantor only within the limits of the Guarantor Available Funds and 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 relevant Subordinated Loan Agreement, the Main Seller and each Additional Seller (if any), in their capacity, respectively, as Main Subordinated Lender and Additional Subordinated Lender(s), 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*, (a) funding the purchase price of the Eligible Assets included in the Initial Portfolio; (b) funding, in whole (upon delivery by the Test Calculation Agent of a Test Performance Report showing the breach of any of the Tests) or in part, the purchase price of the Eligible Assets and Top-Up Assets to be transferred to the Guarantor pursuant to the Master Assets

Purchase Agreement and the Cover Pool Management Agreement in order to remedy the breach of any of the Tests; (c) funding (in whole or in part) the purchase price of the Eligible Assets to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement and the Cover Pool Management Agreement in order to comply with the 15% Limit with respect to the Top-Up Assets, and/or (d) funding (in whole or in part) the purchase price of any Eligible Assets and Top-Up Assets transferred to the Guarantor pursuant to the Master Assets Purchase Agreement for over-collateralisation purposes.

Each Floating Interest Term Loan or Fixed Interest Term Loan will be granted for the purpose of, *inter alia*, funding (in whole or in part) (a) 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 (b) the repayment (in whole or in part) of any Term Loan previously granted.

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 Agreement*".

Excess Assets and support for further issues

Any Eligible Assets and Top-Up Assets forming part of the Cover support for further issues 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 310 and no disposal under item (i) above may occur if it would cause any of 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 an Issuer Event of Default causing the Guarantee to be enforced, proceeds of the Cover Pool paid to the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to (i) the Swap Providers under the Swap Agreement, (ii) any other creditors exclusively in satisfaction of the transaction costs of the Programme, and (iii) upon delivery of an Issuer Default Notice, the Bondholders.

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, 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 Covered Pool following the delivery of an Issuer Default Notice (but prior to the service of a Guarantor Default Notice) After the service of an Issuer Default Notice on the Guarantor, but prior to the service of a Guarantor Default Notice, the Guarantor or the Portfolio Manager may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, 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 Main Seller, or any Additional Seller(s), if any (as the case may be), in respect of the Eligible Assets and Top-Up Assets transferred by each of them. 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 Main Servicer on behalf of the Guarantor (any such Eligible Assets and Top-Up Assets, the "**Selected Assets**") on the condition that the Amortisation Test (if applicable) is complied with prior to and after the sale of such Selected Assets, but **it being understood**

that the Amortisation Test will not apply if an Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds.

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 may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, sell 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 Main Seller, or any Additional Seller(s), if any (as the case may be), 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 13.3 (*Guarantor Events of Default*).

6. SALE AND DISTRIBUTION

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 may apply and will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.

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 and 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 automatically give rise to 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 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 Dealer, 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 (and, in respect of the Guarantor, within the limits of the Segregated Assets) 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. Following an Issuer Event of Default or a Guarantor Event of Default, only a Programme Resolution may direct the Guarantor, with the prior consent of the Representative of the Bondholders, to sell or otherwise dispose of the Assets included in the Cover Pool in accordance with the procedures described in the Cover Pool Management Agreement.

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 Terms and 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 Issuer.

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 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 Condition 10 (*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 specified in the Final Terms, **provided that** any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date shall 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 and within the limits of the Guarantor Available Funds. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 10 (*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. 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.

Risks related to the European sovereign debt crisis and the political uncertainties regarding the Eurozone. The escalation of the sovereign debt of certain European countries could lead to instability of the Euro and the Eurozone

Since the final quarter of 2007, disruption in the global credit markets has created increasingly difficult conditions in the financial markets. The global financial system has yet to overcome these disruptions and difficult conditions. Financial market conditions remain challenging and in certain respects, such as in relation to sovereign credit risk and fiscal deficits in European countries, have deteriorated in the recent years. Due to these concerns, the financial markets and the global financial system in general were impacted by significant turmoil and uncertainty resulting in wide and volatile credit spreads on the sovereign debt of many European Union countries, a fall in liquidity and a consequent increase in funding costs as well as increased instability in the bond and equity markets. In response to the crisis, assistance packages were granted to Greece, Ireland and Portugal as well as to Spanish banks, European Union/International Monetary Fund stability facilities were created and plans were announced to increase the size of such resources. Measures were also announced to recapitalize certain European banks, encourage greater long term fiscal responsibility on the part of the individual Member States and bolster market confidence in the Euro as well as the ability of Member States to service their sovereign debt. Despite these and other plans to implement various other measures designed to alleviate these concerns, uncertainty over the outcome of the European Union governments' financial support programs and more general concern about sovereign finances intensified during the first half of 2012 and still persist. However, certain of such proposed steps are subject to final agreement and ratification by the relevant European Union Member States and thus the implementation of such steps in their currently contemplated form remains uncertain. Even if such measures are implemented, there is no guarantee that they will ultimately and finally resolve uncertainties regarding the ability of Eurozone states to continue to service their sovereign debt obligations.

There can be no assurance that the market disruption in Europe will not worsen, nor can there be any assurance that current or future assistance packages will be available or, even if provided, will be sufficient to stabilize the affected countries and markets and secure the position of the Euro.

The continuing difficulties and slowdown in the economy, the substantial bailouts of financial and other institutions by governments as well as measures designed to reignite economic growth have led to significant increases in the debt of several countries. As a consequence, various countries of the Eurozone (including Italy) have had their credit ratings downgraded in recent months by the main rating agencies due to the escalation of their sovereign debt levels, political uncertainty regarding reform prospects of the Eurozone and concern over the Eurozone's increasingly weak macroeconomic prospects.]

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 judgment 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 judgment 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 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 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.

DBRS is established in the European Union and is registered under the Regulation (EU) No 462/2013 (as amended from time to time, the "**CRA Regulation**"). In general, European

regulated investors may use credit ratings for regulatory purposes only if they are issued by credit rating agency established in the European Union and registered in accordance with EU CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the 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.

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.

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 guarantee 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), and provided that, to the extent the Issuer Event of Default consists of an Article 74 Event, no Article 74 Event Cure Notice has been delivered, 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, the Issuer must always ensure that

the relevant Tests are satisfied on each Quarterly Test Calculation Date and on each Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date the relevant Test was breached (when required by the Programme Documents) for the purpose of ensuring that the Guarantor can meet its obligations under the Guarantee.

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 310; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant Programme Documents or (c) complying with the 15% Limit of the Top-Up Asset.

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

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

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

Prospectus to be read together with applicable Final Terms

This Prospectus, to be read together with applicable Final Terms of Covered Bonds, 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 Terms and 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, supplement and/or amend the Terms and 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 number 84 of 18th April, 2005 (The "**Decree 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 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.

The proposed European financial transactions tax (FTT)

The European Commission recently published a proposal for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). The tax would be applicable from 1 January 2014.

The proposed FTT has very broad, potentially extraterritorial scope. Generally, it would apply to financial transactions where at least one party is a financial institution, and (a) one party is established in a Participating Member State or (b) the financial instrument which is subject to the transaction is issued by an issuer having its registered seat in a Participating Member State.

A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including by merely transacting with a person established in a Participating Member State.

The Issuer has its registered seat in the Republic of Italy, which is a Participating Member State and therefore financial institutions worldwide would be subject to the FTT when dealing in the Covered Bonds as described in (b) above, unless an exemption applies.

In relation to many secondary market transactions in bonds and shares, the proposed FTT would be charged at a minimum rate of 0.1% on each financial institution which is party to the transaction. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt. There are no broad exemptions for financial intermediaries or market makers. Therefore, the effective cumulative rate applicable to some dealings in bonds or shares (for instance, cleared transactions) could be in excess of 0.1%.

A person transacting with a financial institution which fails to account for FTT would be jointly and severally liable for that tax. The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation. Additional member states may decide to participate. Prospective holders of the Covered Bonds are strongly advised to seek their own professional advice in relation to the FTT.

Risks related to the presentation of financial information

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 Montepaschi Group may have to revise the accounting and regulatory treatment of some operations and the related income and expense, with potentially negative effects on the estimates contained in the financial plans for future years and with the need to restate already published financials.

In this regard, it should be pointed out that:

- IAS 19 revision and the new standard IFRS 13 entered into force on 1 January 2013;
- the new IFRS 10, IFRS 11 and IFRS 12 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, there including financial ones, replacing IAS 39. At the present time, IFRS 9 is still expected to be applicable as of 1 January 2015, following the IASB's enactment and the endorsement by the European Union.

The various regulatory requests may affect the activities of the Montepaschi 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 Montepaschi Group's results of operations, business, assets, cash flows and financial condition, the products and services offered by the Montepaschi Group as well as the Montepaschi Group's ability to pay dividends.

In carrying out its activities, the Montepaschi Group is subject to numerous regulations of general application such as those concerning taxation, social security, pensions, occupational safety and privacy. Any changes to these laws and regulations and/or changes in their interpretation and/or their application by the supervisory authorities could adversely affect the Montepaschi Group's results of operations, business and financial condition.

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 is based on Italian law (and, in the case of the Swap Agreement(s) and the Deed of Charge (if any), 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 number 130 of 14 December 2006 ("**Decree 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 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.

Index Linked Interest Covered Bonds, Index Linked Redemption Covered Bonds and Dual Currency Interest Covered Bonds

The Issuer may issue Covered Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Covered Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Covered Bonds are denominated. Potential investors should be aware that:

- (a) the market price of such Covered Bonds may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency from that expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Covered Bonds

The Issuer may issue Covered Bonds where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

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.

Variable Interest rate Covered Bonds with a multiplier or other leverage factor

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

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.

Credit Linked Interest Covered Bonds and Equity Linked Interest Covered Bonds

The Issuer may issue Covered Bonds with interest determined by reference to the price, value, performance or some other factor relating to one or more reference assets and/or the creditworthiness of, performance of obligations by or some other factor relating to one or more reference entities.

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 regarding the Issuer and the Montepaschi Group

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.

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.

Risks connected with the creditworthiness of customers

The 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. The 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 the Issuer's business and financial results.

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.

Risk factors regarding the Montepaschi Group's business sector

Competition

The Issuer is subject to competition from a large number of companies who may offer the same financial products and services and other forms of alternative and/or novel forms of borrowing or investment. Such competitors include banks and other financial intermediaries. In addition, the formation of increasingly large banking groups, and the entry of foreign financial institutions into the Italian banking market, may allow such companies to offer products and services on terms that are more financially advantageous than those which it is able to offer as a result of their possible economies of scale.

In addition, after the enactment of the Bersani Decree, the competition in the Italian mortgage loan industry has increased. Both traditional and new lenders use heavy advertising, targeted marketing, aggressive pricing competition in an effort to expand their presence in or to facilitate their entry into the market and compete for customers. For example, certain of the Issuer's competitors have implemented aggressive pricing policies (via discount mortgages and fixed rate) to attract borrowers to re-mortgage with such lender.

This competitive environment may affect the rate at which the Issuer originates new Mortgage Loans and the Issuer may not be able to attract and retain new clients or sustain the rate of growth that it has experienced to date, which may adversely affect its market share and results of operations.

Risks associated with the legislative, accounting and regulatory context

The Issuer's business is governed by Italian domestic and EEA legislation relating to the financial and banking sectors and is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the public authority responsible for regulating the Italian securities market), the European Central Bank, the European System of Central Banks and the CSSF in Luxembourg.

The Issuer has as its corporate object, the raising of funds for investment and the provision of credit in its various forms. The Consolidated Banking Act to which the Montepaschi Group is subject governs the activities in which banks may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern 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 EEA that will affect the Montepaschi Group, including proposed regulatory initiatives that could significantly alter the Issuer's capital requirements.

In particular:

- EU Directive 2009/111/EC ("**CRD II**"), which amended EU Directives 2006/48/EC and 2006/49/EC (together, the "**CRD**") and has changed the criteria for assessing capital eligible to be included in Tier I Capital and may require the Montepaschi Group to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria.
- EU Directive 2010/76/EU ("**CRD III**") was issued on 24 November 2010 amending further the CRD as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies. This Directive

introduces a number of changes in response to the recent and current market conditions, such as:

- increase of capital requirements for trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
- imposition of higher capital requirements for re-securitisations to make sure that banks take proper account of the risks of investing in such complex financial products; and
- restriction on the remuneration payable to individuals fulfilling roles with potential impact on a bank's risk profile.

The above changes have already come into force.

In December 2010, January 2011, July 2011 and November 2011 the Basel Committee on Banking Supervision (the "**Basel Committee**"), issued documents containing a capital and liquidity reform package (the "**Basel III Proposal**"). The main proposals are summarised as follows:

- revision of the regulatory capital definition and its components, setting higher minimum levels for Common Equity Tier 1 capital adequacy ratios and introducing requirements for non-Core Tier I and Tier II capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non-viability;
- abolition of the distinction between Tier II and Tier III capital instruments and between Lower Tier II and Upper Tier II capital instruments;
- non-recognition or phasing-out of recognition of certain existing capital instruments as Common Equity Tier I Capital, Additional Tier I Capital or Tier II Capital starting from 1 January 2013;
- introduction of a capital conservation buffer designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred and a countercyclical buffer, and measures aimed at ensuring that systemically important financial institutions have loss-absorbing capacities which go beyond the minimum Basel III standards, in order to ensure that banking sector capital requirements take into account the macro-financial environment in which banks operate;
- enhancement of risk coverage of the capital requirements framework, especially regarding derivatives and other off balance sheet items (counterparty credit risk), the exposures to central counterparties (CCPs) and the values of the risk parameters under stress conditions (market, credit and counterparty credit risk);
- introduction of a leverage ratio requirement as a supplementary measure to the risk-based capital requirements;
- promotion of stronger provisioning practices mainly by moving towards a forward looking (Expected Loss) provisioning approach; and

- introduction of global common liquidity measurement standards for the banking sector, which will subject banks to minimum quantitative requirements for liquidity and increased risk weightings for "illiquid" assets.

In order to facilitate the implementation of the Basel III capital and liquidity standards in Europe, in July 2011 the European Commission proposed a legislative package to strengthen the regulation of the banking sector, through the combination of an amendment to the Capital Requirements Directive (known as the "**CRD IV**"), which governs access to deposit-taking activities while the CRD IV regulation establishes the prudential requirements institutions need to respect, and the implementation of an EU regulation (known as the "**CRR**" and, together with the CRD IV, the "**Capital Requirements Package**").

This Capital Requirements Package will replace, *inter alia*, the current Capital Requirements Directives (2006/48 and 2006/49) and aim to create a sounder and safer financial system. It is expected that the implementation of the Capital Requirements Package will potentially begin to take effect in national legislation as of January 2014 and that the application in full of all measures will have to be completed before 2019.

Significant uncertainty remains around the implementation of some of these initiatives. To the extent certain of these measures are implemented as currently proposed or announced, in particular the changes proposed or announced by the Basel Committee, they would be expected to have a significant impact on the capital and asset and liability management of the Issuer.

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

Crisis Management Directive

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 "**Crisis Management Directive**" or "**CMD**"). The stated aim of the draft CMD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise tax-payers' exposure to losses. The powers provided to authorities in the draft CMD 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 CMD 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 all or part of the business of an institution to a "bridge bank" (a publicly 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 and subordinated creditors (including holders of Tier 2 instruments 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 the senior debt bail-in tool (which is expected to be implemented by 1 January 2018), it is currently contemplated that the measures set out in the CMD (including the power of the authorities to write off 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 CMD would impact on how credit institutions and investment firms are managed, as well as, in certain circumstances, on the rights of creditors. However, the proposed CMD 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, the Bondholders will not be adversely affected by actions taken under it. In addition, there can be no assurance that, once the draft CMD is agreed upon and implemented, its application will not have a significant impact on the Montepaschi Group's results of operations, business, assets, cash flows and financial condition, as well as on funding activities carried out by the Montepaschi Group and the products and services offered by the Montepaschi Group.

Prospective investors in the Covered Bonds should consult their own advisers as to the consequences of the proposed CRD IV, CRR and CMD.

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 2% of risk-weighted assets to up to 9.5% in 2019. The 9.5% requirement will include a "capital conservation buffer requirement" of 2.5% and a "countercyclical buffer requirement" of 0-2.5% in addition to a minimum base requirement of 4.5%. The countercyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction. In addition, for each global systemically important bank ("**GSIB**") there will be additional buffer requirements on top of the 9.5%. CRD IV introduces a systemic risk buffer that credit institutions may be required to hold in addition to a capital conservation buffer and a countercyclical capital buffer in order to prevent and mitigate long term non-cyclical systemic or macro-prudential risks. The Issuer is not currently included in the list of financial institutions of global systemic importance, published on 4 November 2011 (as updated in November 2012) by the Financial Stability Board. Therefore, the Issuer has to comply by 1 January 2019 with a minimum common equity of 7 per cent.

In the event that it becomes impossible to carry out the abovementioned initiatives due to currently unforeseeable factors, the financial and economic perspectives of the Issuer and the Montepaschi Group could be affected.

Mortgage borrower protection

Italian Legislative Decree n. 141 of 13 August 2010, as subsequently amended ("**Legislative Decree 141**"), has introduced in the Consolidated Banking Act article 120 *quater*, which provides for certain measures for the protection of consumers' rights and the promotion of the competition in, *inter alia*, the Italian mortgage loan market. Legislative Decree 141 repealed article 8 (except for paragraphs 4-*bis*, 4-*ter* and 4-*quater*) of Italian Law Decree number 7 of 31 January 2007, as converted into law by Italian Law number 40 of 2 April 2007 (the "**Bersani Decree**"), replicating though, with some additions, such repealed provisions. The purpose of article 120 *quater* of the Consolidated Banking Act is to facilitate the exercise by the borrowers of their right of prepayment of the loan and/or subrogation of a new bank into the rights of their creditors in accordance with article 1202 (*surrogazione per volontà del debitore*) of the Italian civil code (the "**Subrogation**"), providing in particular that, in case of a loan, overdraft facility or any other financing granted by a bank, the relevant borrower can exercise the Subrogation, even if the borrower's debt towards the lending bank is not due and payable or a term for repayment has been agreed for the benefit of the creditor. If the Subrogation is exercised by the borrower, a new lender will succeed to the former lender also as beneficiary of all existing ancillary security interests and guarantees. Any provision of the relevant agreement which may prevent the borrower from exercising such Subrogation or render the exercise of such right more cumbersome for the borrower is void. The borrower shall not bear any notarial or administrative cost connected to the Subrogation.

Furthermore, paragraph 7 of article 120-*quater* of the Consolidated Banking Act provides that, in case the Subrogation is not perfected within 30 days from the date on which the original lender has been requested to cooperate for the conclusion of the Subrogation, the original lender shall indemnify the borrower for an amount equal to 1% of the loan or facility granted, for each month or fraction of month of delay. The original lender has the right to ask for indemnification from the subrogating lender, in case the latter is to be held liable for the delay in the conclusion of the Subrogation.

In order to mitigate the risk that, in case of delays in the conclusion of a Subrogation, the Issuer may be held liable *vis-à-vis* the relevant Debtor on the basis of paragraph 7 of article 120 *quater*, the Servicer has undertaken in the Master Servicing Agreement, *inter alia*, to timely execute the acts and deeds necessary to comply with any applicable law or regulation; the Servicer would then be obliged to indemnify the Issuer in case of breach of such undertaking.

Italian Law number 244 of 24 December 2007 (the "**2008 Budget Law**") provided for the right of borrowers, under mortgage loans related to the purchase of the primary residence ("*prima casa*") and unable to pay the relevant instalments, to request the suspension of payments of instalments due under the relevant mortgage loans on a maximum of two occasions and for a maximum aggregate period of 18 months. The 2008 Budget Law also provided for the establishment of a fund (so called "*Fondo di solidarietà*", the "**Fund**") created for the purpose of bearing certain costs deriving from the suspension of payments. On 21 June 2010 the Ministry of Economy and Finance enacted the relevant implementing regulations (*Decreto Ministeriale n. 132/2010*) providing for the possibility, for the borrowers of mortgage loans granted for the purchase of real estate property to be used as the borrower's main residence (*abitazione principale*), having a taxable income not higher than

€30,000 per year and with an amount of the relevant mortgage loan not in excess of €250,000, to request the suspension of the relevant mortgage loan upon the occurrence of one of the following events: (i) termination of their employment contract; (ii) death or cases of supervened non self-sufficiency; (iii) payment of medical expenses for an amount not lower than €5,000; (iv) extraordinary maintenance costs or renovations costs not lower than €5,000; and (v) increase of 25% of the semi-annual instalments or 20% in case of the monthly instalments. The budget of the Fund is, for each of the years 2008 and 2009, of €10,000,000.

On 18 December 2009, the Italian banking association (ABI) and certain consumers' associations have signed a convention (known as "*Piano Famiglie*") for the suspension of payment of the instalments due under mortgage loans granted to individual persons (as supplemented and extended on 26 January 2011, 25 July 2011, 31 January 2012, 31 July 2012 and 30 January 2013, the "**Convention ABI**"). The Convention ABI provides the possibility for the individuals with a taxable income of maximum €40,000 per year and with an amount of the relevant mortgage not higher than €150,000, to request, upon certain conditions, the suspension of the payment of the mortgage loan instalments for the principal component (or both the principal component and the interest component) for twelve months. In particular, a borrower is eligible for the Convention ABI if any of the following events has occurred between 1 January 2009 and 28 February 2013: (i) termination of the employment (save for termination by mutual agreement, resignation not for good reason (*giusta causa*), retirement or termination for good reason (*giusta causa* or *giustificato motivo*)); (ii) termination of any of the employments provided for by article 409, paragraph 3, of the Italian civil procedure code (save for termination by mutual agreement, withdrawal of the employer for good reason (*giusta causa*) or withdrawal of the employee for good reason (*giusta causa*)); (iii) death or cases of non self-sufficiency; (iv) suspension of the employment or reduction of the work hours for a period of at least 30 days, also prior to the admission to income support measures. The application for the suspension must be made within 31 March 2013. The banks may adhere to the Convention ABI, specifying if the borrowers may ask for the suspension only of the principal component of the instalments or also of the interest component. As a consequence debtors of the Issuer (including Debtors under the Receivables meeting the relevant subjective requirements) may benefit of the provisions of both the suspension schemes described above.

On 3 August 2009, the Italian banking association (ABI), the Italian Ministry of Economy and Finance and major Italian business associations have signed a convention (known as "*Nuove misure per il credito alle PMI*") for the suspension of payment of principal instalments in favour of small and medium sized enterprises ("**SMEs**") in financial difficulties, meeting the subjective requirements set out therein (as supplemented and extended on 28 February 2012, 21 December 2012, 20 March 2013 and 1 July 2013, the "**SME-ABI Convention**"). The suspension applies to both loans and leases. With reference to loans, the suspension is granted for a period of 12 months. The relevant amortisation plan is extended but interest continue to accrue and be payable on the original maturity. SMEs which have the requirements provided for under the SME-ABI Convention may request the suspension by 30 September 2013.

Furthermore, on 1 July 2013 the Italian banking association (ABI) and the major Italian business associations have entered into a new credit convention (known as "*Accordo per il credito 2013*") in favour of SMEs in financial difficulties (the "**SME-ABI Credit Convention**"). Pursuant to the SME-ABI Credit Convention, eligible SMEs may benefit from, *inter alia*: (i) a 12 months suspension of payment of loan instalments, whether subsidised or perfected through issuance of promissory notes; (ii) a 12 or 6 months suspension of payment of principal instalments of the leasing transactions; (iii) an extension

of the loan maturity up to 100% of the residual amortisation period, but not exceeding 3 years for unsecured loans (*mutui chirografari*), and 4 years for mortgage loans (*mutui ipotecari*); (iv) an extension of the loan maturity up to 270 days, for bank loans granted against assignment of receivables (*anticipazioni bancarie su crediti*) in respect of which one or more payments are delinquent. Eligible SMEs pursuant to the SME-ABI Convention may submit a request for payment suspensions up to 30 June 2014 and, for loans that are still under suspension as of such date, the request for the extension of the loan maturity date may be submitted within 31 December 2014.

In addition to the above, Law Decree of 13 May 2011 number 70, as converted into law by Italian Law number 106 of 12 July 2011 (the "**Decree**"), provides further measures in relation to mortgage loans. In particular, under paragraph 6 of article 8 of the Decree, until 31 December 2012, borrowers under floating rate mortgage loans granted prior to the date of the Decree for the purchase or renovation of the borrower's residence, subject to such borrowers having a taxable income of maximum €35,000 per year and an original amount of the relevant mortgage loan not higher than €200,000, can renegotiate the relevant mortgage loan switching the floating rate contractually agreed and applicable for the entire duration of the relevant mortgage loan agreement in a fixed interest rate determined in accordance with letter (b) of paragraph 6 of article 8 of the Decree. A literal interpretation of the Decree seems to suggest that (i) loans that are securitised can be the subject of the suspension provisions set out in the Decree (i.e. they are not excluded for the mere fact that the creditor is no longer the originating bank) and (ii) in case of loans that are securitised, a renegotiation under the provisions of the Decree shall be made by the originating bank in a way that allows the repayment of the loan according to the amortisation plan existing immediately prior to the renegotiation (i.e. the Issuer shall be held harmless by the renegotiation). This would seem to suggest that any amount not payable by the debtor to the Issuer following the renegotiation as compared to the previous conditions of the loan shall be paid by the originating bank to the Issuer at the times they were originally payable by the debtor. Reference in the Decree to the originating bank being subrogated to the Issuer in the mortgage following full repayment of the Issuer's claim seems to confirm this interpretation.

Although the potential effects of the above described suspension and renegotiation schemes have been taken into account by the Issuer in the context of the Securitisation, the impact thereof on the cash-flows deriving from the Portfolio and, as a consequence, on the amortisation of the Covered Bonds, may not be predicted as at the date of this Prospectus.

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 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.

According to the Over Indebtedness Law, the relevant debt restructuring agreement, subject to court approval, shall entail, among other things (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.

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.

Reduced interest rate margin

In recent years, the Italian banking sector has been characterised by increasing competition which, together with the low level of interest rates, has caused a sharp reduction in the difference between borrowing and lending rates, and has made it difficult for banks to maintain positive growth trends in interest rate margins.

Market declines and volatility

The results of the Montepaschi Group could be affected by general economic, financial and other business conditions. During a recession, there may be less demand for mortgages and other loan products and a greater number of the Montepaschi Group's 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 Montepaschi Group's debtors and counterparties can affect the overall credit quality and the recoverability of mortgages and loans and amounts due from counterparties.

Protracted market declines and reduced liquidity in the markets

In some of the Montepaschi Group'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 Montepaschi Group 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 Montepaschi Group 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 Montepaschi Group'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 Montepaschi Group's securities trading activities and its

asset management services, as well as its investments in and sales of products linked to the performance of financial assets.

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 and provided that, to the extent the Issuer Event of Default consists of an Article 74 Event, no Article 74 Event Cure Notice has been delivered, 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 (if any) 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 realisation 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 two years and one day after the date on which all Series and Tranches of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and 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 Main 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 upon delivery of an Issuer Default Notice a substitute Test Calculation Agent will be appointed by the Servicer to carry out the Amortisation Test.

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 realisation (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 Main Servicer and/or any Additional Servicer 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, each 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 Main Servicer and the Rating Agency. 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 Debtors 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 to monitor the performance by the Servicer of its obligations.

Reliance on Swap Providers

To provide a hedge against interest rate, currency and/or other risks in respect of each Series or Tranche of Covered Bonds issued under the Programme, the Guarantor may enter into one or more Swap Agreements with one or Swap Providers in respect of each Series or Tranche of Covered Bonds.

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

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

Following the service of an Issuer Default Notice, payments (other than principal payments) by the Guarantor (including any termination payment) under the 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.

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.

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 Main Seller and/or any Additional Seller 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 Main Seller and/or any Additional Seller 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 Test Calculation Agent will provide monthly reports that will set out certain information in relation to the Asset Coverage Test.

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 or the Main Servicer and, upon accession to the Programme, each Additional Servicer) 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 Agency. 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.

No due diligence on the Cover Pool

None of the 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, and the relevant representations and warranties given by the Main Seller and, upon accession to the Programme, each Additional Seller, 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 certain Tests on the Portfolio and in case of breach of a Test due to such exclusion, either the Main Seller (and/or the Additional Seller(s), if any) are obliged to integrate the Cover Pool.

Maintenance of the Cover Pool

Pursuant to the terms of the Master Assets Purchase Agreement, the Main Seller has agreed (and the Additional Seller(s), if any, will agree upon 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 shall be funded through the proceeds of the Term Loan granted by the Main Subordinated Lender under the Subordinated Loan Agreement and the New Portfolio Purchase Price will be funded through (i) any Guarantor Available Funds available in accordance with the Pre-Issuer Default Principal Priority of Payments and/or the proceeds of a Term Loan granted under the Subordinated Loan Agreement; and (ii) in certain circumstances, entirely by means of a Term Loan granted under the Subordinated Loan Agreement.

Under the terms of the Cover Pool Management Agreement, the Issuer has undertaken (and the Additional Seller(s), if any, will undertake once acceded to the Programme to ensure that on each Quarterly Test Calculation Date the Cover Pool is in compliance with the Mandatory Tests and the Asset Coverage Test. If on any Quarterly Test Calculation Date the Cover Pool is not in compliance with the above Tests, then, within the Test Grace Period, the Main Seller, (and/or, if any, any Additional Seller) will sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test(s) to be met on the Test Calculation Date falling at the end of the Test Grace Period, to be financed through the proceeds of Term Loans to be granted by the Main Seller (and/or any Additional Seller, if any). If the Cover Pool is not in compliance with the above Tests at the end of the Test Grace Period, 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 at the end of the Test Grace Period 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 Tests Notice, the Tests are not met 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. Failure to satisfy the Amortisation Test on any Quarterly Test Calculation Date following an Issuer Event of Default will constitute a Guarantor Event of Default *provided that, however*, the Amortisation Test will not apply and no Guarantor Event of Default will occur if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds.

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 23 May 2012, *inter alia*, to (i) the fulfilment of the eligibility criteria set out under Decree 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 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

Programme Resolutions may direct the sale of Eligible Assets and Top-Up Assets following the occurrence of an Issuer Event of Default

Following an Issuer Default Notice, the Guarantor or the Portfolio Manager (as defined below) may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, 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 not be sold by the Guarantor for less than an amount equal to the Adjusted Required Outstanding Principal Balance Amount (for the definition, see section "*Description of the Programme Documents - The Cover Pool Management Agreement*" below) for the relevant Series or Tranche of Covered Bonds until six months prior to the Maturity Date in respect of such Series or Tranche of Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Maturity Date, if applicable, under the Guarantee in respect of such Series or Tranche of Covered Bonds. In the six months prior to, as applicable, the Maturity Date or Extended Maturity Date, the Guarantor is obliged to sell the Eligible Assets and the Top-Up Assets for the best price reasonably available on the market, notwithstanding that such price may be less than the Adjusted Required Outstanding Principal Balance 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 Guarantor may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, sell or otherwise liquidate the assets included in the Cover Pool. 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 "*Cash-flows*" 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 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 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 (if any), to the extent the Guarantor is so directed by a Programme Resolution of the Bondholders;
- regulations in Italy that could lead to some terms of the Loans being unenforceable; and
- status of real estate market in the areas of operation of the Issuer.

Each of these factors is considered in more detail below. However, it should be noted that the Mandatory Tests, the Amortisation Test, the Asset Coverage Test and the Eligibility Criteria are intended to ensure that there will be an adequate amount of Eligible Assets and Top-Up Assets in the Cover Pool to enable the Guarantor to repay the Covered Bonds following an Issuer Event of Default, service of 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 the Segregated 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.

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 date of the sale of the relevant Portfolio 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.

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' register. 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 (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 June 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 of interest

Pursuant to article 1283 of the Italian civil code, in respect of a monetary claim or receivable, accrued interest may be capitalised after a period of not less than six months or from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. article 1283 of the Italian 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 Italian 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.

TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions of the Covered Bonds (the "**Terms and Conditions**" and, each of them, a "**Condition**"). In these Terms and Conditions, references to the "holder" of Covered Bonds and to the "Bondholders" are to the ultimate owners of the Covered Bonds, 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 regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008 and published in the Official Gazette number 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 Terms and 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 Terms and Conditions, replace or modify the Terms and Conditions for the purpose of such Series or Tranche.

1. INTRODUCTION

1.1 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 Euro 20,000,000,000 in aggregate principal amount of covered bonds (*obbligazioni bancarie garantite*) (the "**Covered Bonds**") guaranteed by MPS Covered Bond 2 S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to article 7-bis of Law number 130 of 30 April 1999 (as amended, the "**Law 130**"), Ministerial Decree 310 of the Ministry for the Economy and Finance of 14 December 2006 (the "**Decree 310**") and the regulation of the Bank of Italy of 17 May 2007 (the "**Bank of Italy Regulations**").

1.2 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 supplement, amend and replace these Terms and Conditions. The terms and conditions applicable to any particular Series or Tranche of Covered Bonds are these Terms and Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Terms and Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

1.3 Guarantee

Each Series or Tranche of Covered Bonds is the subject of a guarantee (the "**Guarantee**") entered into between the Guarantor and the Representative of the Bondholders on or about the date of the Prospectus for the purpose of guaranteeing the payments due by 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 Segregated Assets. Payments made by the Guarantor

under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments.

1.4 **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 or about the date of the Prospectus between the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer. 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 power to appoint any institution as a new Dealer in respect of the Programme or appoint 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.

1.5 **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 dematerialised form.

1.6 **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.

1.7 **The Covered Bonds**

Except where stated otherwise, all subsequent references in these Terms and 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.

1.8 **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 Terms and Conditions. References in these Terms and 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.

1.9 Summaries

Certain provisions of these Terms and 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. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Terms and Conditions the following expressions have the following meanings:

"Account Pledge Agreement" means the Italian law deed of pledge over bank accounts entered into 22 August 2013 between the Guarantor and the Representative of the Bondholders, 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.

"Accrued Interest" means, as of each 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 Financial Centre" has the meaning set out in the relevant Final Terms.

"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 (if any) which has been appointed as servicer in relation to the Assets transferred by it 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.

"Affected Party" has the meaning ascribed to that term in the Swap Agreements.

"Amortisation Test" means the Test as indicated in clause 5 of the Cover Pool Management Agreement.

"Amortisation Reserve Account" means the account denominated in Euro that will be opened in the name of the Guarantor and held with an Eligible Institution, not belonging to the Montepaschi Group, for the deposit of the Redemption Amount(s) in respect of any Series or Tranche of Covered Bonds following the service of an Issuer Event of Default Notice relating to any other Series or Tranche of Covered Bonds, or

any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Article 74 Event**" has the meaning given to it in the Terms and Conditions.

"**Article 74 Event Cure Notice**" has the meaning given to it in the Terms and Conditions.

"**Assets**" means, collectively, the Eligible Assets and the Top-Up Assets.

"**Asset Backed Securities**" means, pursuant to article 2, sub-paragraph 1, letter d), of Decree 310, the asset backed securities for which a risk weight not exceeding 20% is applicable in accordance with the Prudential Regulations - standardised approach - provided that at least 95% of the relevant securitised assets are:

- (a) Residential Mortgage Loans;
- (b) Commercial Mortgage Loans;
- (c) Public Entities Receivables or Public Entities Securities.

"**Asset Coverage Test**" means the test indicated in clause 4 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, or any other entity acting in such capacity.

"**Asset Monitor Engagement Letter**" means the engagement letter entered into on or about the date of the Prospectus between the Issuer and the Asset Monitor in order to perform specific agreed upon procedures concerning, *inter alia*, (i) the fulfilment of the eligibility criteria set out under Decree 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the calculations carried-out by the Issuer in relation to the Tests; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

"**Back-Up Servicer**" means the company that will be appointed in such capacity by the Guarantor pursuant to clause 10 of the Master Servicing Agreement.

"**Back-Up Servicer Facilitator**" means the company that will be appointed in such capacity by the Guarantor pursuant to clause 10 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 number 267 of 16 March 1942, as subsequently amended and supplemented.

"**Base Interest**" has the meaning given to the term "*Interesse Base*" pursuant to each Subordinated Loan Agreement.

"**BMPS**" means Banca Monte dei Paschi di Siena S.p.A.

"**BMPS Italian Collection Account**" means the account denominated in Euro IBAN IT31V0103014200000010305488 opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of any Collections under the Portfolios assigned by BMPS or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**BMPS Italian Securities Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of any securities transferred by the Guarantor to BMPS, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**BMPS Subordinated Loan Agreement**" means the subordinated loan agreement entered into on 30 April 2012 between the Main Subordinated Lender and the Guarantor.

"**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 case, following the delivery of a Breach of Tests Notice, the Mandatory Tests and/or the Asset Coverage Test are newly met within the Test Remedy Period, in accordance with the Terms and Conditions.

"**Breach of Tests Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the Terms and Conditions following the infringement of one of the Mandatory Tests and/or the Asset Coverage Test 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 and London and on which the 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:

- (a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) "**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;
- (c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

- (d) **"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:
- (i) 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;
 - (ii) 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
 - (iii) 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
- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"Calculation Amount" has the meaning given to that term in the relevant Final Terms

"Calculation Period" means each period between a Guarantor Calculation Date (included) and the next Guarantor Calculation Date (excluded).

"Cash Allocation, Management and Payments Agreement" means the cash allocation, management and payments agreement entered into on 23 May 2012 between, *inter alios*, the Guarantor, the Representative of the Bondholders, the Guarantor Calculation Agent, the Cash Manager and the Italian Account Bank, 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.

"Cash Manager" means BMPS or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement.

"Clearstream" means Clearstream Banking *société anonyme*, Luxembourg with offices at 42 avenue JF Kennedy, L-1855 Luxembourg.

"Collateral Security" means any security (including any loan mortgage insurance but excluding Mortgages) granted to the Main 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 Loan Agreement.

"Collection Date" means (i) prior to the service of a Guarantor Default Notice, the first calendar day of each month; and (ii) following the service of a Guarantor Default Notice, each date determined as such by the Representative of the Bondholders.

"Collection Period" means the Monthly Collection Period and/or the Quarterly Collection Period, as applicable.

"Collections" means all amounts received or recovered by each Servicer in respect of the relevant Assets included in the Cover Pool.

"Commercial Mortgage Loan" means each loan secured by a Mortgage on a Real Estate Asset used for office, commercial or other productive activities disbursed to the relevant Debtor, pursuant to a Commercial Loan Agreement and from which a Commercial Mortgage Receivable arises.

"Commercial Mortgage Loan Agreement" means each of the agreements entered into with the relevant Debtor, pursuant to which a Commercial Mortgage Loan is disbursed, as well as each deed, contract, agreement or supplement thereto or amendment thereof, or any document pertaining thereto (such as "*atti di accollo*").

"Commercial Mortgage Receivable" means, pursuant to article 2, sub-paragraph 1, letter b) of Decree 310, a receivable deriving from a Commercial Mortgage Loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any preceding mortgage loans secured by the same property does not exceed, as at the relevant Valuation Date, 60% of the value of the relevant property and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"Commingling Reserve Account" means the account denominated in Euro that will be opened in the name of the Guarantor and held with an Eligible Institution, not belonging to the Montepaschi Group, in order to post from time to time the Commingling Reserve Amount (if any) or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"Commingling Reserve Amount" means the sum actually posted from time to time to the credit of the Commingling Reserve Account, up to Target Commingling Amount in accordance with Clause 4 (*Asset Coverage Test*) of the Cover Pool Management Agreement.

"CONSOB" means *Commissione Nazionale per le Società e la Borsa*.

"Consolidated Banking Act" means Legislative Decree number 385 of 1 September 1993, as subsequently amended and supplemented.

"Consolidated Monthly Servicer's Report" means the consolidated monthly report prepared by the Main Servicer in accordance with Clause 6.3 of the Master Servicing Agreement and sent within each Monthly Servicer's Report Date pursuant to the Master Servicing Agreement.

"Corporate Services Agreement" means the corporate services agreement entered into on 23 May 2012 between, *inter alios*, the Guarantor and the Guarantor Corporate Servicer 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.

"Corresponding Interest" has the meaning given to the term "*Interesse Collegato*" pursuant to each 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.

"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 collection and recovery of Receivables from time to time adopted by the relevant Servicer.

"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 into on 23 May 2012 between, *inter alios*, the Issuer, the Guarantor, the Main Seller, the Test Calculation Agent, the Guarantor Calculation Agent and the Representative of the Bondholders, 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.

"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:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (i) 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
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) 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
 - (B) 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;
- (b) 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);

- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) 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";

- (f) 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

- (g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.

"DBRS" means DBRS Ratings Limited.

"DBRS equivalence chart" means the DBRS rating equivalent of any of the below ratings by Moody's, Fitch or S&P:

<u>DBRS</u>		<u>Moody's</u>		<u>S&P</u>		<u>Fitch</u>	
<i>Long</i>	<i>Short</i>	<i>Long</i>	<i>Short</i>	<i>Long</i>	<i>Short</i>	<i>Long</i>	<i>Short</i>
AAA	R-1 (high)	Aaa	P-1	AAA	A-1+	AAA	F1+
AA (high)	R-1 (high) or R-1 (mid)	Aa1	P-1	AA+	A-1+	AA+	F1+
AA	R-1 (high) or R-1 (mid)	Aa2	P-1	AA	A-1+	AA	F1+
AA (low)	R-1 (mid) or R-1 (low)	Aa3	P-1	AA-	A-1+	AA-	F1+ or F1
A (high)	R-1 (mid) or R-2 (low)	A1	P-1	A+	A-1	A+	F1+ or F1
A	R-1 (low)	A2	P-1 or P-2	A	A-1 or A-2	A	F1
A (low)	R-1 (low) or R-2 (high)	A3	P-2	A-	A-2	A-	F1 or F2
BBB (high)	R-1 (low) or R-2 (high)	Baa1	P-2	BBB+	A-2	BBB+	F2
BBB	R-2 (high) or R-2 (mid)	Baa2	P-2 or P-3	BBB	A-2 or A-3	BBB	F2 or F3
BBB (low)	R-2 (mid), R-2 (low) or R-3	Baa3	P-3	BBB-	A-3	BBB-	F3
BB (high)	R-3 or R-4	Ba1	Not prime	BB+	B	BB+	B
BB	R-4	Ba2	Not prime	BB	B	BB	B
BB (low)	R-4	Ba3	Not prime	BB-	B	BB-	B
B (high)	R-4	B1	Not prime	B+	B	B+	C
B	R-4 or R-5	B2	Not prime	B	B	B	C
B (low)	R-5	B3	Not prime	B-	B	B-	C
CCC (high)	R-5	Caa1	Not prime	CCC+	C	CCC+	C
CCC	R-5	Caa2	Not prime	CCC	C	CCC	C
CCC (low)	R-5	Caa3	Not prime	CCC-	C	CCC-	C
Ca	R-5	CC	Not prime	CC	C	CC	C
D	D	D	Not prime	D	C	D	C

"**Dealers**" means the Initial Dealer and any other entity that will be appointed as dealer by the Issuer pursuant to the Programme Agreement.

"**Debtor**" means (i) with reference to the Loans, any borrower and any other person, other than a Mortgagor, who entered into a Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due in respect of a Loan, as a consequence, *inter alia*, of having granted any Collateral Security or having assumed the borrower's obligation under the relevant Loan pursuant to an *accollo*, or otherwise; and (ii) with reference to the Securities, the relevant issuer.

"**Decree 239**" means the Legislative Decree number 239 of 1 April 1996, as subsequently amended and supplemented.

"**Decree 310**" means the ministerial Decree number 310 of 14 December 2006 issued by the Ministry of the Economy and Finance, as subsequently amended and supplemented.

"**Deed of Charge**" means the English law deed of charge (if any) between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors), 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.

"**Deed of Pledge**" means the Italian law deed of pledge entered into on 23 May 2012 between the Guarantor and the Representative of the Bondholders, 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.

"**Defaulting Party**" has the meaning ascribed to that term in the Swap Agreements.

"**Deposits**" means any 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 Prudential Regulations - standardised approach.

"**Drawdown Date**" means the date indicated in each Term Loan Proposal on which a Term Loan is granted pursuant to each 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.

"**Eligible Assets**" means the following assets contemplated under article 2, subparagraph 1, of Decree 310:

- (a) Mortgage Receivables;

- (b) Public Receivables;
- (c) Asset Backed Securities; and
- (d) Public Entities Securities.

"Eligible Institution" means any depository institution organised under the laws of any state which is a member of the European Union or of the United States whose long term rating debt obligations are rated at least **"BBB"** or, if such institution is not rated by DBRS, it has an Equivalent Rating corresponding to **"BBB"** from DBRS or such other rating being compliant with the criteria established by DBRS from time to 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 Maturity Date" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, 1 Business Day before the Guarantor Payment Date immediately following the relevant Eligible Investment Date.

"Eligible Investments" means:

- (a) any Euro denominated senior (unsubordinated) dematerialised (i) debt securities or (ii) other debt instruments provided that such investments (1) have a maturity not exceeding 90 days, (2) have a maturity not exceeding the next following Eligible Investments Maturity Date and (3) have a Minimum Rating, **provided that** in case of downgrade below such rating level the securities will be sold, if it could be achieved without a loss, otherwise the securities shall be allowed to mature; or
- (b) repurchase transactions between the Issuer and an Eligible Institution in respect of Euro denominated (i) debt securities or (ii) other debt instruments provided that (1) title to the securities underlying such repurchase transactions (in the period between the execution of the relevant repurchase transactions and their respective maturity) effectively passes (as confirmed by a non qualified legal opinion by a primary standing law firm) to the Issuer and the obligations of the relevant counterparty are not related to the performance of the underlying securities, (2) such repurchase transactions have a maturity date falling not later than the next following Eligible Investments Maturity Date and in any case shorter than 60 days, (3) within 30 calendar days from the date on which the institution ceases to be an Eligible Institution, such investment has to be transferred to another Eligible Institution at no costs and no loss for the Issuer, (4) such repurchase transactions provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount) and (5) the debt securities underlying the repurchase transaction satisfy the requirements (including rating requirements) set out in paragraph (a) above,

provided that:

- (1) in all cases, such investments provide a fixed principal amount at maturity (or upon disposal or liquidation, as the case may be) at least equal to the principal amount invested; and
- (2) in any event, none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of (i) credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any Guarantor Available Funds in the context of the Securitisation otherwise be invested in any such instruments at any time, or (ii) asset-backed securities, irrespective of their subordination, status or ranking, or (iii) swaps, other derivatives instruments, or synthetic securities, or (iv) any other instrument from time to time specified in the European Central Bank monetary policy regulations applicable from time to time as being instruments in which funds underlying asset-backed securities eligible as collateral for monetary policy operations sponsored by the European Central Bank may not be invested.

"Eligible Investments Securities Account" means the securities account number IT56T0103014200000010305767 opened in the name of the Guarantor with the Italian Account Bank for the deposit of any Eligible Investments represented by securities or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

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

"Equivalent Rating" means:

- (a) if a Fitch public rating, a Moody's public rating and an S&P public rating in respect of the relevant security are all available at such date, the middle lower of such three ratings, upon their conversion on the basis of the Equivalence Chart; or
- (b) if the Equivalent Rating cannot be determined under paragraph (1) above, but public ratings of the Eligible Investment by any two of Fitch, Moody's and S&P are available at such date, the lower rating available (upon conversion on the basis of the DBRS Equivalence Chart),

provided that if only one or none of a Fitch public rating, a Moody's public rating and a S&P public rating is available in respect of the relevant security, no Equivalent Rating will exist.

"EU Insolvency Regulation" means Council Regulation (EC) number 1346/2000 of 29 May 2000.

"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":

- (a) 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 the Loan Interest falling immediately before the beginning of such Loan Interest Period; or

- (b) in the event that on any date of determination of the Loan 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, upon its request of such Guarantor Calculation Agent, by the Reference Banks at 11.00 a.m. (Brussels time) on the relevant date of determination of the Loan Interest and offered to other financial institutions of similar standing for a reference period similar to such Loan Interest Period; or
- (c) 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 relevant Reference Banks; or
- (d) 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 (a) or (b) above.

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

"**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 European Union which adopt the Euro currency in accordance with the Treaty.

"**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 IT37R0103014200000010305674, or any other substitutive account that may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"**Extended Maturity Date**" means the date when final redemption payments in relation to a specific Series or Tranche of 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, (i) the principal amount of such Series or, (ii) following the occurrence of an Issuer Event of Default any part thereof payable in accordance with the Priority of Payments, or (iii) such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

"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 Series of Covered Bonds or the First Tranche of Covered Bonds issued under the Programme.

"First Loan Interest Period" means, in relation to each Term Loan, the period starting on (and including) the relevant Drawdown Date and ending on (but excluding) the first following Guarantor Payment Date.

"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.

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms.

"Fixed Interest Term Loan" means each Term Loan granted under the relevant Subordinated Loan Agreement in respect of which a fixed rate Corresponding Interest applies as indicated in the relevant Term Loan Proposal and corresponding to the interest payable on the Corresponding Series or Tranche of Covered Bonds.

"Fixed Rate Provisions" has the meaning set out in Condition 5 (*Fixed Rate Provisions*).

"Floating Interest Term Loan" means each Term Loan granted under the relevant 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.

"Guarantee" means the agreement entered into on or about the date of the Prospectus, between the Guarantor, the Issuer and the Representative of the Bondholders, pursuant to which the Guarantor has granted a guarantee for the purpose of guaranteeing the payments owed by the Issuer to the Bondholders pursuant to Law 130, Decree 310 and the Bank of Italy Regulations, 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.

"Guarantee Priority of Payments" has the meaning ascribed to such term in clause 7.2 of the Intercreditor Agreement.

"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.

"Guarantee Priority of Payments" has the meaning ascribed to such term in the section "Cash Flows" of the Prospectus.

"Guarantor" means MPS Covered Bond 2 S.r.l. acting in its capacity as guarantor pursuant to the Guarantee.

"Guarantor's Accounts" means, collectively, each Italian Collection Account, each Italian Securities Account (if any), the Payments Account (if any), the Main Programme Account, the Expenses Account, the Eligible Investments Securities Account, the Reserve Account, the Amortisation Reserve Account, the Commingling Reserve Account (if any) and any other account opened in the context of the Programme, with the exception of the Quota Capital 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 Cash Allocation, Management and Payments Agreement.

"Guarantor Calculation Date" means:

- (a) until the Transaction Accounts are opened with, and held by, BMPS acting in the capacity of Italian Account Bank, the date falling on the 24th calendar day of each January, April, July and October of each year or, if any such day is not a Business Day, the immediately following Business Day;
- (b) starting from the quarterly Guarantor Calculation Date immediately following the transfer of the Transaction Accounts to the New Italian Account Bank in accordance with clauses 5.6.2 and 12.4.2 of the Cash Allocation Management and Payments Agreement, the 24th calendar day of each calendar month of each year or, if any such day is not a Business Day, the immediately following Business Day.

"Guarantor Corporate Servicer" means Securitisation Services S.p.A. or any other entity acting in such capacity pursuant to the Corporate Services Agreement.

"Guarantor Default Notice" means the notice to be served by the Representative of the Bondholders upon occurrence of a Guarantor Event of Default, in accordance with the Terms and Conditions.

"Guarantor Event of Default" has the meaning given to it in Condition 13.3 (*Guarantor Events of Default*).

"Guarantor Payment Date" means:

- (a) prior to the delivery of a Guarantor Default Notice,
 - (i) until the Transaction Accounts are opened with, and held by, BMPS acting in the capacity of Italian Account Bank, the 29th calendar day of January, April, July and October of each year or, if any such day is not a Business Day, the immediately following Business Day, provided that the first Guarantor Payment Date falls on 30 July 2012; or
 - (ii) starting from the quarterly Guarantor Payment Date immediately following the transfer of the Transaction Accounts to the New Italian Account Bank in accordance with clauses 5.6.2 and 12.4.2 of the Cash Allocation Management and Payments Agreement, the 29th calendar day of each calendar month of each year or, if any such day is not a Business Day, the immediately following Business Day;
- (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 Terms and Conditions and the Intercreditor Agreement.

"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 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) with respect to each other Eligible Asset or Top-Up Asset (including the Receivables), such other value, pursuant to article 7-*bis*, sub-paragraph 7, of Law 130, as indicated by the Main 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 Dealer" means MPS Capital Services Banca per le Imprese S.p.A.

"Initial Portfolio" means the first portfolio of Residential Mortgage Receivables and related Security Interests purchased on 30 April 2012 by the Guarantor from the Main Seller pursuant to the Master Assets Purchase Agreement.

"Initial Portfolio Purchase Price" means the consideration paid by the Guarantor to the Main Seller for the transfer of the Initial Portfolio, calculated in accordance with the Master Assets Purchase Agreement.

"Insolvency Event" means in respect of any company, entity or corporation that:

- (a) 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
- (b) an application for the commencement of any of the proceedings under (a) 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
- (c) 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
- (d) 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 Italian 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
- (e) 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 Loan Agreement, each instalment due by 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 subject to a Mortgage 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 into on 23 May 2012 between, *inter alios*, the Guarantor and the Other Guarantor Creditors, 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.

"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:

- (a) any interest amounts and/or yield collected by the relevant Servicer in respect of the Cover Pool and credited into the Main Programme Account during the immediately preceding Collection Period;
- (b) all Recoveries in the nature of interest received by the relevant Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;
- (c) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Guarantor's Accounts during the immediately preceding Collection Period;
- (d) 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 any amounts standing to the credit of the Reserve Account;
- (e) all amounts in respect of interest and/or yield received from the Eligible Investments;
- (f) any amounts received under the Swap Agreement(s), *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 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;
- (g) all interest amounts received from the relevant Seller by the Guarantor pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

- (h) any amounts paid as Interest Shortfall Amount out of item (*First*) of the Pre-Issuer Default Principal Priority of Payments; and
- (i) 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" means the Test as described in the section of the Prospectus entitled "*Credit Structure – Mandatory Tests – Interest Coverage Test*".

"Interest Instalment" means the interest component of each Instalment.

"Interest Payment Date" means, in relation to each Series or Tranche of Covered Bonds, any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms, adjusted in accordance with the relevant Business Day Convention if specified in the relevant Final Terms.

"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 Sixth* 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, as set out in the applicable Final Terms.

"Issuer" means BMPS.

"Issuer Event of Default" has the meaning given to it in Condition 13.2 (*Issuer Events of Default*).

"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 in accordance with the Terms and Conditions.

"Italian Account Bank" means BMPS in its capacity as Italian Account Bank or any other entity acting in such capacity pursuant to the terms of the Cash Allocation, Management and Payments Agreement.

"Italian Collection Account" means, as the case may be, the BMPS Italian Collection Account and/or 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 Account" means the BMPS Italian Securities Account and/or any other account which may be opened by the Guarantor for the deposit of any Securities represented by bonds, debentures, notes or other financial instruments in book entry form transferred by a Seller to the Guarantor or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"Law 130" means Italian Law number 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

"Loan" means each Mortgage Loan or Public Loan, as the case may be.

"Loan Agreement" means each Mortgage Loan Agreement or Public Loan Agreement, as the case may be.

"Loan Interest" means any of the Base Interest or the Corresponding Interest, pursuant to the relevant Subordinated Loan Agreement.

"Loan Interest Period" means, in relation to each Term Loan: (i) the relevant First Loan Interest Period; and thereafter (ii) each period starting on (and including) a Guarantor Payment Date and ending on (but excluding) the following Guarantor Payment Date.

"Main Programme Account" means the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank (IBAN IT18P0103014200000010305581), or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"Main Seller" means BMPS.

"Main Servicer" means BMPS.

"Main Subordinated Lender" means BMPS in its capacity as Subordinated Lender pursuant to the BMPS Subordinated Loan Agreement.

"Mandate Agreement" means the mandate agreement entered into on or about 23 May 2012 between the Guarantor and the Representative of the Bondholders, 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.

"Mandatory Tests" means, collectively, the Nominal Value Test, the Net Present Value Test and the Interest Coverage test, each as provided for under article 3 of Decree 310 and calculated pursuant to clause 3 of the Cover Pool Management Agreement.

"Margin" has the meaning ascribed to the term "Margine" in each Subordinated Loan Agreement.

"Master Assets Purchase Agreement" means the master assets purchase agreement entered on 30 April 2012 between the Guarantor, the Main Seller and, following accession to the Programme, each Additional Seller, 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.

"Master Definitions Agreement" means the master definitions agreement entered into on 23 May 2012 between the parties of the Programme Documents, 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.

"Master Servicing Agreement" means the master servicing agreement entered on 30 April 2012 between the Guarantor, the Main Servicer and, following accession to the Programme, each Additional Servicer, 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.

"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.

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

"Minimum Rating" means:

- (a) with respect to investments with a maturity date equal to or lower than 30 days:
 - (i) a DBRS short-term unsecured and unsubordinated rating of at least "**R-2 (middle)**" or a long-term unsecured and unsubordinated rating of at least "**BBB**", or
 - (ii) (in the absence of a rating from DBRS) an Equivalent Rating equal (upon conversion on the basis of the DBRS Equivalence Chart above) to "**R-2 (middle)**" in respect of short term debt or "**BBB**" in respect of long term debt;
- (b) with respect to investments with a maturity date higher than 30 days but equal to or lower than 90 days:
 - (i) a DBRS short-term unsecured and unsubordinated rating of at least "**R-1 (low)**" or a long-term unsecured and unsubordinated rating of at least "**A (low)**", or
 - (ii) (in the absence of a rating from DBRS) an Equivalent Rating equal (upon conversion on the basis of the DBRS Equivalence Chart) to "**R-1 (low)**" in respect of short term debt or "**A (low)**" in respect of long term debt;
- (c) with respect to investments with a maturity date higher than 90 days but equal to or lower than 180 days:

- (i) a DBRS short-term unsecured and unsubordinated rating of at least "**R-1 (low)**" or a long-term unsecured and unsubordinated rating of at least "**A**", or
 - (ii) (in the absence of a rating from DBRS) an Equivalent Rating equal (upon conversion on the basis of the DBRS Equivalence Chart) to "**R-1 (low)**" in respect of short term debt or "**A**" in respect of long term debt;
- (d) with respect to investments with a maturity date higher than 180 days but equal to or lower than 365 days:
- (i) a DBRS short-term unsecured and unsubordinated rating of at least "**R-1 (middle)**" or a long-term unsecured and unsubordinated rating of at least "**A (high)**"; or
 - (ii) (in the absence of a rating from DBRS) an Equivalent Rating equal (upon conversion on the basis of the DBRS Equivalence Chart) to "**R-1 (middle)**" in respect of short term debt or "**A (high)**" in respect of long term debt.

"**Montepaschi Group**" means, together, the banks and other companies belonging from time to time to the banking group "Gruppo Monte dei Paschi", 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 number 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 of the Initial Portfolio and ending on (but excluding) the Collection Date falling in June 2012.

"**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 Mortgage Receivables.

"**Mortgage Loan**" means each Residential Mortgage Loan or Commercial Mortgage Loan.

"**Mortgage Loan Agreement**" means any Residential Mortgage Loan Agreement or Commercial Mortgage Loan Agreement.

"**Mortgage Receivable**" means each Residential Mortgage Receivable or Commercial Mortgage Receivable.

"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.

"Net Present Value Test" means the Test as described in the section of the Prospectus entitled "*Credit Structure – Mandatory Tests – Net Present Value Test*".

"New Italian Account Bank" means any entity who succeeded to the Italian Account Bank in the capacity of new Italian account bank pursuant to the Cash Allocation, Management and Payments Agreement.

"New Portfolio" means each 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, without prejudice for the provisions set out under clause 6 of the Master Assets Purchase Agreement.

"Nominal Value Test" means the Test as described in the section of the Prospectus entitled "*Credit Structure – Mandatory Tests – Nominal Value Test*".

"Official Gazette of the Republic of Italy" means the *Gazzetta Ufficiale della Repubblica Italiana*.

"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 Main Seller and each Additional Seller, if any, the Main Servicer and each Additional Servicer, if any, the Back-up Servicer Facilitator and/or the Back-up Servicer, if any, the Main Subordinated Lender and each Additional Subordinated Lender, if any, the Guarantor Calculation Agent, the Test Calculation Agent, the Dealer(s), the Representative of the Bondholders, each Swap Provider, the Italian Account Bank, the New Italian Account Bank, if any, the Cash Manager, the Principal Paying Agent, the Paying Agent(s), if any, the Guarantor Corporate Servicer and the Portfolio Manager, if any.

"Other Securities" means, pursuant to article 2, sub-paragraph 3.3 of Decree 310, any securities with a maturity not higher than one year issued by 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 Prudential Regulations - standardised approach.

"Outstanding Principal Balance" means any Principal Balance outstanding in respect of any Asset included in the Cover Pool.

"Paying Agent" means, together, 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:

- (a) 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
- (b) 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 opened in the name of the Guarantor (IBAN: IT 55 J 01030 14200 000010919851) and held by the Principal Paying Agent 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 which may be appointed as portfolio manager pursuant to the Cover Pool Management Agreement.

"Post-Enforcement Priority of Payments" has the meaning ascribed to such term in the section "*Cash Flows*" of the Prospectus.

"Post-Issuer Default Test Performance Report" means, on each Quarterly Test Calculation Date falling after the service of an Issuer Default Notice, the report prepared by the Test Calculation Agent setting out the calculations carried out by it with respect to the Amortisation Test and specifying whether such Test was not met, **provided that** the Amortisation Test shall not apply and the Post Issuer Default Test Performance Report must not be delivered by the Test Calculation Agent and, accordingly, no Guarantor Event of Default will occur, if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds.

"Pre-Issuer Default Interest Priority of Payments" has the meaning ascribed to such term in the section "*Cash Flows*" of the Prospectus.

"Pre-Issuer Default Principal Priority of Payments" has the meaning ascribed to such term in the section "*Cash Flows*" of the Prospectus.

"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 report prepared by the Test Calculation Agent setting out the calculations

carried out by it with respect to the Mandatory Tests and the Asset Coverage Test and specifying whether any of such Tests was not met.

"**Premium**" has the meaning ascribed to that term in each Subordinated Loan Agreement.

"**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 or deposited in the relevant ledger of the Amortisation Reserve Account) on or prior to that day; and (b) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount referred to in letter (a) above in respect of all Covered Bonds outstanding.

"**Principal Available Funds**" means in respect of any Guarantor Payment Date, the aggregate of:

- (a) all principal amounts collected by each Servicer in respect of the Cover Pool and credited to the Main Programme Account during the immediately preceding Collection Period;
- (b) all other Recoveries in respect of principal received by each Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;
- (c) all principal amounts received by the Guarantor from each Seller pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;
- (d) the proceeds of any disposal of Assets and any disinvestment of Assets;
- (e) any amounts granted by each Subordinated Lender under the relevant Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Top-Up Asset;
- (f) all amounts other than in respect of interest received under any Swap Agreement;
- (g) any amounts paid out of item *Tenth* of the Pre-Issuer Default Interest Priority of Payments;
- (h) any amount paid to the Guarantor by the Issuer upon exercise by or on behalf of the Guarantor of the rights of subrogation (*surrogazione*) or recourse (*regresso*) against the Issuer pursuant to article 4, paragraphs 3 and 4 of Decree 310; and
- (i) after (a) delivery of an Issuer Default Notice in respect of any Series or Tranche of Covered Bonds and the deferral of the Maturity Date relating to such Series or Tranche of Covered Bonds to the Long Due for Payment Date and (b) occurrence of the relevant Maturity Date in respect of any other Series or Tranche of Covered Bonds, any Final Redemption Amount(s) accumulated on the Amortisation Reserve Account, **provided that** the Guarantor will allocate and pay such Final Redemption Amount(s) recorded on the ledgers of

the Amortisation Reserve Account only pursuant to item (*Sixth*), letter (b) of the Guarantee Priority of Payments in respect of the corresponding Series or Tranche of Covered Bonds (excluding payment of any other items of the applicable Priority of Payments);

- (j) any principal amounts standing (other than amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period.

"Principal Balance" means:

- (a) 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;
- (b) for any Security as at any given date, the principal amount outstanding of that Security (plus any accrued but unpaid interest thereon).

"Principal Financial Centre" has the meaning set out in the relevant Final Terms.

"Principal Instalment" means the principal component of each Instalment.

"Principal Paying Agent" means BMPS or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments 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 Agreement" means the programme agreement entered into on 23 May 2012 between the Issuer, the Guarantor, the Representative of the Bondholders and the Initial Dealer, 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.

"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 Guarantee, the Corporate Services Agreement, the Swap Agreements (if any), the Mandate Agreement, the Quotaholders' Agreement, the Prospectus, the Terms and Conditions, the Deed of Pledge, the Account Pledge Agreement, the Deed of Charge (if any), 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 euro 20,000,000,000.

"Programme Term Loan" means each Term Loan granted under the relevant Subordinated Loan Agreement in respect of which the Base Interest applies pursuant to terms of the relevant Subordinated Loan Agreement.

"Prospectus" means the prospectus prepared in the context of the issuance of the First Series of Covered Bonds, as eventually amended and supplemented from time to time.

"Prudential Regulations" means the prudential regulations for banks issued by the Bank of Italy on 27 December 2006 with Circular number 263, as subsequently amended and supplemented.

"Public Entities" means any public entities indicated by article 3, sub-paragraphs 2 and 3 of Decree 310.

"Public Entities Receivable" means, pursuant to article 2, sub-paragraph 1, letter c) of Decree 310, any receivable:

- (a) disbursed to:
 - (i) Public Entities of member states of the European Economic Area or Switzerland for which a maximum 20% risk weight is applicable in accordance with the Prudential Regulations - standardised approach; and
 - (ii) Public Entities of states other than members of the European Economic Area or Switzerland for which a 0% risk weight is applicable in accordance with the Prudential Regulations- standardised approach or Public Entities of states other than members of the European Economic Area or Switzerland for which a maximum 20% risk weight is applicable in accordance with the Prudential Regulations - standardised approach, provided that such receivables shall not exceed the 10% of the aggregate nominal value of the Cover Pool; or
- (b) which have been benefit of a guarantee eligible for credit risk mitigation granted by the Public Entities under paragraphs (i) and (ii) above.

"Public Entities Securities" means pursuant to article 2, sub-paragraph 1, letter c) of Decree 310, any securities issued by or which have benefit of a guarantee eligible for credit risk mitigation granted by:

- (a) Public Entities of member states of the European Economic Area or Switzerland for which a maximum 20% risk weight is applicable in accordance with the Prudential Regulations - standardised approach; and
- (b) Public Entities of states other than members of the European Economic Area or Switzerland for which a 0% risk weight is applicable in accordance with the Prudential Regulations- standardised approach or Public Entities of states other than members of the European Economic Area or Switzerland for which a maximum 20% risk weight is applicable in accordance with the Prudential Regulations - standardised approach, provided that such securities shall not exceed the 10% of the aggregate nominal value of the Cover Pool

"Public Loan" means each public loan disbursed to the relevant Debtor pursuant to a Public Loan Agreement and from which a Public Entities Receivable arises.

"Public Loan Agreement" means any agreement entered with the relevant Debtor from which a Public Loan is disbursed, as well as each deed, contract, agreement or supplement thereto or amendment thereof, or any document pertaining thereto (such as "*atti di accollo*").

"Purchase Price" means, as applicable, the Initial Portfolio Purchase Price or each 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 Date of January, April, July and October and ending on (but excluding), respectively, the Collection Date of April, July, October and January; and (b) in the case of the first Quarterly Collection Period, the period commencing on (but excluding) the Valuation Date of the Initial Portfolio and ending on (but excluding) the Collection Date falling in July 2012.

"Quarterly Test Calculation Date" means the 24th calendar day of January, April, July and October of each year or, if any such day is not a Business Day, the immediately following 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 Monte dei Paschi di Siena S.p.A., Conegliano branch, IBAN IT 68 M 01030 61621 000001285811, for the deposit of the Quota Capital.

"Quotaholders" means BMPS and SVM Securitisation Vehicles Management S.r.l., as quotaholders of the Guarantor.

"Quotaholders' Agreement" means the Quotaholders' agreement entered on 23 May 2012 between, *inter alios*, the Guarantor and the Quotaholders, 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.

"Rate of Exchange" has the meaning given to that term 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 the Terms and Conditions and/or the relevant Final Terms.

"Rating Agency" means DBRS.

"Real Estate Assets" means the real estate properties which have been mortgaged in order to secure the Receivables.

"Receivables" means each Mortgage Receivable and/or Public Entities Receivable and every right arising under the relevant Loans pursuant to the law and the Loan Agreements, including but not limited to:

- (a) all rights and claims in respect of the repayment of the Principal Instalments due and not paid at the relevant Valuation Date (excluded);
- (b) all rights and claims in respect of the payment of interest (including the default interest) accruing on the Loans, which are due from (but excluding) the relevant Valuation Date;
- (c) the Accrued Interest;
- (d) all rights and claims in respect of each Mortgage and any Collateral Security (if any) relating to the relevant Loan Agreement;
- (e) all rights and claims under and in respect of the Insurance Policies (if any); and
- (f) 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 Assets and/or any Delinquent Assets.

"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 Terms and 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 each Subordinated Loan Agreement, means four financial institutions of the greatest importance, acting on the interbank market of the member states of the European Union, as selected by the relevant Subordinated Lender and notified to the Guarantor Calculation Agent.

"Reference Rate" has the meaning ascribed to it in the relevant Final Terms.

"Regular Period" means:

- (a) 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;
- (b) 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
- (c) 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 Securitisation Services S.p.A. or any other entity acting in such capacity pursuant to the Programme Documents.

"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,

where:

"A" is the sum of all the amounts to be paid by the Guarantor on the next following Guarantor Payment Date (i) under items from *First* to *Third* of the Pre-Issuer Default Interest Priority of Payments and (ii) as compensation for the activity of any of the Main 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 6 (six) months period following the relevant Guarantor Calculation Date, which (i) in respect of the first quarter following the relevant Guarantor Calculation Date, shall be the interest payable on the

relevant Series of Covered Bonds calculated on the basis of the reference rate (the "**Fixed Rate**") specified for such series of Covered Bonds pursuant to the applicable Final Terms; and (ii) in respect of the second quarter, shall be the interest payable on the relevant Series of Covered Bonds calculated on the basis of the same Fixed Rate.

"**Reserve Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank (IBAN: IT 68 P 01030 14200 000010919758) or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"**Reserve Amount**" means the funds standing to the credit of the Reserve Account from time to time.

"**Residential Mortgage Loan**" means each loan secured by a Mortgage on a Real Estate Asset used for residence (*uso di abitazione*) disbursed to the relevant Debtor pursuant to a Residential Loan Agreement and from which a Residential Mortgage Receivable arises.

"**Residential Mortgage Loan Agreement**" means each of the agreements entered into with the relevant Debtor, pursuant to which a Residential Mortgage Loan is disbursed, as well as each deed, contract, agreement or supplement thereto or amendment thereof, or any document pertaining thereto (such as "*atti di accollo*").

"**Residential Mortgage Receivable**" means, pursuant to article 2, sub-paragraph 1, letter a) of Decree 310, a receivable deriving from a Residential Mortgage Loan, in respect of which the relevant amount outstanding added to the principal amount outstanding of any preceding mortgage loans secured by the same property, does not exceed, as at the relevant Valuation Date, 80 per cent of the value of the relevant property and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"**Retention Amount**" means an amount equal to euro 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**" means collectively the Asset Backed Securities, the Public Entities Securities and the Other Securities.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Security**" means the security created pursuant to the Deed of Pledge, the Account Pledge Agreement and the Deed of Charge (if any).

"**Security Interest**" means:

- (a) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;

- (b) 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
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

"**Segregated Assets**" means the Guarantor's assets consisting of (a) the Cover Pool, (b) any amounts paid by the relevant Debtors and/or the Swap Providers and/or (c) any amounts received by the Guarantor pursuant to any other Programme Documents.

"**Segregation Event**" means the event occurring upon delivery of a Breach Test Notice pursuant to the Terms and Conditions.

"**Seller**" means any of the Main Seller and any Additional Seller pursuant to the Master Assets Purchase Agreement.

"**Series**" or "**Series of Covered Bonds**" means each series of Covered Bonds issued in the context of the Programme.

"**Servicer**" means any of the Main Servicer and any Additional Servicer pursuant to the Master Servicing Agreement.

"**Servicer Termination Event**" means any event as indicated in clause 10.1 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.

"**Subordinated Lender**" means any of the Main Subordinated Lender and any Additional Subordinated Lender pursuant to the relevant Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means, as the case may be, the BMPS Subordinated Loan Agreement or any other subordinated loan agreement entered between an Additional Subordinated Lender and the Guarantor 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.

"**Subordinated Loan Availability Period**" means the period starting from the date of execution of 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 Terms and Conditions and the applicable Final Terms, in which the relevant Subordinated Lender may disburse to the Guarantor, on each Drawdown Date, a Term Loan.

"**Subscription Agreement**" means each subscription agreement entered on or about the Issue Date of each Series or Tranche of Covered Bonds between, *inter alios*, each Dealer and the Issuer.

"Substitute Servicer" means, with reference to each Servicer, the substitute which will be appointed upon the occurrence of a Servicer Termination Event pursuant to clause 10.6 of the Master Servicing Agreement.

"Swap Agreements" means any swap agreement which may be entered into by the Guarantor in the context of the Programme, 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.

"Swap Providers" means any entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement in the context of the Programme.

"Target Commingling Amount" means the positive difference between (y) the amount of principal and interest of the outstanding Portfolio that could be subject to commingling risk and (x) the Reserve Amount (if any) posted to the Reserve Account, as set out in clause 4 (*Asset Coverage Test*) of the Cover Pool Management 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 subdivision 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 these terms and conditions.

"Test Calculation Agent" means BMPS or any other entity acting in such capacity pursuant to the Cover Pool Management Agreement, as the case may be.

"Test Calculation Date" means, following the delivery of a Test Performance Report evidencing the breach of any of the Mandatory Tests and/or Asset Coverage Test, the 24th calendar day of the second calendar month falling after the delivery of such Test Performance Report.

"Test Grace Period" means the period starting on the Test Performance Report Date on which a Test Performance Report notifying the breach of any of the Mandatory Tests and/or of the Asset Coverage Test is notified by the Test Calculation Agent and ending on the following Test Calculation Date.

"Test Performance Report" means the Pre-Issuer Default Test Performance Report or the Post-Issuer Default Test Performance Report, as the case may be.

"Test Performance Report Date" means (i) the 24th calendar day of each January, April, July and October of each year, and (ii) upon delivery of a Test Performance Report evidencing the breach of any of the Mandatory Tests and/or Asset Coverage Test, the 24th calendar day of the second calendar month following the delivery of such Test Performance Report.

"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 Quarterly Test Calculation Date.

"Tests" means, collectively, the Mandatory Tests, the Asset Coverage Test and the Amortisation Test and **"Test"** means any of them.

"Top-Up Assets" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree 310, each of the following assets:

- (a) Deposits; and
- (b) Other Securities.

"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.

"Transaction Accounts" means the accounts opened with the Italian Account Bank under the Programme, other than the BMPS Italian Collection Account.

"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 5 to the Master Assets Purchase Agreement.

"Treaty" means the treaty establishing the European Community.

"Usury Law" means 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 (i) with respect to the Initial Portfolio, 27 April 2012 and (ii) with respect to any New Portfolios, the date that will be agreed between the relevant Seller and the Guarantor.

"Warranty and Indemnity Agreement" means the warranty and indemnity agreement entered on 30 April 2012 between the Main Seller and the Guarantor, and, following accession to the Programme, each Additional Seller, 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.

"Zero Coupon Covered Bonds" means the Covered Bonds, bearing no interest, which may be offered and sold at a discount to their nominal amount, as specified in the applicable Final Terms.

"15% Limit" means the maximum limit (as may increased or decreased from time to time in accordance with the applicable laws and regulations) of the aggregate amount of Top-Up Assets included in the Cover Pool, which may not be from time to time in excess of 15% of the aggregate outstanding principal amount of the Eligible Assets included in the Cover Pool.

2.2 Interpretation

In these Terms and Conditions:

- 2.2.1 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 12 (*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 Terms and Conditions;
- 2.2.2 any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Terms and Conditions;
- 2.2.3 if an expression is stated in Condition 2.1 (*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;
- 2.2.4 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;
- 2.2.5 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
- 2.2.6 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. The Covered Bonds will be issued in dematerialised form or in any other form as set out in the relevant Final Terms. The Covered Bonds issued in 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 (i) article 83-*bis* of the Financial Laws Consolidation Act, and (ii) the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008 and published in the Official Gazette number 54 of 4 March 2008, as subsequently amended and supplemented from time to time. The Covered Bonds issued in 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 dematerialised form. The rights and powers of the Bondholders may only be exercised in accordance with these Terms and Conditions and the Rules.

4. STATUS AND GUARANTEE

4.1 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.

4.2 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

5.1 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.

5.2 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 11 (*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).

5.3 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.

5.4 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 AND INDEX-LINKED OR OTHER VARIABLE-LINKED INTEREST PROVISIONS

6.1 Application

This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions or the Index-Linked or Other Variable-Linked Interest Provisions are specified in the relevant Final Terms as being applicable.

6.2 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 11 (*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).

6.3 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:

- (a) 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;
- (b) 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;
- (c) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) 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:
 - (i) 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
 - (ii) determine the arithmetic mean of such quotations; and
- (d) 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.

6.4 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:

- 6.4.1 the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- 6.4.2 the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- 6.4.3 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.

6.5 Index-Linked or Other Variable-Linked Interest

If the Index-Linked or Other Variable-Linked Interest Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Covered Bonds for each Interest Period will be determined in the manner specified in the relevant Final Terms.

6.6 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 lower than the minimum so specified.

6.7 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.

6.8 Calculation of other amounts

If the relevant Final Terms specifies that any other amount is to be calculated by the Principal Paying Agent, then the Principal Paying Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Principal Paying Agent in the manner specified in the relevant Final Terms.

6.9 **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.

6.10 **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**

7.1 **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.

7.2 **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:

7.2.1 the Reference Price; and

7.2.2 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. **PARTLY-PAID PROVISIONS**

8.1 **Application**

This Condition 8 is applicable to the Covered Bonds only if the Partly-Paid Provisions are specified in the relevant Final Terms as being applicable.

8.2 **Rate of Interest**

Interest will accrue on the paid up nominal amount of such Covered Bonds or as otherwise specified in the applicable Final Terms.

9. **DUAL CURRENCY PROVISIONS**

9.1 **Application**

This Condition 9 is applicable to the Covered Bonds only if the Dual Currency Provisions are specified in the relevant Final Terms as being applicable.

9.2 **Rate of Interest**

If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. **REDEMPTION AND PURCHASE**

10.1 **Scheduled redemption**

Unless previously redeemed or cancelled and subject as otherwise specified in the relevant Final Terms, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10.2 (*Extension of maturity*) and Condition 11 (*Payments*).

10.2 **Extension of maturity**

10.2.1 Without prejudice to Condition 13 (*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 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 shall 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.

- 10.2.2 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.
- 10.2.3 The Guarantor shall notify the relevant holders of the Covered Bonds, the Representative of the Bondholders, any relevant Swap Provider(s), the Rating Agency 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.
- 10.2.4 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.
- 10.2.5 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.

10.3 **Redemption for tax reasons**

- 10.3.1 The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:
- (a) at any time (if neither the Floating Rate Provisions nor the Index-Linked or Other Variable-Linked Interest Provisions are specified in the relevant Final Terms as being applicable); or
 - (b) on any Interest Payment Date (if the Floating Rate Provisions or the Index-Linked or Other Variable-Linked Interest 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:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*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

- (ii) 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:

- (i) 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
- (ii) 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.

10.3.2 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 of 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 10.3 (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 10.3 (*Redemption for tax reasons*).

10.4 **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).

10.5 **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 10.5 (*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 10.5 (*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 10.5 (*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.

10.6 **Partial redemption**

If the Covered Bonds are to be redeemed in part only, on any date in accordance with Condition 10.4 (*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 the Covered Bonds issued in dematerialised form 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 10.4 (*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.

10.7 **Early redemption of Zero Coupon Covered Bonds**

10.7.1 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:

- (a) the Reference Price; and
- (b) 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.

10.7.2 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 10.7 (*Early redemption of Zero Coupon Covered Bonds*) or, if none is so specified, a Day Count Fraction of 30E/360.

10.8 **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 10.8 (*Redemption by instalments*) the outstanding principal amount of each such Covered Bonds shall be reduced by the relevant Instalment Amount for all purposes.

10.9 **No other redemption**

The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Condition 10.1 (*Scheduled redemption*) to 10.8 (*Redemption by instalments*) above or as specified in the relevant Final Term.

10.10 **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.

10.11 **Cancellation**

All Covered Bonds which are redeemed shall be cancelled and may not be reissued or resold.

11. **PAYMENTS**

11.1 **Payments through clearing systems**

Payment of interest and repayment of principal in respect of the Covered Bonds issued in dematerialised form 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.

11.2 Other modalities of payments

Payment of interest and repayment of principal in respect of the Covered Bonds issued in a form other than dematerialised will be made through the agent or registrar and pursuant to the modalities provided for in the relevant Final Terms.

11.3 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 12 (*Taxation*). No commissions or expenses shall be charged to Bondholders in respect of such payments.

11.4 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.

12. TAXATION

12.1 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:

- (a) 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 239 with respect to any Covered Bonds and in all circumstances in which the procedures set forth in Decree 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
- (b) 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
- (c) 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

- (d) 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.

12.2 Taxing jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Terms and Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

13. SEGREGATION EVENT AND EVENTS OF DEFAULT

13.1 Segregation Event

13.1.1 A Breach of Tests Notice will be delivered by the Representative of the Bondholders in case of breach of any of the Mandatory Tests and/or the Asset Coverage Test on the relevant Quarterly Test Calculation Date, which in either case has not been remedied within the applicable Test Grace Period.

13.1.2 Upon delivery of a Breach of Tests Notice, a Segregation Event will occur and:

- (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;
- (d) the Main Servicer (and any Additional Servicer, if any) will be prevented from carrying out renegotiations of the Loans pursuant to the Master Servicing Agreement; and
- (e) payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Default Notice has been delivered.

13.1.3 Following the delivery of a Breach of Tests Notice, but prior to the delivery of an Issuer Default Notice, if the relevant Test(s) is/are then newly met within the Test Remedy Period, the Representative of the Bondholders will promptly deliver to the Issuer and the Guarantor a Breach of Tests Cure Notice informing such parties that the Breach of Tests Notice then outstanding has been revoked.

13.2 Issuer Events of Default

13.2.1 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 Business Days, in case of amounts of interest, or 20 Business Days, in case of amounts of principal, as the case may be; or
- (b) *Breach of other obligations*: a material breach by the Issuer of any obligation under the Programme Documents occurs (other than payment obligations referred to in item (a) (*Non-payment*) above) 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) *Breach of Tests*: following the delivery of a Breach of Tests Notice, any of the Mandatory Tests or the Asset Coverage Test is not met at the end of the Test Remedy Period, unless a Programme Resolution of the Bondholders is passed resolving to extend the Test Remedy Period,

then the Representative of the Bondholders shall, or, in the case of the event under item (b) (*Breach of other obligations*) above shall, if so directed by a Programme Resolution, 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 (d) (*Article 74 Event*) above, that the Issuer Event of Default may be temporary.

13.2.2 Upon the service of an Issuer Default Notice:

- (a) *Application of the Segregation Event provisions*: the provisions governing the Segregation Event referred to in Condition 13.1.2 shall apply; and
- (b) *Guarantee*: (i) interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under the Terms and 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. In this respect, the payment of any Guaranteed Amounts which are Due for Payment in respect of a Series or Tranche of Covered Bonds whose Interest Payment Date or Maturity Date (or Extended Maturity Date, if applicable) falls within two Business Days immediately after delivery of an Issuer Default Notice, will be made by the Guarantor within the date falling five Business Days following such delivery, it being understood that the above provision will apply only (A) in respect of the first Interest Payment Date of the relevant

Series or Tranche of Covered Bonds and (B) in respect of the Maturity Date (or Extended Maturity Date, if applicable) of the Earliest Maturing Covered Bonds; (ii) the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall be entitled to request from the Issuer an amount up to the Guaranteed Amounts and any sum so received or recovered from the Issuer will be used to make payments in accordance with the Guarantee; and

- (c) *Disposal of Assets*: the Guarantor may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, sell or otherwise liquidate the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement,

provided that, in case of the Issuer Event of Default determined by a resolution issued in respect of the Issuer pursuant to article 74 of the Consolidated Banking Act (referred to under item (d) (*Article 74 Event*) above) (the "**Article 74 Event**"), the effects listed in items (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) during the Suspension Period, the Guarantor shall be responsible for the payments of the amounts due and payable under the Covered Bonds, in accordance with Decree 310, and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds.

13.3 Guarantor Events of Default

13.3.1 If, following the delivery of an 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 Guaranteed Amount under the Guarantee and such breach is not remedied within the next following 10 Business Days, in case of amounts of interests, or 15 Business Days, in case of amounts of principal, as the case may be; or
- (b) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; or
- (c) *Breach of other obligations*: a material breach of any obligation under the Programme Documents by the Guarantor occurs (other than payment obligations referred to in item (a) (*Non-payment*) above) which is not remedied within 30 days after the Representative of the Bondholders has given written notice thereof to the Guarantor; or
- (d) *Breach of the Amortisation Tests*: the Amortisation Tests is breached on any Quarterly Test Calculation Date, **provided that** the Amortisation Test shall not apply and no Guarantor Event of Default will occur, if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds,

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 Programme Resolution of the Bondholders is passed resolving otherwise.

13.3.2 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) *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 under Condition 12.1 (*Gross-up by Issuer*)) in accordance with the Priority of Payments;
- (c) *Disposal of Assets*: the Guarantor the Guarantor may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, sell or otherwise liquidate the 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.

13.4 **Determinations, etc**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 13 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.

14. **LIMITED RECOURSE AND NON PETITION**

14.1 **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 310 and the Bank of Italy Regulations. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the Segregated Assets 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.

14.2 **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:

14.2.1 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;

14.2.2 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;

14.2.3 until the date falling two years and one day after the date on which all Series and Tranches of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and 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

14.2.4 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.

15. **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.

16. **REPRESENTATIVE OF THE BONDHOLDERS**

16.1 **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

representative of the Organisation of the Bondholders is made by the Bondholders subject to and in accordance with the Rules.

16.2 Initial appointment

In the Programme Agreement, the Dealer has appointed the Representative of the Bondholders to perform the activities described in the Mandate Agreement, in the Programme Agreement, in these Terms and 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 First 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.

16.3 Acknowledgment by Bondholders

Each Bondholder, by reason of holding Covered Bonds:

- (a) 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
- (b) acknowledges and accepts that no Dealer shall 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.

17. AGENTS

17.1 In acting under the Cash Allocation, Management and Payments Agreement and in connection with the Covered Bonds, the Issuer will act as Principal Paying Agent and, within 30 Business Days following delivery of an Issuer Default Notice or a Guarantor Default Notice, the Guarantor will appoint, subject to the prior consent of the Main Servicer, a substitute Principal Paying Agent.

17.2 The Principal Paying Agent and its initial Specified Office is set out in these Terms and Conditions. Any additional Paying Agents and their Specified Offices are specified in the relevant Final Terms. The Issuer and, upon delivery of an Issuer Default Notice, 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, upon delivery of an Issuer Default Notice, 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.

17.3 Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Bondholders.

18. **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.

19. **NOTICES**

19.1 **Notices given through Monte Titoli**

Any notice regarding the Covered Bonds issued in 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.

19.2 **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.

20. **ROUNDING**

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in these Terms and 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.

21. **GOVERNING LAW AND JURISDICTION**

21.1 **Governing law**

The Covered Bonds, and any non-contractual obligations arising out of, or in connection with them, will be governed by Italian law, or with reference to a specific Series or Tranche of Covered Bonds, any other law set out in the relevant Final Terms. These Terms and Conditions and the related Programme Documents will be governed by Italian law, except for the Swap Agreements and the Deed of Charge (if any), which will be governed by English law.

21.2 **Jurisdiction**

The courts of Siena have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.

21.3 **Relevant legislation**

Anything not expressly provided for in these Terms and 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 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 of and subscription of the Covered Bonds of the first Series to be issued and is governed by the Rules of the Organisation of the Bondholders set out therein ("**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 Terms and Conditions of the Covered Bonds of each Series or Tranche issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

2.1.1 In these Rules, the terms set out below 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 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 individual who takes the chair in accordance with Article 8 (*Chairman of the Meeting*) of the Rules.

"**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.

"**Holder**" in respect of a Covered Bond means the ultimate owner of such Covered Bond. "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 83-*quater* of the Financial Laws Consolidation Act and includes any depositary banks approved by Clearstream and Euroclear.

"**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, or by means of a Written Resolution adopted by, the Bondholders of all Series and or Tranches, resolving to (i) direct the Representative of the Bondholders to take any action pursuant to Condition 13.2 (*Issuer Events of Default*), Condition 13.3 (*Guarantor Events of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (ii) take any other action stipulated in the Terms and Conditions or Programme Documents as requiring a Programme Resolution.

"**Proxy**" means a person appointed to vote under a Voting Certificate as a proxy or the 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.

"**Resolutions**" means Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolution, collectively.

"**Swap Rate**" means, in relation to a Covered Bond, Series or Tranche of Covered Bonds, the rate specified in any Swap Agreement relating to such Covered Bond, Series or Tranche of Covered Bonds or, if there is no 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 any 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 that:

- (i) 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
- (c) 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 the place where the Paying Agents have their Specified Office.

"48 hours" means 2 consecutive periods of 24 hours.

- 2.1.2 Unless otherwise provided in these Rules, or the context requires otherwise, words and expressions used in the Rules shall have the meanings and the constructions ascribed to them in the Terms and Conditions to which the Rules are attached.

2.2 Interpretation

- 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.
- 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.
- 2.2.3 Any reference to any Transaction Party in these Rules 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 **Issue**

- 4.1.1 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.
- 4.1.2 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.

4.2 **Expiry of validity**

A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.

4.3 **Deemed Holder**

So long as a Voting Certificate or Block Voting Instruction is valid, the party 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 refers for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

4.4 **Mutually exclusive**

A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bond.

4.5 **References to the blocking or release**

Reference 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 AND VOTING CERTIFICATES**

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 Office of the Principal Paying Agent, or at any other place approved by the Representative of the Bondholders, at least 24 hours before the time of 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 Holder 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 Meetings 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 13.2 (*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 Agent, 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 (*Time and place of Meetings*).

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 Certificate 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 Covered 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 defines the terms for 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

9.1 The quorum at any Meeting will be:

- 9.1.1 in the case of an Ordinary Resolution, one 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, one 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, one 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, one 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, the Deed of Pledge or the Account Pledge Agreement (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 one 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, one 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.

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, the, 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 a 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 a quorum*).

13. **PARTICIPATION**

The following categories of persons may attend and speak at a Meeting:

- (a) Voters;
- (b) the directors and the auditors of the Issuer and the Guarantor;
- (c) representatives of the Issuer, the Guarantor and the Representative of the Bondholders;
- (d) financial advisers to the Issuer, the Guarantor and the Representative of the Bondholders;
- (e) legal advisers to the Issuer, the Guarantor and the Representative of the Bondholders;
- (f) 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 euro 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 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 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 **Powers exercisable by Ordinary Resolution**

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 the Rules or of the Terms and 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 Terms and 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 Terms and 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 Terms and 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 Terms and 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 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;
- 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; and
- 18.2.11 direct the Representative of the Bondholders to take any action pursuant to Condition 13.2.1 (i) (*Issuer Events of Default – Breach of other obligations*) and Condition 13.3.1 (iii) (*Guarantor Events of Default - Breach of other obligations*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*).

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 13.2.1 (i) (*Issuer Events of Default – Breach of other obligations*) and Condition 13.3.1 (iii) (*Guarantor Events of Default - Breach of other obligations*) and including, following delivery of an Issuer Default Notice and/or Guarantor Default Notice, the power to direct the sale the Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement, 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 Terms and Conditions or any Programme Document to be taken by Programme Resolution. For the avoidance of doubts, two or more Extraordinary Resolutions taken by the Bondholders of different Series or Tranche at separate meetings and resolving upon the matters referred to above in the same way shall be deemed to be considered as a sole 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 Terms and 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 the 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 at such Meeting 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 (including a Programme 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 14 (*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 the 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 Extraordinary Resolution or Programme Resolution of the Bondholders in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Bondholders which will be Securitisation Services S.p.A.

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 European Union, 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 the Consolidated Banking Act and the relevant implementing regulations applicable to it as a financial intermediary; 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 Extraordinary Resolution or Programme Resolution of the Bondholders pursuant to Article 18.2 (*Extraordinary Resolutions*) or Article 18.3 (*Programme Resolutions*) 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 the appointment of which 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 Guarantor shall pay to the Representative of the Bondholders an initial fee and reimburse and pay any costs and expenses (including legal fees) incurred by it in the context of the Programme, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. The Guarantor shall also pay to the Representative of the Bondholders an on-going annual fee and pay and reimburse any costs and expenses (including legal fees) incurred and documented by it in the context of the Programme in accordance with the relevant Priority of Payments.

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, 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 is representative**

The Representative of the Bondholders is the 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 initiate and 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 these 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 Article 29.1 (*Limited obligations*), 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 Terms and 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;
 - (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 authority in connection with the 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 not be responsible for or 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;
- 29.2.7 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;
- 29.2.8 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 Issuer 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;
- 29.2.9 shall not be under any obligation to guarantee or procure the repayment of the assets contained in the Cover Pool or any part thereof;
- 29.2.10 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;
- 29.2.11 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;
- 29.2.12 shall not be responsible (except as expressly provided in the Terms and Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Programme Document;
- 29.2.13 shall not be under any obligation to insure the Cover Pool or any part thereof;
- 29.2.14 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;
- 29.2.15 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;
- 29.2.16 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

29.2.17 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

29.2.18 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 13.2 (*Issuer Events of Default*) and Condition 13.3 (*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 **Illegality**

No provision of the 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 sole 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 sole 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**

The Representative of the Bondholders may call for, and shall be at liberty to accept as sufficient evidence:

30.2.1 as to any fact or matter *prima facie* within the Issuer's knowledge, a certificate duly signed by an authorised representative of the Issuer on its behalf;

30.2.2 that such is the case, a certificate of an authorised representative of the Issuer on its behalf 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 **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,

30.6.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Terms and Conditions or any Programme Document;

30.6.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.6.3 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.

30.7 **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.

30.8 **Rating Agencies**

The Representative of the Bondholders shall be entitled to (a) base its actions, among other things and for the purposes of exercising any power, authority, duty or discretion under, or in relation to these Rules, on rating actions, including where the rating is placed under review with negative or positive implications, having been or being taken in relation to the Covered Bonds and, accordingly (b) maintain that such exercise would not be materially prejudicial to the interests of the Bondholders. It is agreed and acknowledged by the Representative of the Bondholders, and notified to the Bondholders, that a credit rating (i) is an assessment of credit and does not address other matters that may be of

relevance to the Bondholders, and (ii) it is expressly agreed and acknowledged that such information does not impose on or extend to the Rating Agency in any respect any actual or contingent liability to the Representative of the Bondholders, the Bondholders or any other third party or create any legal relations between the Rating Agency and the Representative of the Bondholders, the Bondholders or any other third party by way of contract or otherwise. 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 Agency as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Bondholders may inform the Issuer or the Guarantor, as the case may be, which will then obtain such views at their 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 or the Guarantor, as the case may be.

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 Terms and 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 Terms and 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 Terms and 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 19 (*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.

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 Terms and 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 Terms and 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 the 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 the 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 these Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

TITLE IV

THE ORGANISATION OF THE BONDHOLDERS AFTER SERVICE OF A NOTICE

35. **POWERS TO ACT ON BEHALF OF THE GUARANTOR**

It is hereby acknowledged that, upon service of a Guarantor Default Notice or, prior to the 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 representative 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 representative 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

36. **GOVERNING LAW**

These Rules and any non-contractual obligations arising out of or in connection with it are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

37. **JURISDICTION**

The Courts of Siena 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 the Rules and any non-contractual obligations arising out thereof or in connection therewith.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendments, will be completed for each Series or 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] (the "Covered Bonds")**

**Guaranteed by
MPS Covered Bond 2 S.r.l. (the "Guarantor")
under the €20,000,000,000 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 [28 August 2013] [and the supplement[s] to the prospectus dated [•]] which [together] constitute[s] a prospectus (the "**Prospectus**"). These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with the Conditions and the Prospectus [as so supplemented]. 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 Prospectus [as so supplemented]. The Prospectus [, including the supplement[s]] [is/are] available for viewing at www.mps.it.

[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, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus.]

- | | | | |
|----|-------|-----------------------|--|
| 1. | (i) | Issuer: | Banca Monte dei Paschi di Siena S.p.A. |
| | (ii) | Guarantor: | MPS Covered Bond 2 S.r.l. |
| 2. | (iii) | Series Number: | [•] |
| | (iv) | Tranche Number: | [•] |

(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible)

- | | | |
|----|---|-----|
| 3. | Specified Currency or Currencies | [•] |
|----|---|-----|

4. **Aggregate Nominal Amount:**
- (i) Series: [•]
- (ii) Tranche: [•]
5. **Issue Price:** [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
6. (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 euro [100,000] or equivalent plus multiples of a lower principal amount.*)
- (ii) Calculation Amount: [•]
7. (iii) Issue Date: [•]
- (iv) Interest Commencement Date: [*Specify/Issue Date/Not Applicable*]
8. **[Dematerialised Form/Registered Form/Other Form]:** [•]
9. **Maturity Date:** [*Specify date or Interest Payment Date falling in or nearest to the relevant month and year.*]
- [*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Covered Bonds is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Covered Bonds must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the Financial Services and Markets Act 2000 must be available.*]
10. **Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Guarantee:** [*Long Due for Payment Date*] / [*Specify date or Interest Payment Date falling in or nearest to the relevant month*]

and year]

11. **Interest Basis:** [[•] per cent. Fixed Rate][*Specify reference rate*] +/- [*Margin*] per cent. Floating Rate]
[Zero Coupon]
[Index-Linked or Other Variable-Linked Interest]
[Other (*Specify*)]
(further particulars specified below)
12. **Redemption/Payment Basis:** [Redemption at par]
[Index Linked or Other Variable-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*Specify*)]
13. **Change of Interest or Redemption/Payment Basis:** [*Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/ payment basis*]
14. **Put/Call Options:** [Not Applicable]
[Investor Put]
[Issuer Call]
[(further particulars specified below)]
15. **[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)]
16. **Method of distribution:** [Syndicated/Non-syndicated]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
17. **Fixed Rate Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Rate(s) of Interest: [•] per cent. per annum [payable [annually/semi annually/quarterly/monthly /other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with [*specify 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) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: [Not Applicable/*give details*]

18. Floating Rate Provisions

[Applicable/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/Other (give
details)]
- (vi) Additional Business Centre(s): [Not Applicable/give details]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination:/ISDA Determination/Other (give details)]
- (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 Dates: [•]
 - Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. Italian time]
 - Relevant Financial Centre [For example, Euro -zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (x) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (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)]
- (xv) Fall back provisions, rounding provisions, denominator and any [•]

other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions:

19. **Zero Coupon Provisions:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Any other formula/basis of determining amount payable: [Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [10.4] (Early redemption of Zero Coupon Covered Bonds)]
20. **Index-Linked or Other Variable-Linked Interest Provisions:** [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (v) Index/Formula/other variable: [Give or annex details]
- (vi) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) due (if not the Principal Paying Agent): [•]
- (vii) Provisions for determining Interest Amount where calculated by reference to Index and/or Formula and/or other variable: [•]
- (viii) Interest Determination Date(s): [•]
- (ix) Provisions for determining Interest Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (x) Interest or calculation period(s): [•]
- (xi) Specified Period: [•]
- (xii) 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 ")

- (xiii) Business Day Convention: [Floating Rate Convention/
Following Business Day Convention/
Modified Following Business Day Convention/
Preceding Business Day Convention/ Other
(give details)]
- (xiv) Additional Business Centre(s) [•]
- (xv) Minimum Rate/Amount of Interest: [•] per cent. per annum
- (xvi) Maximum Rate/Amount of Interest: [•] per cent. per annum
- (xvii) Day Count Fraction [•]

21. Dual Currency Covered Bonds Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: of [give details]
- (ii) Party, if any, responsible for calculating the principal and/or Interest Amount due (if not the Principal Paying Agent): [•]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

PROVISIONS RELATING TO REDEMPTION

22. Call Option

[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs 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:

(a) Minimum Redemption Amount: [•] per Calculation Amount

(b) Maximum Redemption Amount [•] per Calculation Amount

(iv) Notice Period: [•]

23. **Put Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Optional Redemption Date(s): [•]

(ii) Optional Redemption Amount(s) of each Covered Bonds and method, if any, of calculation of such amount(s): [•] per Calculation Amount

(iii) Notice Period [•]

24. **Final Redemption Amount of Covered Bonds** [•] per Calculation Amount

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

(i) Index/Formula/variable [give or annex details]

(ii) Party responsible for calculating the Final Redemption Amount (if not the Principal Paying Agent): [•]

(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [•]

(iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: [•]

- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) Interest Payment Date: [•]
- (vii) Minimum Final Redemption Amount: [•]
- (viii) Maximum Final Redemption Amount: [•]

25. 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 and/or the method of calculating the same (if required or if different from that set out in the Conditions): *[Not Applicable (If both the Early Termination Amount (Tax) and the Early Termination Amount are the principal amount of the Covered Bonds/specify 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

26. Form of Notes

Bearer Notes

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

27. New Global Note

[Yes/No] *[or give details]*

28. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details]
[Note that this paragraph relates to the date and place of payment, and not interest period and dates, to which such paragraphs 17(ii), 18(vi) and 20(x) relate]
29. Details relating to Covered Bonds issued on a partly paid basis: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: [Not Applicable/give details]
30. 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/give details]
31. Redenomination provisions: [Redenomination [not] applicable (If Redenomination is applicable, specify the terms of the redenomination in an annex to the Final Terms)]
32. Other final terms: [Not Applicable/give details]

DISTRIBUTION

33. (i) If syndicated, names, business addresses and underwriting commitments of [Managers/Lead Managers] [Not Applicable/give names and business address]
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers/Lead Managers.)
- (ii) Date of Subscription Agreement [•]
- (iii) Name(s) [and business address(es)] of Stabilising Manager(s) (if any) [Not Applicable/give names and business address]
34. If non syndicated, name [and business address(es)] of Dealer [Not Applicable/give names and business address]

35. U.S. Selling Restrictions: [Reg. S Compliance Category 2]/[TEFRA D/TEFRA C/Not Applicable]
36. Additional selling restrictions: [Not Applicable/give details]

ISSUER DETAILS

Further information in respect of the Issuer is provided, pursuant to Article 2414 of the Italian civil code, in the Schedule hereto.

GOVERNING LAW

[Italian law] /[The Covered Bonds are governed by [•] law]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and admission to trading on [specify market] of the Covered Bonds (*Obbligazioni bancarie garantite*) described herein] pursuant to the [•] Covered Bond (*Obbligazioni bancarie garantite*) Programme of Banca Monte dei Paschi di Siena S.p.A.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Banca Monte dei Paschi di Siena S.p.A.

By:.....

Duly authorised

Signed on behalf of MPS Covered Bond 2 S.r.l.

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing [Official list/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 [EuroTLX/specify other regulated market] with effect from [•].] [Not Applicable.]

(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:

[DBRS]

[S&P]

[Fitch]

[Moody's]

[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.)

[Not applicable (if not rated)]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

[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 the Prospectus, so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer."]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reason for the offer: [•]

(if reasons for offer are different from making profit and/or hedging certain risks will need to include those reasons here.)

(ii) Estimated net proceeds: [•]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) Estimated total expenses: [•]

[Include breakdown of expenses, including total expenses related to the admission to trading]

5. **[Fixed Rate Covered Bonds only - YIELD**

Indication of yield: [•]

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. **[Index-Linked or Other Variable-Linked Covered Bonds only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

(Need to include:

(i) *details of the exercise price or the final reference price of the underlying;*

(ii) *details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident;*

- (iii) *description of any market disruption or settlement disruption events that affect the underlying;*
- (iv) *adjustment rules in relation to events concerning the underlying;*
- (v) *where the underlying is a security, the name of the issuer of the security and its ISIN or other such security identification code;*
- (vi) *where the underlying is an index, the name of the index and a description if composed by the Issuer and, if the index is not composed by the Issuer, details of where the information about the index can be obtained;*
- (vii) *where the underlying is not an index, equivalent information;*
- (viii) *where the underlying is an interest rate, a description of the interest rate; and*
- (ix) *where the underlying is a basket of underlyings, disclosure of the relevant weightings of each underlying in the basket.*

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information, except if required by any applicable laws and regulations].]

8. **[Dual Currency Covered Bonds only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

(Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.)

9. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [Specify Code / Not Applicable]

Any Relevant Clearing System(s) [other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme] and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and Specified Offices of additional Paying Agent(s) (if any) [•]

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.]

10. **[FURTHER INFORMATION IN RESPECT OF THE ISSUER]**

Name	Banca Monte dei Paschi di Siena S.p.A.
Objects:	<p>The object of the Issuer, as set out in article 3 of its by-laws, is as follows.</p> <p>The granting of credit and the acceptance of deposits in their various forms in Italy and abroad.</p> <p>The Issuer may engage in any banking, financial and intermediation transaction or service, subject to obtaining the necessary official approval and to comply with the relevant legislation; it may also undertake any other operation that is conducive or otherwise related to achieving its object.</p>
Registered office:	Piazza Salimbeni, 3, 53100, Siena, Italy
Company's registered number:	Companies register of Siena, number 00884060526
Amount of paid-up share capital and reserves:	[•]

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

Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**") 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 (number 5274) and with the companies register (number 00884060526). BMPS has its registered office in Piazza Salimbeni 3, 53100, Siena, Italy (telephone number: +39 0577 294 111) and has a share capital of Euro 7,484,508,171.08 fully paid up. BMPS's duration is to 31 December 2100 and 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 "**Montepaschi 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 (closed-ended and open-ended mutual funds, management of customer investment portfolios, life insurance policies and pension funds), brokerage services and corporate finance (project finance, merchant banking, financial consulting).

Any other information concerning the Montepaschi Group, relating, *inter alia*, the history, the financial results, the bond indebtedness and the management is available on BMPS's website (www.mps.it).

THE GUARANTOR

Introduction

The Guarantor was incorporated in the Republic of Italy on 08 February 2012 pursuant to Law 130 as a limited liability company (*società a responsabilità limitata*) under the name "SPV 2 Covered Bond S.r.l." and changed its name into "MPS Covered Bond 2 S.r.l." by the resolution of the meeting of the Quotaholders held on 27 April 2012 and enrolled into the companies' registry of Treviso on 04 May 2012. The Guarantor is registered at the companies' registry of Treviso under registration number 04508680263. The registered office of the Guarantor is at Via Vittorio Alfieri, 1 - 31015 Conegliano (TV), Italy and its telephone number is 0438 360926. The Guarantor is registered under registration number 42017 in the register held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act. The Guarantor has no employees and no subsidiaries. The Guarantor's by-laws provides for the termination of the same on 31 December 2100 subject to one or more extensions to be resolved, in accordance with the by-laws, by a Quotaholders' resolution.

Principal Activities

The sole purpose of the Guarantor under the objects clause in its by-laws is the ownership of the Cover Pool and the granting to Bondholders of the Guarantee. From the date of its incorporation the Guarantor has not carried out any business activities nor has incurred in any financial indebtedness other than those incurred in the context of the Programme.

Quota Capital

The outstanding capital of the Guarantor is euro 10,000.00 divided into quotas as described below. As at the date of this Prospectus, the quotaholders of the Guarantor are as follows:

Quotaholders	Quota
SVM Securitisation Vehicles Management S.r.l.	Euro 1,000.00 (10% of capital)
BMPS	Euro 9,000.00 (90% of capital)

The Guarantor has not declared or paid any dividends or, save as otherwise described in this Prospectus, incurred any indebtedness.

Management

Board of Directors

The following table sets out certain information regarding the current members of the Board of Directors of the Guarantor.

<u>Name</u>	<u>Position</u>	<u>Principal activities performed outside the Guarantor</u>
Franco Cecchi	Chairman of the Boards of Directors and managing Director	Franco Cecchi, head of the Head the special processing and services area for securitisations and special credits of Banca

Name	Position	Principal activities performed outside the Guarantor
		Monte dei Paschi di Siena S.p.A. (" <i>Area Processi e Servizi Specialistici del Credito Servizio Crediti Speciali e Cartolarizzazioni</i> ").
Riccardo Igne	Managing Director	Riccardo Igne, analyst of Finanziaria Internazionale Securitisation Group S.p.A.
Tamara Haegi	Director	Tamara Haegi, an employee of Banca Monte dei Paschi di Siena S.p.A.

The business address of the Board of Directors of the Guarantor is Via V. Alfieri, 1, 31015 Conegliano (TV), Italy.

Board of Statutory Auditors

Under the Quotaholders' Agreement the Quotaholders have undertaken that, if, at any time, they decide to appoint a supervisory body, one single Statutory Auditor will be appointed upon indication from BMPS.

On 27 April 2012, Mr Paolo Bocci was appointed as single Statutory Auditor of the Guarantor.

Conflict of Interest

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

The Quotaholders' Agreement

Pursuant to the term of the Quotaholders' Agreement entered into on 23 May 2012 (as amended from time to time), 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 and prior notice the Rating Agency. 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.

The Guarantor has not, from the date of its incorporation, carried out any business activities nor has incurred in any financial indebtedness (other than those incurred in the context of the Programme).

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 2012 and the year ended on 31 December 2013.

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 its incorporation 08 February 2012 and the end of its first financial year (31 December 2012).

The financial statements of the Guarantor, for the year ended on 31 December 2012, have been approved by the meeting of the quota-holders of the Guarantor on 29 April 2013.

DESCRIPTION OF THE PROGRAMME DOCUMENTS

GUARANTEE

On 23 May 2012, the Issuer, 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. 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 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 Segregated Assets. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

The Guarantor, pursuant to the Guarantee, shall pay or procure to be paid to the Bondholders in accordance:

- (a) following the service of an Issuer Default Notice on the Issuer and on the Guarantor (but prior to a Guarantor Event of Default), and without prejudice to the effects of (i) a Suspension Period and (ii) an Extended Maturity Date being specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds, 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 each relevant Interest Payment Date, in accordance with the Guarantee Priority of Payments. In this respect, the payment of any Guaranteed Amounts which are Due for Payment in respect of a Series or Tranche of Covered Bonds whose Interest Payment Date or Maturity Date (or Extended Maturity Date, if applicable) falls within two Business Days immediately after delivery of an Issuer Default Notice, will be made by the Guarantor within the date falling five Business Days following such delivery, it being understood that the above provision will apply only (A) in respect of the first Interest Payment Date of the relevant Series or Tranche of Covered Bonds and (B) in respect of the Maturity Date (or Extended Maturity Date, if applicable) of the Earliest Maturing Covered Bonds; or
- (b) following the service of a Guarantor Default Notice on the Guarantor, the Guaranteed Amounts in respect of the Covered Bonds of each Series or Tranche (which shall have become immediately due and repayable), in accordance with the Post-Enforcement Priority of Payments.

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.

Under the Guarantee the parties thereto have agreed that:

- (a) 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 310, the rights of the Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds; and
- (b) 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 and shall be construed in accordance with Italian law.

SUBORDINATED LOAN AGREEMENTS

On 30 April 2012, BMPS, as Main Subordinated Lender, and the Guarantor entered into the BMPS Subordinated Loan Agreement, pursuant to article 7-*bis* of Law 130 under which BMPS, acting as Main Subordinated Lender, granted to the Guarantor a term loan facility in an aggregate amount equal to the Total Commitment (as may be increased from time to time by any amount required to meet the Tests), for the purposes of funding the purchase price of the Eligible Assets and/or Top-Up Assets pursuant to the terms of the Master Asset Purchase Agreement and the Cover Pool Management Agreement.

To the extent an Additional Seller will accede to the Programme, it will enter into a Subordinated Loan Agreement with the Guarantor having, *mutatis mutandis*, the terms and conditions of the BMPS Subordinated Loan Agreement.

Under the terms of the Subordinated Loan Agreements, the Main Seller and each Additional Seller, if any, in their capacity, respectively, as Main Subordinated Lender and Additional Subordinated Lender(s), 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*, (a) funding the purchase price of the Eligible Assets included in the Initial Portfolio; (b) funding, in whole (upon delivery by the Test Calculation Agent of a Test Performance Report showing the breach of any of the Tests) or in part, the purchase price of the Eligible Assets and Top-Up Assets to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement and the Cover Pool Management Agreement in order to remedy the breach of any of the Tests; (c) funding (in whole or in part) the purchase price of the Eligible Assets to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement and the Cover Pool Management Agreement in order to comply with the 15% Limit with respect to

the Top-Up Assets, and/or (d) funding (in whole or in part) the purchase price of any Eligible Assets and Top-Up Assets transferred to the Guarantor pursuant to the Master Assets Purchase Agreement for overcollateralisation purposes.

Each Floating Interest Term Loan or Fixed Interest Term Loan will be granted for the purpose of, *inter alia*, funding (in whole or in part) (a) 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 (b) the repayment (in whole or in part) of any Term Loan previously granted.

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 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 Programme Term Loan, unless repaid in full prior to such date, shall be repaid on the Guarantor Payment Date immediately following the Maturity Date or the Extended Maturity Date, as applicable, of the latest maturing Series or Tranche of Covered Bonds, within the limits of the then Guarantor Available Funds and in accordance with the relevant Priority of Payments.

Each Floating Interest Term Loan or Fixed Interest Term Loan, unless repaid in full prior to such date, shall be repaid in full on the Guarantor Payment Date immediately following the date that matches the Maturity Date (or, as applicable, the Extended Maturity Date) of the Corresponding Series of Covered Bonds through (i) the Principal Available Funds (provided that, to the extent such amounts are insufficient for such purpose, the above provisions governing the repayment of the Programme Term Loans will apply) or (ii) the granting of a Programme Term Loan, and shall be payable within the limits of the then Guarantor Available Funds and in accordance with the relevant Priority of Payments.

Pursuant to the Subordinated Loan Agreement(s), no amounts under the Subordinated Loan Agreements (either as repayment of principal or payment of interest or Premium) will become due to the relevant Subordinated Lender upon occurrence of (a) a Segregation Event, until delivery of a Breach of Tests Cure Notice; or (b) an Issuer Event of Default or a Guarantor Event of Default, until payment or discharge in full by the Guarantor of any other amounts ranking higher the repayment of Term Loans pursuant to the applicable Priority of Payments.

Amounts owed to each Subordinated Lender by the Guarantor under the Subordinated Loan Agreements will be subordinated to amounts owed by the Guarantor under the Covered Bond Guarantee.

Governing law

The Subordinated Loan Agreement and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian law.

MASTER ASSETS PURCHASE AGREEMENT

On 30 April 2012, 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 Main 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.

Under the Master Assets Purchase Agreement, upon satisfaction of certain conditions set out therein, BMPS (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, 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 such New Portfolios, in order to supplement the Cover Pool in connection with the issuance by BMPS 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.

New Portfolios may only be offered or purchased if the following conditions are satisfied:

- (a) a Guarantor Default Notice has not been served on the Guarantor;
- (b) with respect to any assignment of Eligible Assets and/or Top-Up Assets made by the relevant Seller(s) in order to (i) supplement the Cover Pool against the issuance of further Series or Tranche of Covered Bonds, or (ii) ensure that the Cover Pool complies with the Tests; and/or (iii) comply with the 15% Limit, sufficient Principal Available Funds are available at the relevant Execution Date for the payment of the purchase price relating to the assigned New Portfolio or the Guarantor received from the relevant Seller(s) the necessary amounts pursuant to the Subordinated Loan Agreement;
- (c) with respect to any assignment made for over-collateralisation purposes, no Breach of Tests Notice or Issuer Default Notice has been served, and sufficient Principal Available Funds are available at the relevant Execution Date for the payment of the purchase price relating to the assigned New Portfolio or the Guarantor received from the relevant Seller(s) the necessary amounts pursuant to the Subordinated Loan Agreement;
- (d) with respect to any assignment of Eligible Assets, such transfer will not result in a breach of any requirements of law (including, but not limited to, Law 130, Decree 310 and the Bank of Italy Regulations); and
- (e) with respect to any assignment of Top-Up Assets, such transfer will not result in a breach of the 15% Limit in accordance with Decree 310 and the Bank of Italy Regulations.

The Initial Portfolio Purchase Price payable pursuant to the Master Assets Purchase Agreement was 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 1st January 2012 (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 2012 (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, in the fourth in fifth and in the sixth Portfolio was equal to the sum of the Individual Purchase Price of all the Assets included in the relevant Portfolio at the relevant Valuation Date.

The Receivables comprised in the Initial Portfolio and in the second, in the third, in the fourth in fifth and in the sixth Portfolio met, at the relevant Valuation Date, the Common Criteria and the Specific Criteria set out in the Master Assets Purchase Agreement (all such criteria are described in detail in the section headed "*Description of the Cover Pool*").

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 as from time to time specified in the relevant Transfer Proposal.

The transfer of the Initial Portfolio was made in accordance with article 58, paragraphs 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 53 of 5 May 2012 and filed for publication in the companies register of Treviso on 7 May 2012.

The transfer of the second Portfolio was made in accordance with article 58, paragraphs 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 76 of 30 June 2012 and filed for publication in the companies register of Treviso on 29 June 2012.

The transfer of the third Portfolio was made in accordance with article 58, paragraphs 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 103 of 1 September 2012 and filed for publication in the companies register of Treviso on 30 August 2012.

The transfer of the fourth Portfolio was made in accordance with article 58, paragraphs 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 114 of 27 September 2012 and filed for publication in the companies register of Treviso on 25 September 2012.

The transfer of the fifth Portfolio was made in accordance with article 58, paragraphs 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 23 of 23 February 2013 and filed for publication in the companies register of Treviso on 20 February 2013.

The transfer of the sixth Portfolio was made in accordance with article 58, paragraphs 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 75 of 27 June 2013 and filed for publication in the companies register of Treviso on 1 July 2013.

As consideration for the transfer of any New Portfolios, pursuant to the Master Assets Purchase Agreement, the Guarantor will pay to the relevant Seller an amount equal to the aggregate purchase price of all the relevant Assets 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) with respect to any other Asset (including the Receivables), such other value, pursuant to article 7-bis, sub-paragraph 7, of Law 130, as indicated by the Main Seller (or each Additional Seller, if any) in the relevant Transfer Proposal.

Pursuant to the Master Assets Purchase Agreement, prior to the service of an Issuer Default Notice, BMPS will have the right to repurchase, 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, Assets transferred to the Guarantor under the Master Assets Purchase Agreement, and namely:

- (a) Delinquent Assets or Defaulted Assets;
- (b) Excess Assets (to be selected on a random basis);
- (c) Affected Assets;
- (d) Assets which have become non-eligible in accordance with Decree 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 with monthly instalments), 2 unpaid Instalments (in respect of Receivables with quarterly instalments) or 1 unpaid Instalments (in respect of Receivables with semi-annual instalments).

If on any Quarterly Test Calculation Date a Test Performance Report specifies that the Cover Pool is not in compliance with the Mandatory Tests and/or the Asset Coverage Test, then the Main Seller (and/or, if any, any Additional Seller) will either (i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test(s) to be met on the next following Test Calculation Date, and finance such purchase by

means of Term Loans to be granted by the relevant Seller; or (ii) substitute any relevant Assets in respect of which the right of repurchase may be exercised under the terms of the Master Assets Purchase Agreement with new Eligible Assets, for an amount sufficient to allow the relevant Test(s) to be met on the next following Test Calculation Date.

After the service of an Issuer Default Notice on the Guarantor, but prior to the 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.

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 and shall be construed in accordance with Italian law.

COVER POOL MANAGEMENT AGREEMENT

On 23 May 2012, the Issuer, the Main Seller, the Main Servicer, the Test Calculation Agent, the Main Subordinated Lender, the Guarantor, the Guarantor 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.

Under the Cover Pool Management Agreement:

- (A) the Issuer, also in its capacity as Main Seller, and each Additional Seller (if any), have jointly and severally undertaken to procure that, starting from the First Issue Date and until 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, each of the Mandatory Tests (as described in detail in section "*Credit structure - Tests*" below) is met with respect to the Cover Pool (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; and
- (A) the Issuer, also in its capacity as Main Seller, and each Additional Seller (if any), have jointly and severally undertaken to procure 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), the Asset Coverage Test (as described in detail in section "*Credit structure - Tests*" below) is met with respect to the Cover Pool (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date the Asset Coverage Test was breached.

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, the Amortisation Test (as described in detail in section "*Credit structure - Tests*" below) is met with respect to the Cover Pool on any Quarterly Test Calculation Date.

The Amortisation Test shall not apply if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds.

The Test Calculation Agent has agreed to prepare and deliver, on each Test Performance Report Date, to the Issuer, the Guarantor, the Representative of the Bondholders, the Guarantor Calculation Agent, the Main Seller (and any Additional Seller(s), if any), the Main Servicer (and any Additional Servicer(s), if any), a Test Performance Report setting out the calculations carried out by it with respect to the applicable Tests.

In case of determination by the Test Calculation Agent that a breach of any of the Mandatory Tests and/or the Asset Coverage Test has occurred, the Guarantor will within the Test Grace Period, or if a Breach of Tests Notice had already been delivered, within the Test Remedy Period, purchase Top-Up Assets or other Eligible Assets, either by way of purchase or substitution, from the Issuer and/or the Additional Seller(s) in accordance with the Cover Pool Management Agreement and the Master Assets Purchase Agreement, in an amount sufficient to ensure, also taking into account the information provided by the Test Calculation Agent in its Pre-Issuer Default Test Performance Report, that as of the Test Calculation Date or Quarterly 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 will be satisfied with respect to the Cover Pool.

The undertaking to sell Eligible Assets and/or Top-Up Assets shall be borne by the Main Seller and/or the Additional Seller(s) upon consultation with each other and ultimately, to the extent no other Seller has assigned any Assets to the Guarantor, by the Main Seller. To the extent either the Main Seller and/or the Additional Seller(s) will be unable to offer for sale to the Guarantor Eligible Assets and/or Top-Up Assets in an amount sufficient to ensure that the relevant Tests are then met, each of them shall promptly inform the Guarantor.

For the purpose of allowing the Guarantor to fund the purchase of such Eligible Assets and/or Top-Up Assets, each Seller, in its capacity as Subordinated Lender, undertakes to advance to the Guarantor a Term Loan in accordance with the relevant Subordinated Loan Agreement in an amount equal to: (a) prior to the delivery of a Test Performance Report showing that any of the Mandatory Tests and/or the Asset Coverage Test was breached, the portion of the relevant purchase price for the relevant Eligible Assets and/or Top-Up Assets to be transferred by such Seller not payable by the Guarantor applying any Guarantor Available Funds available for such purpose in accordance with the Pre-Issuer Default Principal Priority of Payments; and (b) following the delivery of a Test Performance Report showing that any of the Mandatory Tests and/or the Asset Coverage Test was breached, the entire purchase price for the relevant Eligible Assets and/or Top-Up Assets to be transferred by such Seller.

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 exceed the 15% Limit (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 310).

Following the notification by the Test Calculation Agent that the Mandatory Tests and/or the Asset Coverage Test have been breached, if the relevant breach is not remedied in accordance with the above provisions prior to the end of the applicable Test Grace Period according to the information included in the relevant Pre-Issuer Default Test Performance Report, then the Representative of the Bondholders shall promptly, and in any case within 5 calendar days from the end of the Test Grace Period, deliver a Breach of Tests Notice to the Issuer, the Guarantor and, for information purpose, the Guarantor Calculation Agent, the Main Seller and any Additional Seller (if any), the Main Servicer and any Additional Servicer (if any), as a consequence of which a Segregation Event will occur.

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) is/are met according to the information included in the relevant 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, and in any case within 5 calendar days from the relevant Test Performance Report, deliver to the parties indicated in the Cover Pool Management Agreement a Breach of Tests Cure Notice, informing such parties that the Breach of Tests Notice then outstanding has been revoked.

The parties to the Cover Pool Management Agreement have also acknowledged and agreed the consequences deriving from the delivery of an Issuer Default Notice and/or a Guarantor Default Notice. In particular, after the service of an Issuer Default Notice, but prior to the service of a Guarantor Default Notice, the Guarantor or a duly appointed Portfolio Manager may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, sell or otherwise liquidate 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 relevant Seller(s) 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 Main Servicer on behalf of the Guarantor on the condition that the Amortisation Test (if applicable) is complied with prior to and after the sale of such Selected Assets, but **it being understood that** the Amortisation Test will not apply if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds.

Under the terms of the Cover Pool Management Agreement, before offering Selected Assets for sale, the Guarantor shall ensure that the Selected Assets have an aggregate Expected Net Proceeds as close as possible equal to:

- (a) the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds; *minus*
- (b) amounts standing to the credit of the Guarantor's Accounts as of the relevant Guarantor Calculation Date,

excluding, with respect to item (b) 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, provided that clause 8.1.1(b) of the Cover Pool Management Agreement shall always be respected.

The Guarantor will offer the Selected Assets for sale for the best price reasonably available, but in any event for an amount not less than the Expected Net Proceeds.

In addition, upon the evaluation carried out by the Portfolio Manager, taking into account the then relevant market conditions, the Guarantor may sell Selected Assets for an amount equal to the Expected Net Proceeds calculated in respect of any other Series or Tranche of Covered Bonds then outstanding, rather than in respect of the Earliest Maturing Covered Bonds only. Furthermore, if the Selected Assets have not been sold in an amount equal to the Expected Net Proceeds 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 Guarantor's 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 for sale for the best price reasonably available notwithstanding that such amount may be less than the Expected Net Proceeds.

The Guarantor may offer for sale part of any portfolio of Selected Assets (a "**Partial Portfolio**"), if beneficial to the Programme.

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 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 the Main 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).

Under the Cover Pool Management Agreement, following the delivery by the Representative of the Bondholders of a Guarantor Default Notice, the Guarantor may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, sell or otherwise liquidate the 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 thereto have acknowledged that, prior to the occurrence of a Segregation Event, or if earlier, an Issuer Event of Default, the Main Seller and each Additional Seller (if any), will have the right to repurchase 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 310.

For further details, see section "*Credit structure - Tests*" below.

Governing law

The Cover Pool Management Agreement and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian law.

WARRANTY AND INDEMNITY AGREEMENT

On 30 April 2012, BMPS, in its capacity as Main 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 Main Seller (and each Additional Seller, if any) 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 Italian 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 and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian law.

MASTER SERVICING AGREEMENT

On 30 April 2012, BMPS, in its capacity as Main Servicer, and the Guarantor entered into the Master Servicing Agreement, pursuant to which (i) the Guarantor has appointed BMPS as Main 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, paragraphs 3 and 6-bis, of Law 130, and (ii) they 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.

The receipt of the Collections is the responsibility of each Servicer, acting as agent (*mandatario*) of the Guarantor in relation to the Assets transferred by it to the Guarantor. Under the Master Servicing Agreement, each 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 First Issue Date, within one Business Day from the day on which the relevant Collections have been credited to the relevant Collection Account, credit the relevant amounts to the Main Programme Account.

Each 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:

- (i) to MPS Gestione Crediti Banca S.p.A. or other company part of the Montepaschi Group the management, administration, collection and recovery of the Defaulted Receivables, Delinquent Receivables and of the proceeds deriving from the Securities and/or further types of Assets; and
- (ii) to one or more entities, further activities in addition to those indicated in subparagraph (i) above, subject to the limitations set out in the supervisory regulations and with the prior written notice to the Guarantor and the Representative of the Bondholders, provided that such sub-delegation does not prejudice the compliance by the relevant Servicer with its obligations under the Master Servicing Agreement.

Each Servicer shall remain fully liable *vis-à-vis* the Guarantor for the performance of any activity so delegated.

Each 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 has not been remedied, or (ii) the delivery to the Guarantor and Issuer of an Issuer Default Notice and/or Breach of Tests Notice, the Servicer(s) will not be authorised to reach settlement agreements with any relevant 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.

The Main 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.

Pursuant to clause 5.4.1 of the Master Servicing Agreement, for as long as BMPS acts as the bank where the Italian Collection Account is established, if the long-term rating of the Servicer of BMPS falls below "BBB" (the "**Servicer Downgrading Event**") from DBRS:

- (a) the Servicer, failing which the Issuer, will immediately give notice of such event to the Representative of the Bondholders, the Rating Agency, the Guarantor Calculation Agent and the Guarantor; and
- (b) the Guarantor will deposit the Commingling Reserve Amount in accordance with the applicable Priority of Payments, up to the value of the Target Commingling Amount, on a deposit account (the "**Commingling Reserve Account**") opened with an Eligible Institution, which is not part of the Montepaschi Group, as soon as feasible and in any case within 30 calendar days from such Servicer Downgrading Event. **It is provided that**, if there were not sufficient Guarantor Available Funds to deposit timely the Commingling Reserve Amount up to the value of the Target Commingling Amount, Banca Monte dei Paschi di Siena S.p.A. in relation to the capacity of Servicer carried out, will (i) open an additional Commingling Reserve Account in the name of the Guarantor with an Eligible Institution, which is not part of the Montepaschi Group, and (ii) deposit and/or supplement, as soon as feasible and in any case within 30 calendar days from the Servicer Downgrading Event, the Commingling Reserve Amount up to the Target Commingling Amount, for the benefit of the Guarantor, in the form of an irregular pledge (*pegno irregolare*) (the "**Irregular Pledge**"). BMPS will create the Irregular Pledge as a security for the Servicer's obligations to transfer the Collections to the Guarantor, pursuant to article 1851 of the Italian civil code; or
- (c) the Potential Commingling Amount will be deducted from the calculation of the Asset Coverage Test in accordance with clause 4 (*Asset Coverage Test*) of the Cover Pool Management Agreement,

it being understood that to the extent the Potential Commingling Amount was entirely deducted from the Asset Coverage Test, and no breach of the Asset Coverage Test occurred, as set out in clause 4 (*Asset Coverage Test*) of the Cover Pool Management Agreement and subparagraph (c) above, the Guarantor and/or BMPS, as the case may be, will not be obliged to procure the deposit of the Commingling Reserve Amount up to the Target Commingling Amount as set out in subparagraph (b) above.

In addition, pursuant to clause 5.4.2 of the Master Servicing Agreement, following the deposit of any Commingling Reserve Amount on the Commingling Reserve Account, the Guarantor will pledge and create a Security Interest over the Commingling Reserve Account and the sums from time to time deposited thereon, in favour of the Bondholders and the Other Guarantor Creditors.

Furthermore, pursuant to clause 5.4.3 of the Master Servicing Agreement the parties thereto agreed that:

- (a) should the Potential Commingling Amount be entirely deducted from the Asset Coverage Test pursuant to clause 4 (*Asset Coverage Test*) of the Cover Pool Management Agreement, or should at any time the long-term rating of the Servicer or BMPS become equal to or higher than "**BBB**" by DBRS, then:
 - (i) the Commingling Reserve Account and any sums deposited thereon shall be deemed to be released from any Security Interest;
 - (ii) the amounts deposited on the Commingling Reserve Account by the Guarantor will be returned and comprised in the Guarantor Available Funds;
 - (iii) any amounts deposited on the Commingling Reserve Account by BMPS will be automatically released from any Security Interest and retransferred directly to BMPS;
 - (iv) the Commingling Reserve Account may be closed;
- (b) for sake of clarity, if BMPS deposited any sums on the Commingling Reserve Account and (i) at any subsequent Guarantor Payment Date there are sufficient Guarantor Available Funds, the Guarantor will transfer to the credit of the Commingling Reserve Account the Commingling Reserve Amount up to the Target Commingling Amount or (ii) the Potential Commingling Amount was entirely deducted from the Asset Coverage Test pursuant to clause 4 (*Asset Coverage Test*) of the Cover Pool Management Agreement, then any amounts deposited on the relevant Commingling Reserve Account by BMPS will be automatically and entirely released from any Security Interest and retransferred directly to BMPS;
- (c) for avoidance of doubt, the provisions of clauses 5.4.1, 5.4.2 and 5.4.3 of the Master Servicing Agreement, will apply upon occurrence of any subsequent Servicer Downgrading Event.

Pursuant to the Master Servicing Agreement: (i) each Additional Servicer shall prepare and deliver to the Main Servicer the Monthly Servicer's Report and the Quarterly Servicer's Report, in either case referring to the Portfolios transferred by it to the Guarantor; and (ii) the Main Servicer shall:

- (a) prepare its own Monthly Servicer's Report, referring to the New Portfolios transferred by it to the Guarantor, and deliver it to, *inter alios*, the Guarantor, the Swap Providers, the Back-up Servicer Facilitator and/or the Back-up Servicer (if any) and the Representative of the Bondholders together with the Monthly Servicer's Reports prepared by each Additional Servicer; and
- (b) prepare and deliver to, *inter alios*, the Guarantor, the Swap Providers, the Back-up Servicer Facilitator and/or the Back-up Servicer (if any), the Rating Agency and the Representative of the Bondholders a Consolidated Quarterly Servicer's Report which shall include, together with the information relating to the Portfolios transferred by the Main Seller to the Guarantor, the information contained in the Quarterly Servicer's Reports prepared by the each Additional Servicer.

Furthermore, pursuant to clause 6.3 of the Master Servicing Agreement, if the Transaction Accounts are transferred to a New Italian Account Bank in accordance with clauses 5.6.2 and 12.4.2 of the Cash Allocation, Management and Payments Agreement and the Guarantor Payment Dates are to be settled monthly in accordance with letter (a), sub-paragraph (ii) of the definition of "*Guarantor Payment Date*", the Main Servicer will prepare and deliver to, *inter alios*, the Guarantor, the Swap Providers, the Rating Agency and the Representative of the Bondholders a Consolidated Monthly Servicer's Report which will include, together with the information relating to the Portfolios transferred by the Main Seller to the Guarantor, the information contained in the Monthly Servicer's Reports prepared by the each Additional Servicer.

In addition, pursuant to clause 10 of the Master Servicing Agreement:

- (i) within 45 (forty-five) calendar days upon the long-term rating of the Main Servicer's unsecured, unsubordinated and unguaranteed debt obligations falling below "**BBB (low)**" from DBRS, the Guarantor shall, in consultation with the Main Servicer and the Representative of the Bondholders, appoint a back-up servicer facilitator (the "**Back-up Servicer Facilitator**") subject to the prior communication from the Guarantor to the Representative of the Bondholders and the Rating Agency; and
- (ii) within 60 (sixty) calendar days upon the long-term rating of the Main Servicer's unsecured, unsubordinated and unguaranteed debt obligations falling below "**BB (high)**" from DBRS, the Guarantor in accord with the Back-up Servicer Facilitator shall, in consultation with the Main Servicer, appoint a back-up servicer (the "**Back-up Servicer**") subject to the prior communication from the Guarantor to the Representative of the Bondholders and the Rating Agency.

The Back-up Servicer would automatically succeed to the Servicer, within a term to be agreed with the Back-up Servicer, which shall not prejudice the rating assigned to the Covered Bonds in accordance with the criteria of the Rating Agency, upon occurrence of a Servicer Insolvency Event, and upon termination or resignation of the Servicer pursuant to the Master Servicing Agreement.

The Guarantor may terminate a Servicer's appointment and appoint a 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) a Servicer Insolvency Event occurs with respect to the relevant 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 relevant Servicer, the Main Servicer and the Rating Agency, 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 relevant Servicer must continue to act as Servicer and meet its obligations until the Substitute Servicer is appointed, provided that the relevant Servicer will continue to operate as the bank authorised to hold the Collection Account where the Collections are paid by the Debtors in accordance with the provisions of the Cash Allocation, Management and Payments Agreement, save for the case the relevant Servicer's appointment was terminated following the occurrence of a Servicer Insolvency Event.

The Guarantor may, upon the occurrence of a Servicer Termination Event, appoint as Substitute Servicer any person which:

- (a) meets the requirements of Law 130 and the Bank of Italy to act as Servicer;
- (b) has a experience (whether directly or through subsidiaries) in the administration of mortgage loans in Italy;
- (c) has available and is able to use, 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 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*).

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 and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian law.

CASH ALLOCATION, MANAGEMENT AND PAYMENTS AGREEMENT

On 23 May 2012, the Issuer, the Main Servicer, the Italian Account Bank, the Cash Manager, the Guarantor, the Guarantor Calculation Agent, the Guarantor Corporate Servicer and Representative of the Bondholders entered into 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 BMPS as Italian Account Bank and Cash Manager;
- (ii) the parties thereto have acknowledged that BMPS will act as Principal Paying Agent for the Covered Bonds until the delivery of an Issuer Default Notice or a Guarantor Default Notice, *provided that*,
 - (a) following delivery of an Issuer Default Notice and/or a Guarantor Default Notice, the Guarantor will appoint, before the immediately following Guarantor Payment Date - to the extent possible - and in any case within 30 Business Days, subject to the prior consent of the Main Servicer, a substitute Principal Paying Agent. The appointment and accession of the substitute Principal Paying Agent will be notified by the Guarantor to the Rating Agency;
 - (b) pending the appointment of the substitute Principal Paying Agent, BMPS will continue to act as the existing Principal Paying Agent and meet and perform its obligations in such a capacity, until the successor Principal Paying Agent has been duly appointed; and
 - (c) if a New Italian Account Bank (as defined below) is already appointed by the time the relevant Issuer Default Notice and/or Guarantor Default Notice was delivered, the New Italian Account Bank will automatically succeed to BMPS as a successor Principal Paying Agent and, if not already transferred to it, the Italian Account Bank will procure the prompt transfer to the New Italian Account Bank of the Payments Account;
- (iii) the Italian Account Bank has agreed (a) to establish and maintain, in the name and on behalf of the Guarantor, the BMPS Italian Collection Account, the Main Programme Account, the Reserve Account, the Expenses Account, the Payments Account and the 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; (b) that it will make payments on behalf of the Guarantor in favour of the Other Guarantor Creditors;
- (iv) 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;
- (v) 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 Main 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; and
- (vi) the Cash Manager has agreed to procure that any credit balance from time to time standing to the credit of the Main Programme Account, the Reserve Account and/or any other Guarantor's Account (other than the Expense Account) is invested in Eligible Investments. The Guarantor will pledge in favour of the Bondholders and the Other Guarantor Creditors, from time to time, the Eligible Investments.

Furthermore, the parties to the Cash Allocation, Management and Payments Agreement, have agreed that:

- (i) following the delivery of an Issuer Default Notice in respect of any Series or Tranche of Covered Bonds and the deferral of the Maturity Date relating to such Series or Tranche of Covered Bonds to the Long Due for Payment Date, the Italian Account Bank will open a dedicated account with an Eligible Institution which is not part of the Montepaschi Group (the "**Amortisation Reserve Account**"), for the purpose of accumulating the Final Redemption Amount relating to any other Series or Tranche of Covered Bonds in respect of which the relevant Maturity Date has not occurred. The Italian Account Bank will create and maintain ledgers on the Amortisation Reserve Account for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with the Guarantee Priority of Payments and such amounts, once allocated, will only be available to pay amounts due in respect of the relevant Series of Covered Bonds on, and from, the relevant Maturity Date and up to the Extended Maturity Date. The Guarantor will pledge and create a Security Interest in favour of the Bondholders and the Other Guarantor Creditors over the Amortisation Reserve Account and the sums from time to time deposited thereon;
- (ii) also in accordance with the Master Servicing Agreement, if the long-term rating of the Servicer or BMPS falls below "**BBB**" from DBRS, the Guarantor may from time to time open one or more additional accounts (the "**Commingling Reserve Account**") for the purpose of crediting the Commingling Reserve Amount, up to the Target Commingling Amount in accordance with the applicable Priority of Payments, or other amounts required pursuant to the Programme Documents;
- (iii) in addition to the Commingling Reserve Account and the Amortisation Reserve Account, the Guarantor may open, from time to time, one or more additional accounts for the purpose of crediting amounts required pursuant to the Programme Documents, provided that the Rating Agency is notified in advance of the opening of any such accounts;
- (iv) it is **provided that:**
 - (a) if there were not sufficient Guarantor Available Funds to deposit timely the Commingling Reserve Amount referred in paragraph (ii) above up to the value of the Target Commingling Amount, Banca Monte dei Paschi di Siena S.p.A. in relation to the capacity of Servicer carried out, will (i) open an additional Commingling Reserve Account in the name of the Guarantor with an Eligible Institution, which is not part of the Montepaschi Group, and (ii) deposit and/or supplement, as soon as feasible and in any case within 30 calendar days from the relevant downgrading event, the Commingling Reserve Amount up to the Target Commingling Amount, for the benefit of the Guarantor, in the form of an irregular pledge (*pegno irregolare*). BMPS will create the irregular pledge as a security for the Servicer's obligations to transfer the Collections to the Guarantor, pursuant to article 1851 of the Italian civil code;
 - (b) the Guarantor will, contextually to the deposit of the Commingling Reserve Amount on the Commingling Reserve Account above, (i) pledge and create a Security Interest in favour of the Bondholders and the Other Guarantor Creditors over the Commingling Reserve Account and the sums from time to time deposited thereon;

- (c) however, should the Potential Commingling Amount be entirely deducted from the Asset Coverage Test pursuant to clause 4 (*Asset Coverage Test*) of the Cover Pool Management Agreement, or should at any time the long-term rating of the Servicer or BMPS become equal to or higher than "**BBB**" by DBRS, then: (i) the Commingling Reserve Account and any sums deposited thereon shall be deemed to be released from any Security Interest; (ii) the amounts deposited on the Commingling Reserve Account by the Guarantor will be returned and comprised in the Guarantor Available Funds; (iii) any amounts deposited on the Commingling Reserve Account by BMPS will be automatically released from any Security Interest and retransferred directly to BMPS; (iv) the Commingling Reserve Account may be closed;

- (v) furthermore, if (i) the rating of the long-term unsecured and unsubordinated debt obligations of the Italian Account Bank falls below (i) "**BBB**" from DBRS, should the rating assigned to the Covered Bonds be "A" from DBRS, or (ii) "**BBB (low)**" from DBRS, should the rating assigned to the Covered Bonds be "**A (low)**" from DBRS, or (ii) the appointment of the Italian Account Bank was terminated for whatsoever reason, or (iii) following the delivery of an Issuer Default Notice:
 - (a) the Italian Account Bank will promptly give notice of such event to the other parties;

 - (b) the Guarantor will, within 30 calendar days from the downgrading event, appoint a new Italian account bank (the "**New Italian Account Bank**") for the purpose of maintaining the Transaction Accounts (excluding, for avoidance of doubt, the Italian Collection Account), until the date upon 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

 - (c) the Italian Account Bank will use its best efforts to assist the Guarantor and procure within 30 calendar days from the relevant downgrading event the transfer of the moneys and/or securities standing to the credit of the Transaction Accounts (other than, for avoidance of doubt, the Italian Collection Account) held by itself to the New Italian Account Bank, which shall assume its role upon the terms of the Cash Allocation, Management and Payments Agreement and agree to become a party to the Intercreditor Agreement and any other relevant Programme Document,

provided that should the rating assigned to the Italian Account Bank become equal to or higher than (i) "**BBB**" from DBRS, should the rating assigned to the Covered Bonds be "A" from DBRS, or (ii) "**BBB (low)**" from DBRS, should the rating assigned to the Covered Bonds be "**A (low)**" from DBRS, BMPS and the New Italian Account Bank will be entitled - but not obliged – to agree and cooperate with the Guarantor to procure the re-transfer to BMPS, in the capacity of Italian Account Bank, of the moneys and/or securities standing to the credit of the Transaction Accounts held by the New Italian Account Bank in accordance with the Cash allocation, Management and Payments Agreement and the Programme Documents;

- (vi) should a Servicer's Insolvency Event occur affecting BMPS in accordance with clause 11.1.1 of the Master Servicing Agreement, the Italian Account Bank will use its best efforts to assist the Guarantor and procure the immediate transfer of the moneys

standing to the credit of the Italian Collection Account held by it to the New Italian Account Bank or, should the New Italian Account Bank no longer be, at that time, an Eligible Institution, to another bank selected by the Guarantor, being an Eligible Institution, which will assume the role of New Italian Account Bank upon the terms of the Cash Allocation, Management and Payments Agreement and agree to become a party to the Intercreditor Agreement and any other relevant Programme Document.

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 relevant 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. 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, the Rating Agency 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 a valid substitute has been appointed.

Governing law

The Cash Allocation, Management and Payments Agreement and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian law.

MANDATE AGREEMENT

On 23 May 2012, the Guarantor and the Representative of the Bondholders entered into the Mandate Agreement 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 and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian law.

INTERCREDITOR AGREEMENT

On 23 May 2012, the Guarantor and the Other Guarantor Creditors entered into the Intercreditor Agreement. 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 Terms and 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 Terms and Conditions), *inter alia*, enter into the Deed of Pledge and the Account Pledge Agreement. The Representative of the Bondholders is exempted from the obligation of reporting (*obbligo di rendiconto*) pursuant to article 1713 of the Italian civil code on the actions taken in the carrying out of such mandates. 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, the Account Pledge Agreement and the 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. 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 Main 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 and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian law.

GUARANTOR CORPORATE SERVICES AGREEMENT

Under the Corporate Services Agreement entered into on 23 May 2012 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 and shall be construed in accordance with Italian law.

PROGRAMME AGREEMENT

On 23 May 2012, the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s), entered into the Programme Agreement pursuant to which the parties thereto have recorded the arrangements agreed between them in relation to the issue by the Issuer and the subscription by the Dealer(s) from time to time of Covered Bonds issued under the Programme.

Under the Programme Agreement, 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 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 first agreement with any Dealer for the issue and purchase of the first 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 the Programme Agreement conditions precedent.

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 thereto 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 and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian law.

THE DEED OF PLEDGE AND THE ACCOUNT PLEDGE AGREEMENT

On 23 May 2012, 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. By a supplementing pledge undertaking letter (the "**Pledge Undertaking Letter**") dated 22 August 2013, between the Guarantor and the Representative of the Bondholders (on its own behalf and on behalf of the Bondholders and the Other Guarantor Creditors), pursuant to which the Guarantor has undertaken to pledge in favour of the Bondholders and the Other Issuer Creditors all the Eligible Investments from time to time made pursuant to or in relation to certain Programme Documents.

Furthermore, on 22 August 2013, the Guarantor and the Representative of the Bondholders entered into the Account Pledge Agreement 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 (i) has pledged and has undertaken to confirm such pledge over all the sums deposited as Reserve Amount(s) on the Reserve Account from time to time, and (ii) has undertaken to pledge all the sums deposited on the Commingling Reserve Account, once opened, in accordance with the provisions of the Programme Documents, in favour of the Bondholders and the Other Issuer Creditors. The security created pursuant to the Account Pledge Agreement will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Pledge and the Account Pledge Agreement and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with Italian law.

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, the Asset Coverage Test and, following the delivery of an Issuer Event of Default Notice, the Amortisation Test (*provided that* the Amortisation Test shall not apply if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds) are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;
- a Reserve Account is 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 that it may invest the moneys standing to the credit of the Main Programme Account and/or 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 "*Cash-flows - 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), if any) must ensure that on each Quarterly Test Calculation Date and on any Test

Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, the Cover Pool is in compliance with the Tests described below.

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 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 any Quarterly Test Calculation Date and on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached.

(A) *Nominal Value Test*

The Test Calculation Agent shall verify (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, that the aggregate Outstanding Principal Balance of the Cover Pool shall be higher than or equal to the Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with the 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:

$$\mathbf{A + B \geq OBG}$$

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);

"**B**" is the aggregate amount of all Principal Available Funds cash standing on the Guarantor's Accounts; and

"**OBG**" is the aggregate Principal Amount Outstanding of all Series or Tranche of the Covered Bonds (or the Euro Equivalent, if applicable).

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 Test Calculation Agent shall verify (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, that the net present value of the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of all the costs to be borne by the Guarantor (including the 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 the Terms and Conditions and the relevant Final Terms.

The Net Present Value Test shall be met if:

$$\mathbf{A + B + C - D \geq NPVOBG}$$

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 all Principal Available Funds cash standing on the Guarantor's Accounts;

"D" is the net present value amount of any transaction costs to be borne by the Guarantor; and

"NPVOBG" is the sum of the net present value of all Series or Tranche of Covered Bonds outstanding under the Programme.

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

The Test Calculation Agent shall verify (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, that the amount of interest and other revenues generated by the assets included in the Cover Pool, net of all the costs borne by the Guarantor, shall be higher than or equal to the amount of interest due on all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms.

The Interest Coverage Test shall be met if:

$$\mathbf{A + B + C - D \geq IOBG}$$

where:

"A" is the interest component of (i) all the Instalments 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) the interest component of all the 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 amount expected to be received by the Guarantor under any Swap Agreement from the relevant Guarantor Calculation Date to the date falling 12 months thereafter;

"**C**" 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;

"**D**" 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 Third of the Pre-Issuer Default Interest Priority of Payments; and

"**IOBG**" is the aggregate amount of all interest payments due and payable under all outstanding Series or Tranche of Covered Bonds on the Interest Payment Dates falling in the period starting from the relevant Guarantor Calculation Date (excluded) and ending on the date falling 12 months thereafter (such interest payments to be calculated with respect to the applicable interest rates set out in the relevant Final Terms as of the relevant Guarantor Calculation Date).

ASSET COVERAGE TEST

Starting from the First Issue Date (excluded) 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), the Issuer, also in its capacity as Main Seller, and any Additional Seller(s) (if any), jointly and severally undertake to procure that, (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date the Asset Coverage Test was breached, the Asset Coverage Test is met with respect to the Cover Pool.

For the purposes of the Asset Coverage Test, the Test Calculation Agent shall verify that the adjusted aggregate asset amount (the "**Adjusted Aggregate Asset Amount**") is, on each Quarterly 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:

$$\mathbf{A + B + C + D - Z - Y - W}$$

where:

"**A**" is equal to **MIN*AP**:

where:

"MIN" is the lower of

- (a) the aggregate actual Outstanding Principal Balance of all Mortgage Receivables included in the Cover Pool, as calculated on the last day of the immediately preceding Calculation Period; and
- (b) the aggregate Latest Valuations of all Mortgage Receivables multiplied by M, where M is:
 - (i) equal to (A) 80 per cent. for all Residential Mortgage Receivables and (B) 60 per cent. for all Commercial Mortgage Receivables both arising from Mortgage Loans which (i) have no unpaid Instalments or (ii) have Instalments unpaid for less than 90 calendar days or (iii) have been restructured or are in a suspension period upon accession of the relevant borrower to any suspension or renegotiation scheme deriving from mandatory provisions of law and/or from agreements sponsored by the Italian Banking Association and/or the Ministry of Economics and Finance, provided that, as of the relevant Quarterly Test Calculation Date or Test Calculation Date, as the case may be, the suspension in the payment of the relevant Instalments continues from less than 90 calendar days;
 - (ii) equal to 40 per cent. for all the Mortgage Receivables arising from Mortgage Loans which (i) have Instalments unpaid for more than 90 calendar days but less than 180 calendar days or (ii) have been restructured or are in a suspension period upon accession of the relevant borrower to any suspension or renegotiation scheme deriving from mandatory provisions of law and/or from agreements sponsored by the Italian Banking Association and/or the Ministry of Economics and Finance, provided that, as of the relevant Quarterly Test Calculation Date or Test Calculation Date, as the case may be, the suspension in the payment of the relevant Instalments continues from more than 90 calendar days but less than 180 calendar days; and
 - (iii) equal to 0 per cent. for all the Receivables arising from Mortgage Loans which (i) are Defaulted Receivables (*crediti in sofferenza*) and Delinquent Receivables (*crediti ad incaglio*), or (ii) have Instalments unpaid for more than 180 calendar days or (iii) have been restructured or are in a suspension period upon accession of the relevant borrower to any suspension or renegotiation scheme deriving from mandatory provisions of law and/or from agreements sponsored by the Italian Banking Association and/or the Ministry of Economics and Finance, provided that, as of the relevant Quarterly Test Calculation Date or Test Calculation Date, as the case may be, the suspension in the payment of the relevant Instalments continues from more than 180 calendar days;

"AP" is the "Asset Percentage", being the lower of:

- (iv) 95 per cent; and
- (v) such other lower percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agency,

provided that, 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;

"**B**" is the aggregate amount of the Principal Available Funds *plus* the Commingling Reserve Amount, without double counting;

"**C**" is the aggregate Outstanding Principal Balance of any Eligible Assets and/or Top-Up Assets (other than those under letter (A) above);

"**D**" is the aggregate Outstanding Principal Balance of all Public Entities Receivables;

"**Y**" is equal to *nil*, as long as the Issuer's long term rating is at least "**BBB**" by DBRS, otherwise it is equal to the Potential Set-Off Amount;

"**W**" is equal to the Potential Commingling Amount;

"**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;

For the purposes of this paragraph:

"**Commingling Reserve Amount**" means the sum actually posted from time to time to the credit of the Commingling Reserve Account, up to Target Commingling Amount.

"**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.

"**Potential Commingling Amount**" means:

- (a) *nil*, as long as the Issuer's long term rating is at least "**BBB**" by DBRS; or
- (b) as long as the Issuer's long term rating is below "**BBB**" by DBRS, the Target Commingling Amount.

"**Potential Set-Off Amount**" means a percentage of the outstanding Portfolio that could potentially be subject to set-off risk by the relevant Debtors exercising their set-off rights, deemed to be appropriate in order to cover the relevant set-off risk.

"**Target Commingling Amount**" means the positive difference between (y) the amount of principal and interest of the outstanding Portfolio that could be subject to commingling risk and (x) the Reserve Amount (if any) posted to the Reserve Account, for the purpose of the Asset Coverage Test.

AMORTISATION TEST

Starting from the date on which an Issuer Default Notice is delivered to the Issuer and the Guarantor and until the earlier of (a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms, and (b) the date on which a Guarantor Default Notice is delivered, the Guarantor undertakes to procure that on any Quarterly Test Calculation Date, the Amortisation Test is met with respect to the Cover

Pool, *provided that*, in case the Issuer Event of Default consists of an Article 74 Event, no Article 74 Event Cure Notice has been served.

The Amortisation Test shall not apply if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds.

For the purpose of the Amortisation Test, the Test Calculation Agent (as appointed by the Guarantor pursuant to clause 2 of the Cover Pool Management Agreement) shall verify that, on each Quarterly 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**") 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 the Terms and Conditions and the relevant Final Terms at the relevant Quarterly Test Calculation Date.

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

$$A + B + C + D$$

where:

"A" is the lower of:

- (c) the aggregate of the actual Outstanding Principal Balance of all Mortgage Receivables, as calculated on the last day of the immediately preceding Calculation Period; and
- (d) the aggregate Latest Valuations of all Mortgage Receivables multiplied by M, where M is:
 - (i) equal to 100 per cent. for all Receivables arising from Mortgage Loans which (i) have no unpaid Instalments or (ii) have Instalments unpaid for less than 90 calendar days or (iii) have been restructured or are in a suspension period upon accession of the relevant borrower to any suspension or renegotiation scheme deriving from mandatory provisions of law and/or from agreements sponsored by the Italian Banking Association and/or the Ministry of Economics and Finance, *provided that*, as of the relevant Quarterly Test Calculation Date, the suspension in the payment of the relevant Instalments continues from less than 90 calendar days;
 - (ii) equal to 80 per cent. for all the Receivables arising from Mortgage Loans which (i) have Instalments unpaid for more than 90 calendar days but less than 180 calendar days or (ii) have been restructured or are in a suspension period upon accession of the relevant borrower to any suspension or renegotiation scheme deriving from mandatory provisions of law and/or from agreements sponsored by the Italian Banking Association and/or the Ministry of Economics and Finance, *provided that*, as of the relevant Quarterly Test Calculation Date or Test Calculation Date, as the case may be, the suspension in the payment of the relevant Instalments continues from more than 90 calendar days but less than 180 calendar days; and
 - (iii) equal to 0 per cent. for all the Receivables arising from Mortgage Loans which (i) have Instalments unpaid for more than 180 calendar days or (ii) have been

restructured or are in a suspension period upon accession of the relevant borrower to any suspension or renegotiation scheme deriving from mandatory provisions of law and/or from agreements sponsored by the Italian Banking Association and/or the Ministry of Economics and Finance, *provided that*, as of the relevant Quarterly Test Calculation Date, the suspension in the payment of the relevant Instalments continues from more 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);

"D" is the aggregate Outstanding Principal Balance of all Public Entities Receivables. Breach of Tests

If any Test Performance Report specifies the breach of any of the Mandatory Tests and/or the Asset Coverage Test, then, within the Test Grace Period, the Main Seller, (and/or, if any, any Additional Seller) will either:

- (i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test(s) to be met on the Test Calculation Date falling at the end of the Test Grace Period, 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 Main 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 Test Calculation Date falling at the end of the Test Grace Period.

Failure to remedy Tests

If, within the Test Grace Period, the breach of the relevant Test(s) is not remedied in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Breach of Tests Notice and a Segregation Event will occur.

If, after the delivery of a Breach of Tests Notice, the breach of the relevant Test(s) is not remedied within the Test Remedy Period, an Issuer Event of Default will occur and the Representative of the Bondholders will deliver an Issuer Default Notice to the Issuer and the Guarantor.

If, after the delivery of a Breach of Tests Notice, but prior to the delivery of an Issuer Default Notice, the relevant Test(s) is/are newly met at the end of the Test Remedy Period according to the information included in the relevant 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 deliver to the Issuer and the Guarantor a Breach of Tests Cure Notice, informing such parties that the Breach of Tests Notice then outstanding has been revoked.

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 (unless the Representative of the Bondholders, having exercised its discretion, resolves otherwise or a Programme Resolution of the Bondholders is passed resolving otherwise).

Upon receipt of an Issuer Default Notice, but prior to service of a Guarantor Default Notice, the Guarantor or the Portfolio Manager may, if so directed by a Programme Resolution of the Bondholders and with the prior consent of the Representative of the Bondholders, sell or otherwise dispose of the assets in the Cover Pool.

Upon receipt of 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.

CASH-FLOWS

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 cash-flows of the Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Guarantor's 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 the Guarantor Calculation Agent on each Calculation Date.

"**Interest Available Funds**" (*Fondi Disponibili in Conto Interessi*) means in respect of any Guarantor Payment Date, the aggregate of:

- (i) any interest amounts and/or yield collected by the relevant 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 relevant 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 Guarantor's 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, any amounts standing to the credit of the Reserve Account;
- (v) all amounts in respect of interest and/or yield received from the Eligible Investments;
- (vi) any amounts received under the Swap Agreement(s), *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 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;

- (vii) all interest amounts received from the relevant Seller by the Guarantor pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;
- (viii) any amounts paid as Interest Shortfall Amount out of item (*First*) of the Pre-Issuer Default Principal Priority of Payments; and
- (ix) 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" (*Fondi Disponibili in Conto Capitale*) means in respect of any Guarantor Payment Date, the aggregate of:

- (i) all principal amounts collected by each Servicer in respect of the Cover Pool and credited to the Main Programme Account during the immediately preceding Collection Period;
- (ii) all other Recoveries in respect of principal received by each Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;
- (iii) all principal amounts received by the Guarantor from each 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;
- (v) any amounts granted by each Subordinated Lender under the relevant 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 other than in respect of interest received under any Swap Agreement;
- (vii) any amounts paid out of item *Tenth* of the Pre-Issuer Default Interest Priority of Payments;
- (viii) any amount paid to the Guarantor by the Issuer upon exercise by or on behalf of the Guarantor of the rights of subrogation (*surrogazione*) or recourse (*regresso*) against the Issuer pursuant to article 4, paragraphs 3 and 4 of Decree 310;
- (ix) after (a) delivery of an Issuer Default Notice in respect of any Series or Tranche of Covered Bonds and the deferral of the Maturity Date relating to such Series or Tranche of Covered Bonds to the Long Due for Payment Date and (b) occurrence of the relevant Maturity Date in respect of any other Series or Tranche of Covered Bonds, any Final Redemption Amount(s) accumulated on the Amortisation Reserve Account, **provided that** the Guarantor will allocate and pay such Final Redemption Amount(s) recorded on the ledgers of the Amortisation Reserve Account only pursuant to item (*Sixth*), letter (b) of the Guarantee Priority of Payments in respect of the corresponding Series or Tranche of Covered Bonds (excluding payment of any other items of the applicable Priority of Payments);

- (x) any principal amounts standing (other than amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period.

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) (the "**Pre-Issuer Default Interest Priority of Payments**"):

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 amounts 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 amounts due and payable to the Servicer(s), the Italian Account Bank, the New Italian Account Bank (if any), the Cash Manager, the Guarantor Calculation Agent, the Back-up Servicer Facilitator (if any), the Back-up Servicer (if any) and the Guarantor Corporate Servicer;
4. (*Fourth*), *pari passu* and *pro rata*, according to the respective amounts thereof, to pay (or make a provision for payment of any relevant amounts falling due up to the next following Guarantor Payment Date as the Guarantor Calculation Agent may reasonably determine) any interest amounts due to the Swap Provider(s) (including 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 the Commingling Reserve Amount on the Commingling Reserve Account, up to the value of the Target Commingling Amount, if required pursuant to the provisions of the Cover Pool Management Agreement and/or the Master Servicing Agreement;
6. (*Sixth*), 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;
7. (*Seventh*), *pari passu* and *pro rata*, according to the respective amounts thereof, to pay any Loan Interest due and payable on the relevant Guarantor Payment Date on each Term Loan to the Subordinated Lender(s) pursuant to the terms of the relevant Subordinated Loan Agreement, provided that (i) no Segregation Event has occurred and is continuing on such Guarantor Payment Date; and/or (ii) any amount in respect of interest under the relevant Series or Tranche of Covered Bonds which has fallen due on or prior to the relevant Guarantor Payment Date has been paid in full by the Issuer;

8. (*Eighth*), 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 Substitute Servicer is appointed pursuant to the Master Servicing Agreement;
9. (*Ninth*), to pay *pro rata* and *pari passu* in accordance with the respective amounts thereof any Excluded Swap Termination Amounts;
10. (*Tenth*), to allocate to the Principal Available Funds an amount equal to the Interest Shortfall Amount, if any, allocated on the immediately preceding Guarantor Payment Date and on any preceding Guarantor Payment Dates under item (First) of the Pre-Issuer Default Principal Priority of Payments and not already repaid;
11. (*Eleventh*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, to any party to the Programme Documents (other than the Seller(s)) any amounts 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;
12. (*Twelfth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, to the Seller(s), any amounts 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;
13. (*Thirteenth*), *pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay to the Subordinated Lender(s) any Premium on the relevant Programme Term Loans and (b) to repay to the Subordinated Lender(s) any Excess Term Loan Amount, provided that (i) no Segregation Event has occurred and is continuing on the relevant Guarantor Payment Date; and/or (ii) any amount in respect of interest under the relevant Series or Tranche of Covered Bonds which has fallen due on or prior to the relevant Guarantor Payment Date has been paid in full by the Issuer.

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) (the "**Pre-Issuer Default Principal Priority of Payments**"):

1. (*First*), to pay any amounts payable as Interest Shortfall Amount;
2. (*Second*), provided that no Segregation Event has occurred and is continuing, *pari passu* and *pro rata* according to the respective amounts thereof, to (i) pay in whole or in part the purchase price of each New Portfolio to the relevant Seller(s) or (ii) make a provision for payment of any such purchase price in case the formalities required to make the assignment of the relevant New Portfolio enforceable have not been carried out yet on such Guarantor Payment Date;
3. (*Third*), upon the occurrence of a Servicer Termination Event, to credit all remaining Principal 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 Substitute Servicer is appointed pursuant to the Master Servicing Agreement;

4. (Fourth), *pari passu* and *pro rata* according to the respective amounts thereof:
 - (a) to pay (or make a provision for payment of any relevant amounts falling due up to the next following Guarantor Payment Date as the Guarantor Calculation Agent may reasonably determine) any amounts other than in respect of interest due or to become due and payable to the relevant Swap Provider(s); and
 - (b) (where appropriate, after taking into account any amounts other than in respect of interest to be received from any 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) to pay the amounts in respect of principal due and payable to the Subordinated Lender(s) under the relevant Term Loan,

provided that, with respect to paragraph (b) above only, no breach of the Mandatory Tests and/or Asset Coverage Test is pending; and

further provided that in respect of both paragraph (a) and (b) above (i) no Segregation Event has occurred and is continuing on such Guarantor Payment Date; and/or (ii) any principal amount outstanding in respect of the relevant Series or Tranche of Covered Bonds which has fallen due on or prior to the relevant Guarantor Payment Date has been repaid in full by the Issuer.

Guarantee Priority of Payments

At any time after service on an Issuer Default Notice, the Guarantor Available Funds standing to the credit of the Guarantor's Accounts will be applied as described below.

Following (i) the delivery of an Issuer Default Notice in respect of any Series or Tranche of Covered Bonds and (ii) the deferral of the Maturity Date relating to such Series or Tranche of Covered Bonds to the Long Due for Payment Date, the Final Redemption Amount(s) relating to any other Series or Tranche of Covered Bonds in respect of which the relevant Maturity Date has not occurred will be accumulated in the Amortisation Reserve Account, and recorded on specific ledgers created thereon, opened in the name of the Guarantor and such amounts, once allocated, will only be available to pay amounts due under the Guarantee in respect of the relevant Series of Covered Bonds on, and from, the relevant Maturity Date and up to the Extended Maturity Date.

Following the delivery of an Issuer Default Notice and - in the event that the Issuer Event of Default consists in an Article 74 Event – until the delivery of an Article 74 Event Cure 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) (the "**Guarantee Priority of Payments**"):

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 amounts 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 amounts due and payable to the Servicer(s), the Italian Account Bank, the New Italian Account Bank (if any), the Cash Manager, the Guarantor Calculation Agent, the Back-up Servicer Facilitator (if any), the Back-up Servicer (if any), the Guarantor Corporate Servicer, the Principal Paying Agent, the Paying Agent(s) (if any), the Portfolio Manager (if any) and the Test Calculation Agent;
4. (*Fourth*), *pari passu* and *pro rata* according to the respective amounts thereof:
 - (i) to pay (or make a provision for payment of any relevant amounts falling due up to the next following Guarantor Payment Date as the Guarantor Calculation Agent may reasonably determine) any amounts due to the Swap Provider(s) (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and
 - (ii) to pay, on any Guarantor Payment Date, any interest due and payable on such Guarantor Payment Date (or that will become due and payable up to 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*), 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*), *pari passu* and *pro rata* according to the respective amounts thereof:
 - (a) to pay (or to make a provision for payment of any relevant amounts falling due up to the next following Guarantor Payment Date as the Guarantor Calculation Agent may reasonably determine) the amounts other than in respect of interest due or to become due and payable to the relevant Swap Provider(s);
 - (b) to pay (or make provision for payment of any relevant amounts falling due up to the next following Guarantor Payment Date, as the Guarantor Calculation Agent may reasonably determine) in whole or in part the Final Redemption Amount under the Guarantee in respect of each Series or Tranche of Covered Bonds to which the Extended Maturity Date applied; and
 - (c) to credit any other amounts on the Amortisation Reserve Account, in order to fund the Redemption Amount in respect of each Series or Tranche of Covered Bonds in respect of which the relevant Maturity Date has not occurred;
7. (*Seventh*), 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 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;
8. (*Eighth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, to any party to the Programme Documents (other than the Seller(s)) any amounts 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 *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;
10. (*Tenth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, to the Seller(s) any amounts due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Guarantee Priority of Payments;
11. (*Eleventh*), provided that any other amounts under this Guarantee Priority of Payments have been paid (or a provision for payment has been made) in full, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, to the Subordinated Lender(s) any interest and principal amount outstanding and Premium (if any), and other amounts due, on each Term Loan (as applicable) under the relevant 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 (the "**Post-Enforcement Priority of Payments**"):

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 amounts due and payable to the Representative of the Bondholders;
3. (*Third*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, (i) any amounts due and payable to the Servicer(s), the Italian Account Bank, the New Italian Account Bank (if any), the Cash Manager, the Guarantor Calculation Agent, the Back-up Servicer Facilitator (if any), the Back-up Servicer (if any), the Guarantor Corporate Servicer, the Principal Paying Agent, the Paying Agent(s) (if any), the Portfolio Manager (if any) and the Test Calculation Agent; (ii) any amounts due to the Swap Provider(s) other than any Excluded Swap Termination Amount; and (iii) any amounts due under the Guarantee in respect of each Series or Tranche of Covered Bonds;
4. (*Fourth*), any Excluded Swap Termination Amount due and payable by the Guarantor;
5. (*Fifth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, to any party to the Programme Documents (other than the Seller(s)) any amounts due and payable under the Programme Documents;
6. (*Sixth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, to the Seller(s) any amounts 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;

7. (*Seventh*), provided that any other amounts under this Post-Enforcement Priority of Payments have been paid in full, to pay or repay, *pari passu* and *pro rata* according to the respective amounts thereof, to the Subordinated Lender(s) any amounts outstanding under the Subordinated Loan Agreement(s).

DESCRIPTION OF THE COVER POOL

The Cover Pool is and will be comprised of (a) Receivables and the related collateral, (b) Asset Backed Securities and Public Entities Securities, assigned to the Guarantor by the Main Seller (and/or the Additional Seller(s) if any) in accordance with the terms of the Master Assets Purchase Agreement, (c) any other Eligible Assets in accordance with Law 130, the Decree 310 and the Bank of Italy Regulations and (d) any other Top-Up Assets.

As at the date of this Prospectus, the Initial Portfolio consists of Residential Mortgage Receivables transferred by the Main 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*".

Criteria

The sale of the Receivables and their related Security Interest to the Guarantor will be subject to various conditions being satisfied on the relevant Valuation Date (except as otherwise indicated). The Receivables to be transferred from time to time to the Guarantor will meet certain Criteria, identified so that the Receivables will be selected as a "pool" (*blocco*). The Criteria, which will differ for Residential Mortgage Receivables, Commercial Mortgage Receivables and Public Entities Receivables, will comprise the Common Criteria, which will be from time to time integrated by the Specific Criteria, provided that the relevant Seller and the Guarantor may agree to amend the Common Criteria any such amendment shall be notified to the Representative of the Bondholders and the Main Servicer.

Common Criteria for the transfer of the Residential Mortgage Receivables

The Residential Mortgage 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 Common Criteria (to be deemed cumulative unless otherwise provided) on each relevant Valuation Date (or at such other date specified below):

1. are secured by a Mortgage created over Real Estate Assets to be used as residence (*uso di abitazione*), in accordance with applicable laws and regulations, and in which the relevant Real Estate Assets are located in the Republic of Italy;
2. the relevant outstanding amount added to the principal amount outstanding of any preceding 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 date of disbursement of the relevant Residential Mortgage Loan;
3. in relation to 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, article 39, fourth paragraph, of the Consolidated Banking Act;
4. do not arise out of agreements subject to the consumer loan (*credito al consumo*) protections pursuant to *Titolo VI, Capo II*, of the Consolidated Banking Act and the Legislative Decree number 206 of 6 September 2005 (*Codice del consumo*);
5. in relation to which the relevant Residential Mortgage Loan is denominated in Euro or, if denominated in Lire as at the relevant disbursement date, it has been redenominated in Euro;

6. in relation to which the relevant Residential Mortgage Loan Agreement is governed by the Italian law;
7. are not under litigation (*in contenzioso*);

Common Criteria for the transfer of the Commercial Mortgage Receivables

The Commercial Mortgage 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 Common Criteria (to be deemed cumulative unless otherwise provided) on each relevant Valuation Date (or at such other date specified below):

1. are secured by a mortgage created over Real Estate Assets to be used for commercials or professionals purposes (*attività commercial o di ufficio*), in accordance with applicable laws and regulations, and in which the relevant Real Estate Assets are located in the Republic of Italy;
2. the relevant outstanding amount, added to the principal amount outstanding of any preceding mortgage loans secured by the same Real Estate Asset, does not exceed 60 per cent of the value of the Real Estate Asset as at the date of disbursement of the relevant Commercial Mortgage Loan;
3. in relation to 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, article 39, fourth paragraph, of the Consolidated Banking Act;
4. in relation to which the relevant Commercial Mortgage Loan is denominated in Euro or, if denominated in Lire as at the relevant disbursement date, it has been redenominated in Euro;
5. in relation to which the relevant Commercial Mortgage Loan is governed by the Italian law;
6. are not under litigation (*in contenzioso*);

Common Criteria for the transfer of the Public Entities Receivables

The Public Entities 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 Common Criteria (to be deemed cumulative unless otherwise provided) on each relevant Valuation Date (or at such other date specified below):

1. have the features required by article 2, first paragraph, letter (c) of the Decree 310, that is receivables owed by, or which have been benefit of a guarantee eligible for credit risk mitigation granted by:
 - (a) Public Entities of member states of the European Economic Area or Switzerland for which a 20% risk weight is applicable in accordance with the prudential regulations' standardised approach of the Bank of Italy; and
 - (b) Public Entities of member states of the European Economic Area or Switzerland for which a 0% risk weight is applicable in accordance with the

prudential regulations' standardised approach of the Bank of Italy or Public Entities of states not member of the European Economic Area or Switzerland for which a not higher than a 20% risk weight is applicable in accordance with the prudential regulations' standardised approach of the Bank of Italy;

2. in relation to which the relevant Public Loan has been fully disbursed;
3. in relation to which the relevant Public Loan is denominated in Euro or, if denominated in Lire as at the relevant disbursement date, it has been redenominated in Euro;
4. in relation to which the relevant Public Entities Loan is governed by the Italian law;

Specific Criteria for the transfer of the Residential Mortgage Receivables included in the Initial Portfolio

The Residential Mortgage Receivables included in the Initial Portfolio transferred by the Main Seller to the Guarantor on 30 April 2012 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).

The Residential Mortgage Receivables arise out of Residential Mortgage Loans:

1. the disbursement date of which, regardless of the relevant value date, falls before 31 December 2011;
2. that are fully disbursed and in relation to which there was no obligation or possibility to make additional disbursements;
3. in relation to which at least one Principal Instalment was paid before the relevant Valuation Date (i.e. Residential Mortgage Loans that are not in the pre-amortising phase);
4. in relation to which all the Instalments falling due before the relevant Valuation Date have been paid;
5. in relation to which no partial prepayments of undue Instalments were made;
6. 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*) 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, fall into the following sectors of economic activities (*settori di attività economica*): 600 ("*Famiglie Consumatrici*"), 614 ("*Artigiani*") and 615 ("*Altre Famiglie Produttrici*");
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 creditor secured by the first ranking priority mortgage is BMPS 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 creditor 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 creditor secured by the mortgage(s) ranking prior to such second or subsequent mortgage is BMPS (even if the obligations secured by such ranking priority mortgage(s) have not been fully satisfied) and the receivables secured by such prior ranking priority mortgages arise from Mortgage Loans meeting the Common Criteria and these Specific Criteria;

8. the value of the registration of the relevant Mortgage was higher than Euro 10.00;
9. in relation to which the ratio between the value of the registration of the relevant Mortgage and the disbursed amount of the Residential Mortgage Loan, at the relevant date of the disbursement, was comprised between 1.5 (included) and 8 (included);
10. the relevant amount granted as at the relevant disbursement date was equal to or lower than (a) in relation to Residential Mortgage Loans disbursed to *Artigiani and Altre Famiglie Produttrici*, 80 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*), and (b) in relation to Residential Mortgage Loans disbursed to *Famiglie Consumatrici*, 90 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);
11. secured by Real Estate Asset falling into the following Italian cadastral's categories: A1, A2, A3, A4, A5, A6, A7, A8, A9 or A11;
12. which, at the time of Debtor request, were processed by the branches of BMPS, Banca Agricola Mantovana S.p.A. (merged into BMPS on 16 September 2008), Banca Antonveneta S.p.A. (merged into BMPS on 22 December 2008), Banca Toscana S.p.A. (merged into BMPS 24 March 2009) and Banca Personale S.p.A. (merged into BMPS on 16 April 2010);
13. which were 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 or national or regional companies promoting enterprises (such as Cassa Depositi e Prestiti – *società finanziarie regionali*, etc.);
14. which were not disbursed under third parties facilitations on account of interest or principal (i.e., loans that qualify as *mutui agevolati*);
15. in relation to which the outstanding amount is comprised between Euro 5,000.00 (included) and Euro 5,000,000.00 (included);
16. where being fixed rate loan (*tasso fisso*), the relevant fixed rate was lower than 8 per cent per annum;
17. where being floating rate loans (*tasso variabile*), the spread to be added to the reference rate contractually provided for the calculation of the interest was not equal to, or higher than, 5 per cent;

18. which were not 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 who have not benefit from or applied to benefit from the suspension of payment of the instalments pursuant to the convention entered into between the Italian banking association (ABI) and the main consumers' associations (the so called "*Piano Famiglie*") of 18 December 2009, as extended on 26 January 2011 and 19 July 2011;
19. which were not renegotiated pursuant to Legislative Decree number 93 of 27 May 2008 (the so called *Decreto Tremonti*), converted into Law number 126 of 24 July 2008 and the convention between the Italian Ministry of Economy and Finance and ABI on 19 June 2008;
20. which were not 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, in favour of whom the suspension of the payment of the relevant instalments is provided.

Specific Criteria of the New Portfolios

The Specific Criteria of any New Portfolios are selected by the Seller on or about the relevant Valuation Date and identified among the Specific Criteria on the basis of the composition of the relevant New Portfolio. Such Specific Criteria of the New Portfolios are listed in the relevant Transfer Agreement and be available at the registered office of the Representative of the Bondholders and BMPS (in this respect please refer to section "*Documents Available*" below).

LAW 130

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 number 130 of 30 April 1999 (as amended, the "**Law 130**");
- the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under Decree 310 (the "**Decree 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 with respect to the issue of covered bonds (as amended, the "**Bank of Italy Instructions**").

Law Decree number 35 of 14 March 2005, converted by Law number 80 of 14 May 2005, amended 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 310, the Bank of Italy Instructions were published on 17 May 2007, 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 "**SPV**");

- the bank (or a different bank) grants the SPV a subordinated loan in order to fund the payment by the SPV 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 SPV for the exclusive benefit of the holders of the covered bonds. The Guarantee is backed by the entire cover pool held by the SPV and is limited to the Segregated Assets, consisting of (a) the Cover Pool, (b) any amounts paid by the relevant Debtors and/or the Swap Providers and (c) any amount paid to the Guarantor deriving from any other Programme Documents.

Article 7-bis however also allows for structures which contemplate different entities acting respectively as cover pool provider, subordinated loan provider and covered bonds issuing bank.

The SPV

The Italian legislator chose to implement the new legislation on covered bonds by supplementing the 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 SPV 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 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 issuing bank 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 Segregated Assets. The acceleration of the SPV's payment obligations under the covered bonds will not therefore result in a corresponding acceleration of the SPV's payment obligations under the guarantee (thereby preserving the maturity profile of the covered bonds).

Upon an insolvency of the issuing bank, solely the SPV will be responsible for the payment obligations of the issuing bank owed to the bondholders, in accordance with their original terms and with limited recourse to the amounts available to the SPV from the Segregated Assets.

If a resolution pursuant to article 74 of the Consolidated Banking Act is passed in respect of the issuing bank, the SPV, in accordance with Decree 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 Programme Documents - Guarantee*".

Finally, if a liquidation procedure (*liquidazione coatta amministrativa*) is imposed on the issuer's payments, the SPV 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 SPV 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 SPV 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 number 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 euro 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(s) acting as cover pool provider(s) which are not part of the same banking group of the issuing bank (in the case of structures in which separate entities act respectively as issuing bank and as cover pool provider(s)).

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 310 provides that the cover pool provider and the issuer must continually ensure that, throughout the transaction:

- the nominal amount of the cover pool shall be equal to, or greater than, the aggregate nominal amount of the outstanding covered bonds;
- the net present value of the cover pool, net of the transaction costs to be borne by the special purpose company, including therein the expected costs and the costs of any hedging arrangement entered into in relation to the transaction, shall be equal to, or greater than, the net present value of the outstanding covered bonds; and
- the amount of interests and other revenues generated by the cover pool, net of the costs borne by the special purpose company, shall be equal to, or greater than, the interests and costs due by the issuer under the outstanding covered bonds, also taking into account any hedging arrangements entered into in relation to the transaction.

In respect of the above, under the Bank of Italy Instructions, strict monitoring procedures are imposed on the issuing 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 issuing 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 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-collateralisation 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 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.

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 number 917 of 22 December 1986.

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 23 May 2012 (the "**Programme Agreement**") and made between the Issuer, the Guarantor and the Initial Dealer. 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.

Pursuant to the Programme Agreement each of the Issuer, the Guarantor and the Dealer(s) has undertaken to comply with all applicable laws and regulations in each country or jurisdiction, in which it purchases, offers, sells or delivers the Covered Bonds or has in its possession or distributes this Prospectus or any related offering material, in all cases at its own expense, but will not be bound by any of the restrictions relating to any specific jurisdiction to the extent that such restrictions, as a result of change(s) or change(s) in official interpretation, of applicable laws and regulations, are no longer applicable. Furthermore, each of the Issuer, the Guarantor and the Dealer(s) has represented and warranted that it has not made or provided, and has undertaken not to make or provide, any representation or information regarding the Issuer, the Guarantor or the Covered Bonds save as contained in this Prospectus or as approved for such purpose by the Issuer or the Guarantor or which is a matter of public knowledge.

ITALY

The offering of the Covered Bonds has not been registered and will not be registered pursuant to Italian securities legislation and sales of the Covered Bonds in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations. 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:

- (i) to the categories of "qualified investors", as referred to in Article 100 of the Financial Laws Consolidation Act and defined in Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or
- (ii) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under the Financial Laws Consolidation Act or Regulation No. 11971.

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 Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Consolidated Banking Act, the Financial Laws Consolidation Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

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 free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Representative of the Bondholders and BMPS:

- Guarantee;
- Subordinated Loan Agreement;
- Master Assets Purchase Agreement;
- Cover Pool Management Agreement;
- Warranty and Indemnity Agreement;
- Master Servicing Agreement;
- Quotaholders' Agreement;
- Cash Allocation, Management and Payments Agreement;
- Swap Agreement(s) (if any);
- Mandate Agreement;
- Deed of Pledge;
- Account Pledge Agreement;
- Deed of Charge (if any);
- Intercreditor Agreement;
- Corporate Services Agreement;
- Programme Agreement;
- any Subscription Agreement;
- Master Definitions Agreement;
- this Prospectus; and
- the Final Terms of any Series or Tranche of Covered Bonds.

In addition, so long as Covered Bonds are capable of being issued under the Programme, copies of the following documents concerning the Issuer will be available on the BMPS's website (www.mps.it):

- the by-laws and the constitutive documents;

- the latest two annual financial statements;
- the latest two auditors' report;
- a copy of this Prospectus; and
- 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.

Moreover, copies of the following documents will, when published, be available free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Guarantor:

- the Guarantor's by-laws and the relevant constitutive documents;
- the latest two annual financial statements of the Guarantor;
- the latest two auditors' report of the Guarantor.

GLOSSARY

"**Account Pledge Agreement**" means the Italian law deed of pledge over bank accounts entered into 22 August 2013 between the Guarantor and the Representative of the Bondholders, 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.

"**Accrued Interest**" means, as of each 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 Financial Centre**" has the meaning set out in the relevant Final Terms.

"**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 (if any) which has been appointed as servicer in relation to the Assets transferred by it 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.

"**Adjusted Aggregate Asset Amount**" means the amount calculated pursuant to the formula set out in clause 4.2 of the Cover Pool Management Agreement.

"**Affected Party**" has the meaning ascribed to that term in the Swap Agreements.

"**Amortisation Test**" means the Test as indicated in clause 5 of the Cover Pool Management Agreement.

"**Amortisation Reserve Account**" means the account denominated in Euro that will be opened in the name of the Guarantor and held with an Eligible Institution, not belonging to the Montepaschi Group, for the deposit of the Redemption Amount(s) in respect of any Series or Tranche of Covered Bonds following the service of an Issuer Event of Default Notice relating to any other Series or Tranche of Covered Bonds, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Article 74 Event**" has the meaning given to it in the Terms and Conditions.

"**Article 74 Event Cure Notice**" has the meaning given to it in the Terms and Conditions.

"**Assets**" means, collectively, the Eligible Assets and the Top-Up Assets.

"**Asset Backed Securities**" means, pursuant to article 2, sub-paragraph 1, letter d), of Decree 310, the asset backed securities for which a risk weight not exceeding 20% is applicable in accordance with the Prudential Regulations - standardised approach - provided that at least 95% of the relevant securitised assets are:

- (a) Residential Mortgage Loans;

- (b) Commercial Mortgage Loans;
- (c) Public Entities Receivables or Public Entities Securities.

"**Asset Coverage Test**" means the test indicated in clause 4 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, or any other entity acting in such capacity.

"**Asset Monitor Engagement Letter**" means the engagement letter entered into on 23 May 2012, between the Issuer and the Asset Monitor in order to perform specific agreed upon procedures concerning, *inter alia*, (i) the fulfilment of the eligibility criteria set out under Decree 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the calculations carried-out by the Issuer in relation to the Tests; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

"**Back-Up Servicer**" means the company that will be appointed in such capacity by the Guarantor pursuant to clause 10 of the Master Servicing Agreement.

"**Back-Up Servicer Facilitator**" means the company that will be appointed in such capacity by the Guarantor pursuant to clause 10 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 number 267 of 16 March 1942, as subsequently amended and supplemented.

"**Base Interest**" has the meaning given to the term "*Interesse Base*" pursuant to each Subordinated Loan Agreement.

"**BMPS**" means Banca Monte dei Paschi di Siena S.p.A.

"**BMPS Italian Collection Account**" means the account denominated in Euro IBAN IT31V0103014200000010305488 opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of any Collections under the Portfolios assigned by BMPS or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**BMPS Italian Securities Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of any securities transferred by the Guarantor to BMPS, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**BMPS Subordinated Loan Agreement**" means the subordinated loan agreement entered into on 30 April 2012 between the Main Subordinated Lender and the Guarantor.

"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 case, following the delivery of a Breach of Tests Notice, the Mandatory Tests and/or the Asset Coverage Test are newly met within the Test Remedy Period, in accordance with the Terms and Conditions.

"Breach of Tests Notice" means the notice delivered by the Representative of the Bondholders in accordance with the Terms and Conditions following the infringement of one of the Mandatory Tests and/or the Asset Coverage Test 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 and London and on which the 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:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"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;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"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:
 - (i) 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;
 - (ii) 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
 - (iii) 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

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"**Calculation Period**" means each period between a Guarantor Calculation Date (included) and the next Guarantor Calculation Date (excluded).

"**Cash Allocation, Management and Payments Agreement**" means the cash allocation, management and payments agreement entered into on 23 May 2012 between, *inter alios*, the Guarantor, the Representative of the Bondholders, the Guarantor Calculation Agent, the Cash Manager and the Italian Account Bank, 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.

"**Cash Manager**" means BMPS or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement.

"**Clearstream**" means Clearstream Banking *société anonyme*, Luxembourg with offices at 42 avenue JF Kennedy, L-1855 Luxembourg.

"**Collateral Security**" means any security (including any loan mortgage insurance but excluding Mortgages) granted to the Main 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 Loan Agreement.

"**Collection Date**" means (i) prior to the service of a Guarantor Default Notice, the first calendar day of each month; and (ii) following the service of a Guarantor Default Notice, each date determined as such by the Representative of the Bondholders.

"**Collection Period**" means the Monthly Collection Period and/or the Quarterly Collection Period, as applicable.

"**Collections**" means all amounts received or recovered by each Servicer in respect of the relevant Assets included in the Cover Pool.

"**Commercial Mortgage Loan**" means each loan secured by a Mortgage on a Real Estate Asset used for office, commercial or other productive activities disbursed to the relevant Debtor, pursuant to a Commercial Loan Agreement and from which a Commercial Mortgage Receivable arises.

"**Commercial Mortgage Loan Agreement**" means each of the agreements entered into with the relevant Debtor, pursuant to which a Commercial Mortgage Loan is disbursed, as well as each deed, contract, agreement or supplement thereto or amendment thereof, or any document pertaining thereto (such as "*atti di accollo*").

"**Commercial Mortgage Receivable**" means, pursuant to article 2, sub-paragraph 1, letter b) of Decree 310, a receivable deriving from a Commercial Mortgage Loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any preceding mortgage loans secured by the same property does not exceed, as at the relevant Valuation Date, 60% of the value of the relevant property and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"**Commingling Reserve Account**" means the account denominated in Euro that will be opened in the name of the Guarantor and held with an Eligible Institution, not belonging to

the Montepaschi Group, in order to post from time to time the Commingling Reserve Amount (if any) or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"Commingling Reserve Amount" means the sum actually posted from time to time to the credit of the Commingling Reserve Account, up to Target Commingling Amount in accordance with Clause 4 (*Asset Coverage Test*) of the Cover Pool Management Agreement.

"Common Criteria" means the criteria for the selection of the Receivables, as listed in schedule 2, parties I, II and III to the Master Assets Purchase Agreement.

"CONSOB" means *Commissione Nazionale per le Società e la Borsa*.

"Consolidated Banking Act" means Legislative Decree number 385 of 1 September 1993, as subsequently amended and supplemented.

"Consolidated Monthly Servicer's Report" means the consolidated monthly report prepared by the Main Servicer in accordance with Clause 6.3 of the Master Servicing Agreement and sent within each Monthly Servicer's Report Date pursuant to the Master Servicing Agreement.

"Consolidated Quarterly Servicer's Report" means the consolidated quarterly report prepared by the Main Servicer and sent within each Quarterly Servicer's Report Date to the entities referred to in the Master Servicing Agreement.

"Corporate Services Agreement" means the corporate services agreement entered into on 23 May 2012 between, *inter alios*, the Guarantor and the Guarantor Corporate Servicer 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.

"Corresponding Interest" has the meaning given to the term "*Interesse Collegato*" pursuant to each 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.

"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 collection and recovery of Receivables from time to time adopted by the relevant Servicer.

"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 into on 23 May 2012 between, *inter alios*, the Issuer, the Guarantor, the Main Seller, the Test Calculation Agent, the Guarantor Calculation Agent and the Representative of the Bondholders, 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.

"**Criteria**" means, collectively, the Common Criteria and the Specific Criteria.

"**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:

- (a) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (i) 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
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) 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
 - (B) 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;
- (b) 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);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) 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";

- (f) 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

- (g) if "30E/360 (ISDA)" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.

"DBRS" means DBRS Ratings Limited.

"DBRS equivalence chart" means the DBRS rating equivalent of any of the below ratings by Moody's, Fitch or S&P:

<u>DBRS</u>		<u>Moody's</u>		<u>S&P</u>		<u>Fitch</u>	
<i>Long</i>	<i>Short</i>	<i>Long</i>	<i>Short</i>	<i>Long</i>	<i>Short</i>	<i>Long</i>	<i>Short</i>
AAA	R-1 (high)	Aaa	P-1	AAA	A-1+	AAA	F1+
AA (high)	R-1 (high) or R-1 (mid)	Aa1	P-1	AA+	A-1+	AA+	F1+
AA	R-1 (high) or R-1 (mid)	Aa2	P-1	AA	A-1+	AA	F1+
AA (low)	R-1 (mid) or R-1 (low)	Aa3	P-1	AA-	A-1+	AA-	F1+ or F1
A (high)	R-1 (mid) or R-2 (low)	A1	P-1	A+	A-1	A+	F1+ or F1
A	R-1 (low)	A2	P-1 or P-2	A	A-1 or A-2	A	F1
A (low)	R-1 (low) or R-2 (high)	A3	P-2	A-	A-2	A-	F1 or F2
BBB (high)	R-1 (low) or R-2 (high)	Baa1	P-2	BBB+	A-2	BBB+	F2
BBB	R-2 (high) or R-2 (mid)	Baa2	P-2 or P-3	BBB	A-2 or A-3	BBB	F2 or F3
BBB (low)	R-2 (mid), R-2 (low) or R-3	Baa3	P-3	BBB-	A-3	BBB-	F3
BB (high)	R-3 or R-4	Ba1	Not prime	BB+	B	BB+	B
BB	R-4	Ba2	Not prime	BB	B	BB	B

BB (low)	R-4	Ba3	Not prime	BB-	B	BB-	B
B (high)	R-4	B1	Not prime	B+	B	B+	C
B	R-4 or R-5	B2	Not prime	B	B	B	C
B (low)	R-5	B3	Not prime	B-	B	B-	C
CCC (high)	R-5	Caa1	Not prime	CCC+	C	CCC+	C
CCC	R-5	Caa2	Not prime	CCC	C	CCC	C
CCC (low)	R-5	Caa3	Not prime	CCC-	C	CCC-	C
Ca	R-5	CC	Not prime	CC	C	CC	C
D	D	D	Not prime	D	C	D	C

"**Dealers**" means the Initial Dealer and any other entity that will be appointed as dealer by the Issuer pursuant to the Programme Agreement.

"**Debtor**" means (i) with reference to the Loans, any borrower and any other person, other than a Mortgagor, who entered into a Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due in respect of a Loan, as a consequence, *inter alia*, of having granted any Collateral Security or having assumed the borrower's obligation under the relevant Loan pursuant to an *accollo*, or otherwise; and (ii) with reference to the Securities, the relevant issuer.

"**Decree 239**" means the Legislative Decree number 239 of 1 April 1996, as subsequently amended and supplemented.

"**Decree 310**" means the ministerial Decree number 310 of 14 December 2006 issued by the Ministry of the Economy and Finance, as subsequently amended and supplemented.

"**Deed of Charge**" means the English law deed of charge (if any) between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors), 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.

"**Deed of Pledge**" means the Italian law deed of pledge entered into on 23 May 2012 between the Guarantor and the Representative of the Bondholders, 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.

"**Default Assets**" means, collectively, the Defaulted Receivables and the Defaulted Securities.

"**Defaulting Party**" has the meaning ascribed to that term in the Swap Agreements.

"**Defaulted Receivables**" means any Receivables (i) which have 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 relevant Credit and Collection Policy; or (ii) in respect of which there are 12 unpaid Instalments (in respect of Receivables deriving from Loans with monthly instalments), 7 unpaid Instalments (in respect of Receivables deriving from Loans with quarterly instalments) or 4 unpaid Instalments (in respect of Receivables deriving from Loans with semi-annual instalments).

"Defaulted Securities" means any 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.

"Delinquent Assets" means the Delinquent Receivables.

"Delinquent Receivables" means any Receivables (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*" programme.

"Deposits" means any 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 Prudential Regulations - standardised approach.

"Drawdown Date" means the date indicated in each Term Loan Proposal on which a Term Loan is granted pursuant to each Subordinated Loan Agreement during the Subordinated Loan Availability Period.

"Dual Currency Interest Covered Bonds" means Covered Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Covered Bonds are denominated.

"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.

"Eligible Assets" means the following assets contemplated under article 2, sub-paragraph 1, of Decree 310:

- (a) Mortgage Receivables;
- (b) Public Receivables;

- (c) Asset Backed Securities; and
- (d) Public Entities Securities.

"**Eligible Institution**" means any depository institution organised under the laws of any state which is a member of the European Union or of the United States whose long term rating debt obligations are rated at least "**BBB**" or, if such institution is not rated by DBRS, it has an Equivalent Rating corresponding to "**BBB**" from DBRS or such other rating being compliant with the criteria established by DBRS from time to 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 Maturity Date**" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, 1 Business Day before the Guarantor Payment Date immediately following the relevant Eligible Investment Date.

"**Eligible Investments**" means:

- (a) any Euro denominated senior (unsubordinated) dematerialised (i) debt securities or (ii) other debt instruments provided that such investments (1) have a maturity not exceeding 90 days, (2) have a maturity not exceeding the next following Eligible Investments Maturity Date and (3) have a Minimum Rating, **provided that** in case of downgrade below such rating level the securities will be sold, if it could be achieved without a loss, otherwise the securities shall be allowed to mature; or
- (b) repurchase transactions between the Issuer and an Eligible Institution in respect of Euro denominated (i) debt securities or (ii) other debt instruments provided that (1) title to the securities underlying such repurchase transactions (in the period between the execution of the relevant repurchase transactions and their respective maturity) effectively passes (as confirmed by a non qualified legal opinion by a primary standing law firm) to the Issuer and the obligations of the relevant counterparty are not related to the performance of the underlying securities, (2) such repurchase transactions have a maturity date falling not later than the next following Eligible Investments Maturity Date and in any case shorter than 60 days, (3) within 30 calendar days from the date on which the institution ceases to be an Eligible Institution, such investment has to be transferred to another Eligible Institution at no costs and no loss for the Issuer, (4) such repurchase transactions provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount) and (5) the debt securities underlying the repurchase transaction satisfy the requirements (including rating requirements) set out in paragraph (a) above,

provided that:

- (1) in all cases, such investments provide a fixed principal amount at maturity (or upon disposal or liquidation, as the case may be) at least equal to the principal amount invested; and
- (2) in any event, none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of (i) credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any Guarantor

Available Funds in the context of the Securitisation otherwise be invested in any such instruments at any time, or (ii) asset-backed securities, irrespective of their subordination, status or ranking, or (iii) swaps, other derivatives instruments, or synthetic securities, or (iv) any other instrument from time to time specified in the European Central Bank monetary policy regulations applicable from time to time as being instruments in which funds underlying asset-backed securities eligible as collateral for monetary policy operations sponsored by the European Central Bank may not be invested.

"Eligible Investments Securities Account" means the securities account number IT56T0103014200000010305767 opened in the name of the Guarantor with the Italian Account Bank for the deposit of any Eligible Investments represented by securities or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

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

"EU Insolvency Regulation" means Council Regulation (EC) number 1346/2000 of 29 May 2000.

"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":

- (a) 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 the Loan Interest falling immediately before the beginning of such Loan Interest Period; or
- (b) in the event that on any date of determination of the Loan 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, upon its request of such Guarantor Calculation Agent, by the Reference Banks at 11.00 a.m. (Brussels time) on the relevant date of determination of the Loan Interest and offered to other financial institutions of similar standing for a reference period similar to such Loan Interest Period; or
- (c) 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 relevant Reference Banks; or
- (d) 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 (a) or (b) above.

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

"**Equivalent Rating**" means:

- (a) if a Fitch public rating, a Moody's public rating and an S&P public rating in respect of the relevant security are all available at such date, the middle lower of such three ratings, upon their conversion on the basis of the Equivalence Chart; or
- (b) if the Equivalent Rating cannot be determined under paragraph (1) above, but public ratings of the Eligible Investment by any two of Fitch, Moody's and S&P are available at such date, the lower rating available (upon conversion on the basis of the DBRS Equivalence Chart),

provided that if only one or none of a Fitch public rating, a Moody's public rating and a S&P public rating is available in respect of the relevant security, no Equivalent Rating will exist.

"**Excess Assets**" means any Assets 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 on which the Main Seller receives from the Guarantor the letter of acceptance of the Master Assets Purchase Agreement, the Master Servicing Agreement, the Warranty and Indemnity Agreement and the Subordinated Loan Agreement, and (ii) with respect to the assignment of each New Portfolio, the date on which the Main Seller (or the relevant 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 IT37R0103014200000010305674, or any other substitutive account that may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"Extended Maturity Date" means the date when final redemption payments in relation to a specific Series or Tranche of 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, (i) the principal amount of such Series or, (ii) following the occurrence of an Issuer Event of Default any part thereof payable in accordance with the Priority of Payments, or (iii) such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

"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 Series of Covered Bonds or the First Tranche of Covered Bonds issued under the Programme.

"First Loan Interest Period" means, in relation to each Term Loan, the period starting on (and including) the relevant Drawdown Date and ending on (but excluding) the first following Guarantor Payment Date.

"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.

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms.

"Fixed Interest Term Loan" means each Term Loan granted under the relevant Subordinated Loan Agreement in respect of which a fixed rate Corresponding Interest applies as indicated in the relevant Term Loan Proposal and corresponding to the interest payable on the Corresponding Series or Tranche of Covered Bonds.

"Fixed Rate Covered Bonds" means the Covered Bonds which will bear interest at a fixed rate.

"Fixed Rate Provisions" has the meaning set out in Condition 5 (*Fixed Rate Provisions*).

"Floating Interest Term Loan" means each Term Loan granted under the relevant Subordinated Loan Agreement in respect of which a floating rate Corresponding Interest applies as indicated in the relevant Term Loan Proposal and corresponding to the interest payable on the Corresponding Series or Tranche of Covered Bonds.

"Floating Rate Covered Bonds" means the Covered Bonds which will bear interest at a floating rate.

"Guarantee" means the agreement entered into on 23 May 2012, between the Guarantor, the Issuer and the Representative of the Bondholders, pursuant to which the Guarantor has granted a guarantee for the purpose of guaranteeing the payments owed by the Issuer to the Bondholders pursuant to Law 130, Decree 310 and the Bank of Italy Regulations, 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.

"Guarantee Priority of Payments" has the meaning ascribed to such term in clause 7.2 of the Intercreditor Agreement.

"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.

"Guarantee Priority of Payments" has the meaning ascribed to such term in the section *"Cash Flows"* of this Prospectus.

"Guarantor" means MPS Covered Bond 2 S.r.l. acting in its capacity as guarantor pursuant to the Guarantee.

"Guarantor's Accounts" means, collectively, each Italian Collection Account, each Italian Securities Account (if any), the Payments Account (if any), the Main Programme Account, the Expenses Account, the Eligible Investments Securities Account, the Reserve Account, the Amortisation Reserve Account (if any), the Commingling Reserve Account (if any) and any other account opened in the context of the Programme, with the exception of the Quota Capital 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 Cash Allocation, Management and Payments Agreement.

"Guarantor Calculation Date" means:

- (a) until the Transaction Accounts are opened with, and held by, BMPS acting in the capacity of Italian Account Bank, the date falling on the 24th calendar day of each January, April, July and October of each year or, if any such day is not a Business Day, the immediately following Business Day;
- (b) starting from the quarterly Guarantor Calculation Date immediately following the transfer of the Transaction Accounts to the New Italian Account Bank in accordance with clauses 5.6.2 and 12.4.2 of the Cash Allocation Management and Payments Agreement, the 24th calendar day of each calendar month of each year or, if any such day is not a Business Day, the immediately following Business Day.

"Guarantor Corporate Servicer" means Securitisation Services S.p.A. or any other entity acting in such capacity pursuant to the Corporate Services Agreement.

"Guarantor Default Notice" means the notice to be served by the Representative of the Bondholders upon occurrence of a Guarantor Event of Default, in accordance with the Terms and Conditions.

"Guarantor Event of Default" has the meaning given to it in Condition 13.3 (*Guarantor Events of Default*).

"Guarantor Payment Date" means:

- (a) prior to the delivery of a Guarantor Default Notice,
 - (i) until the Transaction Accounts are opened with, and held by, BMPS acting in the capacity of Italian Account Bank, the 29th calendar day of January, April, July and October of each year or, if any such day is not a Business Day, the immediately following Business Day, provided that the first Guarantor Payment Date falls on 30 July 2012; or
 - (ii) starting from the quarterly Guarantor Payment Date immediately following the transfer of the Transaction Accounts to the New Italian Account Bank in accordance with clauses 5.6.2 and 12.4.2 of the Cash Allocation Management and Payments Agreement, the 29th calendar day of each calendar month of each year or, if any such day is not a Business Day, the immediately following Business Day;
- (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 Terms and Conditions and the Intercreditor Agreement.

"Index-Linked and Other Variable-Linked Interest Covered Bonds" means the Covered Bonds in respect of which the relevant payments of interest will be calculated by reference to an index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree, as set out in the applicable Final Terms.

"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 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) with respect to each other Eligible Asset or Top-Up Asset (including the Receivables), such other value, pursuant to article 7-*bis*, sub-paragraph 7, of Law 130, as indicated by the Main 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 Dealer" means MPS Capital Services Banca per le Imprese S.p.A.

"Initial Portfolio" means the first portfolio of Residential Mortgage Receivables and related Security Interests purchased on 30 April 2012 by the Guarantor from the Main Seller pursuant to the Master Assets Purchase Agreement.

"Initial Portfolio Purchase Price" means the consideration paid by the Guarantor to the Main Seller for the transfer of the Initial Portfolio, calculated in accordance with the Master Assets Purchase Agreement.

"Insolvency Event" means in respect of any company, entity or corporation that:

- (a) 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
- (b) an application for the commencement of any of the proceedings under (a) 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
- (c) 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
- (d) 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 Italian 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

- (e) 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 Loan Agreement, each instalment due by 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 subject to a Mortgage 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 into on 23 May 2012 between, *inter alios*, the Guarantor and the Other Guarantor Creditors, 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.

"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:

- (a) any interest amounts and/or yield collected by the relevant Servicer in respect of the Cover Pool and credited into the Main Programme Account during the immediately preceding Collection Period;
- (b) all Recoveries in the nature of interest received by the relevant Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;
- (c) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Guarantor's Accounts during the immediately preceding Collection Period;
- (d) 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, any amounts standing to the credit of the Reserve Account;
- (e) all amounts in respect of interest and/or yield received from the Eligible Investments;
- (f) any amounts received under the Swap Agreement(s), *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 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;

- (g) all interest amounts received from the relevant Seller by the Guarantor pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;
- (h) any amounts paid as Interest Shortfall Amount out of item (*First*) of the Pre-Issuer Default Principal Priority of Payments; and
- (i) 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" means the Test as described in the section of this Prospectus entitled "*Credit Structure – Mandatory Tests – Interest Coverage Test*".

"Interest Instalment" means the interest component of each Instalment.

"Interest Payment Date" means, in relation to each Series or Tranche of Covered Bonds, any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms, adjusted in accordance with the relevant Business Day Convention if specified in the relevant Final Terms.

"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 *Sixth* 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, as set out in the applicable Final Terms.

"Issuer" means BMPS.

"Issuer Event of Default" has the meaning given to it in Condition 13.2 (*Issuer Events of Default*).

"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 in accordance with the Terms and Conditions.

"Italian Account Bank" means BMPS in its capacity as Italian Account Bank or any other entity acting in such capacity pursuant to the terms of the Cash Allocation, Management and Payments Agreement.

"Italian Collection Account" means, as the case may be, the BMPS Italian Collection Account and/or 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 Account" means the BMPS Italian Securities Account and/or any other account which may be opened by the Guarantor for the deposit of any Securities represented by bonds, debentures, notes or other financial instruments in book entry form transferred by a Seller to the Guarantor or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"Law 130" means Italian Law number 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

"Loan" means each Mortgage Loan or Public Loan, as the case may be.

"Loan Agreement" means each Mortgage Loan Agreement or Public Loan Agreement, as the case may be.

"Loan Interest" means any of the Base Interest or the Corresponding Interest, pursuant to the relevant Subordinated Loan Agreement.

"Loan Interest Period" means, in relation to each Term Loan: (i) the relevant First Loan Interest Period; and thereafter (ii) each period starting on (and including) a Guarantor Payment Date and ending on (but excluding) the following Guarantor Payment Date.

"Long Due for Payment Date" means 31 December 2057 or any other date determined by the joint decision of the Issuer and the Rating Agency and notified by the Issuer to the Representative of the Bondholders and DBRS.

"Main Programme Account" means the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank (IBAN IT18P0103014200000010305581), or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"Main Seller" means BMPS.

"Main Servicer" means BMPS.

"Main Subordinated Lender" means BMPS in its capacity as Subordinated Lender pursuant to the BMPS Subordinated Loan Agreement.

"Mandate Agreement" means the mandate agreement entered into on 23 May 2012 between the Guarantor and the Representative of the Bondholders, 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.

"**Mandatory Tests**" means, collectively, the Nominal Value Test, the Net Present Value Test and the Interest Coverage test, each as provided for under article 3 of Decree 310 and calculated pursuant to clause 3 of the Cover Pool Management Agreement.

"**Margin**" has the meaning ascribed to the term "Margine" in each Subordinated Loan Agreement.

"**Master Assets Purchase Agreement**" means the master assets purchase agreement entered on 30 April 2012 between the Guarantor, the Main Seller and, following accession to the Programme, each Additional Seller, 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.

"**Master Definitions Agreement**" means the master definitions agreement entered into on 23 May 2012 between the parties of the Programme Documents, 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.

"**Master Servicing Agreement**" means the master servicing agreement entered on 30 April 2012 between the Guarantor, the Main Servicer and, following accession to the Programme, each Additional Servicer, 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.

"**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.

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

"**Minimum Rating**" means:

- (a) with respect to investments with a maturity date equal to or lower than 30 days:
 - (i) a DBRS short-term unsecured and unsubordinated rating of at least "**R-2 (middle)**" or a long-term unsecured and unsubordinated rating of at least "**BBB**", or
 - (ii) (in the absence of a rating from DBRS) an Equivalent Rating equal (upon conversion on the basis of the DBRS Equivalence Chart above) to "**R-2 (middle)**" in respect of short term debt or "**BBB**" in respect of long term debt;
- (b) with respect to investments with a maturity date higher than 30 days but equal to or lower than 90 days:
 - (i) a DBRS short-term unsecured and unsubordinated rating of at least "**R-1 (low)**" or a long-term unsecured and unsubordinated rating of at least "**A (low)**", or
 - (ii) (in the absence of a rating from DBRS) an Equivalent Rating equal (upon conversion on the basis of the DBRS Equivalence Chart) to "**R-1 (low)**" in respect of short term debt or "**A (low)**" in respect of long term debt;

- (c) with respect to investments with a maturity date higher than 90 days but equal to or lower than 180 days:
 - (i) a DBRS short-term unsecured and unsubordinated rating of at least "**R-1 (low)**" or a long-term unsecured and unsubordinated rating of at least "**A**", or
 - (ii) (in the absence of a rating from DBRS) an Equivalent Rating equal (upon conversion on the basis of the DBRS Equivalence Chart) to "**R-1 (low)**" in respect of short term debt or "**A**" in respect of long term debt;
- (d) with respect to investments with a maturity date higher than 180 days but equal to or lower than 365 days:
 - (i) a DBRS short-term unsecured and unsubordinated rating of at least "**R-1 (middle)**" or a long-term unsecured and unsubordinated rating of at least "**A (high)**"; or
 - (ii) (in the absence of a rating from DBRS) an Equivalent Rating equal (upon conversion on the basis of the DBRS Equivalence Chart) to "**R-1 (middle)**" in respect of short term debt or "**A (high)**" in respect of long term debt.

"**Montepaschi Group**" means, together, the banks and other companies belonging from time to time to the banking group "Gruppo Monte dei Paschi", 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 number 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 of the Initial Portfolio and ending on (but excluding) the Collection Date falling in June 2012.

"**Monthly Servicer's Report**" means the monthly report prepared by each Servicer and sent to the Main 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 any such day is not a Business Day, the immediately preceding Business Day and (ii) following the delivery of a Guarantor Default Notice, the date as may be indicated as such by the Representative of the Bondholders.

"**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 Mortgage Receivables.

"**Mortgage Loan**" means each Residential Mortgage Loan or Commercial Mortgage Loan.

"Mortgage Loan Agreement" means any Residential Mortgage Loan Agreement or Commercial Mortgage Loan Agreement.

"Mortgage Receivable" means each Residential Mortgage Receivable or Commercial Mortgage Receivable.

"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.

"New Italian Account Bank" means any entity who succeeded to the Italian Account Bank in the capacity of new Italian account bank pursuant to the Cash Allocation, Management and Payments Agreement.

"Net Present Value Test" means the Test as described in the section of this Prospectus entitled "*Credit Structure – Mandatory Tests – Net Present Value Test*".

"New Portfolio" means each 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, without prejudice for the provisions set out under clause 6 of the Master Assets Purchase Agreement.

"Nominal Value Test" means the Test as described in the section of this Prospectus entitled "*Credit Structure – Mandatory Tests – Nominal Value Test*".

"Official Gazette of the Republic of Italy" means the *Gazzetta Ufficiale della Repubblica Italiana*.

"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 Main Seller and each Additional Seller, if any, the Main Servicer and each Additional Servicer, if any, the Back-up Servicer Facilitator and/or the Back-up Servicer, if any, the Main Subordinated Lender and each Additional Subordinated Lender, if any, the Guarantor Calculation Agent, the Test Calculation Agent, the Dealer(s), the Representative of the Bondholders, each Swap Provider, the Italian Account Bank, the New Italian Account Bank, if any, the Cash Manager, the Principal Paying Agent, the Paying Agent(s), if any, the Guarantor Corporate Servicer and the Portfolio Manager, if any.

"Other Securities" means, pursuant to article 2, sub-paragraph 3.3 of Decree 310, any securities with a maturity not higher than one year issued by 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 Prudential Regulations - standardised approach.

"Outstanding Principal Balance" means any Principal Balance outstanding in respect of any Asset included in the Cover Pool.

"Paying Agent" means, together, 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:

- (a) 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
- (b) 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 opened in the name of the Guarantor (IBAN: IT 55 J 01030 14200 000010919851) and held by the Principal Paying Agent 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 which may be appointed as portfolio manager pursuant to the Cover Pool Management Agreement.

"Post-Enforcement Priority of Payments" has the meaning ascribed to such term in the section "Cash Flows" of this Prospectus.

"Post-Issuer Default Test Performance Report" means, on each Quarterly Test Calculation Date falling after the service of an Issuer Default Notice, the report prepared by the Test Calculation Agent setting out the calculations carried out by it with respect to the Amortisation Test and specifying whether such Test was not met, **provided that** the Amortisation Test shall not apply, the Post Issuer Default Test Performance Report must not be delivered by the Test Calculation Agent and, accordingly, no Guarantor Event of Default will occur, if the Extended Maturity Date equal to the Long Due for Payment Date is applied to the Covered Bonds.

"Potential Commingling Amount" has the meaning give to such term in Clause 4 (*Asset Coverage Test*) of the Cover Pool Management Agreement and in the Section named "*Credit Structure – Asset Coverage Test*" of the Prospectus.

"Pre-Issuer Default Interest Priority of Payments" has the meaning ascribed to such term in the section "Cash Flows" of this Prospectus.

"Pre-Issuer Default Principal Priority of Payments" has the meaning ascribed to such term in the section **"Cash Flows"** of this Prospectus.

"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 report prepared by the Test Calculation Agent setting out the calculations carried out by it with respect to the Mandatory Tests and the Asset Coverage Test and specifying whether any of such Tests was not met.

"Premium" has the meaning ascribed to that term in each Subordinated Loan Agreement.

"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 or deposited in the relevant ledger of the Amortisation Reserve Account) on or prior to that day; and (b) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount referred to in letter (a) above in respect of all Covered Bonds outstanding.

"Principal Available Funds" means in respect of any Guarantor Payment Date, the aggregate of:

- (a) all principal amounts collected by each Servicer in respect of the Cover Pool and credited to the Main Programme Account during the immediately preceding Collection Period;
- (b) all other Recoveries in respect of principal received by each Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;
- (c) all principal amounts received by the Guarantor from each Seller pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;
- (d) the proceeds of any disposal of Assets and any disinvestment of Assets;
- (e) any amounts granted by each Subordinated Lender under the relevant Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Top-Up Asset;
- (f) all amounts other than in respect of interest received under any Swap Agreement;
- (g) any amounts paid out of item *Tenth* of the Pre-Issuer Default Interest Priority of Payments;
- (h) any amount paid to the Guarantor by the Issuer upon exercise by or on behalf of the Guarantor of the rights of subrogation (*surrogazione*) or recourse (*regresso*) against the Issuer pursuant to article 4, paragraphs 3 and 4 of Decree 310; and
- (i) after (a) delivery of an Issuer Default Notice in respect of any Series or Tranche of Covered Bonds and the deferral of the Maturity Date relating to such Series or Tranche of Covered Bonds to the Long Due for Payment Date and (b) occurrence of the relevant Maturity Date in respect of any other Series or Tranche of Covered Bonds, any Final Redemption Amount(s) accumulated on the Amortisation Reserve Account, **provided that** the Guarantor will allocate and pay such Final Redemption Amount(s)

recorded on the ledgers of the Amortisation Reserve Account only pursuant to item (*Sixth*), letter (b) of the Guarantee Priority of Payments in respect of the corresponding Series or Tranche of Covered Bonds (excluding payment of any other items of the applicable Priority of Payments);

- (j) any principal amounts standing (other than amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period.

"Principal Balance" means:

- (a) 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;
- (b) for any Security as at any given date, the principal amount outstanding of that Security (plus any accrued but unpaid interest thereon).

"Principal Financial Centre" has the meaning set out in the relevant Final Terms. **"Principal Instalment"** means the principal component of each Instalment.

"Principal Paying Agent" means BMPS or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments 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 Agreement" means the programme agreement entered into on 23 May 2012 between the Issuer, the Guarantor, the Representative of the Bondholders and the Initial Dealer, 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.

"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 Guarantee, the Corporate Services Agreement, the Swap Agreements (if any), the Mandate Agreement, the Quotaholders' Agreement, the Prospectus, the Terms and Conditions, the Deed of Pledge, the Account Pledge Agreement, the Deed of Charge (if any), 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 euro 20,000,000,000.

"Programme Term Loan" means each Term Loan granted under the relevant Subordinated Loan Agreement in respect of which the Base Interest applies pursuant to terms of the relevant Subordinated Loan Agreement.

"Programme Termination Date" means the later of:

- (a) the date that falls ten calendar years after the First Issue Date; and
- (b) the date on which all Series of OBG issued under the Programme have been fully redeemed.

"Prospectus" means this Prospectus, as eventually amended and supplemented from time to time.

"Prudential Regulations" means the prudential regulations for banks issued by the Bank of Italy on 27 December 2006 with Circular number 263, as subsequently amended and supplemented.

"Public Entities" means any public entities indicated by article 3, sub-paragraphs 2 and 3 of Decree 310.

"Public Entities Receivable" means, pursuant to article 2, sub-paragraph 1, letter c) of Decree 310, any receivable:

- (a) disbursed to:
 - (i) Public Entities of member states of the European Economic Area or Switzerland for which a maximum 20% risk weight is applicable in accordance with the Prudential Regulations - standardised approach; and
 - (ii) Public Entities of states other than members of the European Economic Area or Switzerland for which a 0% risk weight is applicable in accordance with the Prudential Regulations- standardised approach or Public Entities of states other than members of the European Economic Area or Switzerland for which a maximum 20% risk weight is applicable in accordance with the Prudential Regulations - standardised approach, provided that such receivables shall not exceed the 10% of the aggregate nominal value of the Cover Pool; or
- (b) which have been benefit of a guarantee eligible for credit risk mitigation granted by the Public Entities under paragraphs (a) and (b) above.

"Public Entities Securities" means pursuant to article 2, sub-paragraph 1, letter c) of Decree 310, any securities issued by or which have benefit of a guarantee eligible for credit risk mitigation granted by:

- (a) Public Entities of member states of the European Economic Area or Switzerland for which a maximum 20% risk weight is applicable in accordance with the Prudential Regulations - standardised approach; and
- (b) Public Entities of states other than members of the European Economic Area or Switzerland for which a 0% risk weight is applicable in accordance with the Prudential Regulations- standardised approach or Public Entities of states other than members of the European Economic Area or Switzerland for which a maximum 20% risk weight is applicable in accordance with the Prudential Regulations - standardised approach, provided that such securities shall not exceed the 10% of the aggregate nominal value of the Cover Pool

"Public Loan" means each public loan disbursed to the relevant Debtor pursuant to a Public Loan Agreement and from which a Public Entities Receivable arises.

"Public Loan Agreement" means any agreement entered with the relevant Debtor from which a Public Loan is disbursed, as well as each deed, contract, agreement or supplement thereto or amendment thereof, or any document pertaining thereto (such as "*atti di accollo*").

"Purchase Price" means, as applicable, the Initial Portfolio Purchase Price or each 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 Date of January, April, July and October and ending on (but excluding), respectively, the Collection Date of April, July, October and January; and (b) in the case of the first Quarterly Collection Period, the period commencing on (but excluding) the Valuation Date of the Initial Portfolio and ending on (but excluding) the Collection Date falling in July 2012.

"Quarterly Servicer's Report" means the quarterly report prepared by each Servicer and sent to the Main Servicer pursuant to the Master Servicing Agreement.

"Quarterly Servicer's Report Date" means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 15th calendar day of each January, April, July and October of each year or, if any such day is not a Business Day, the immediately preceding Business Day; and (b) following the delivery of a Guarantor Default Notice, the date as may be indicated as such by the Representative of the Bondholders.

"Quarterly Test Calculation Date" means the 24th calendar day of January, April, July and October of each year or, if any such day is not a Business Day, the immediately following 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 Monte dei Paschi di Siena S.p.A., Conegliano branch, IBAN IT 68 M 01030 61621 000001285811, for the deposit of the Quota Capital.

"Quotaholders" means BMPS and SVM Securitisation Vehicles Management S.r.l., as quotaholders of the Guarantor.

"Quotaholders' Agreement" means the Quotaholders' agreement entered on 23 May 2012 between, *inter alios*, the Guarantor and the Quotaholders, 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.

"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 the Terms and Conditions and/or the relevant Final Terms.

"Rating Agency" means DBRS.

"Real Estate Assets" means the real estate properties which have been mortgaged in order to secure the Receivables.

"Receivables" means each Mortgage Receivable and/or Public Entities Receivable and every right arising under the relevant Loans pursuant to the law and the Loan Agreements, including but not limited to:

- (a) all rights and claims in respect of the repayment of the Principal Instalments due and not paid at the relevant Valuation Date (excluded);
- (b) all rights and claims in respect of the payment of interest (including the default interest) accruing on the Loans, which are due from (but excluding) the relevant Valuation Date;
- (c) the Accrued Interest;
- (d) all rights and claims in respect of each Mortgage and any Collateral Security (if any) relating to the relevant Loan Agreement;
- (e) all rights and claims under and in respect of the Insurance Policies (if any); and
- (f) 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 Assets and/or any Delinquent Assets.

"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 Terms and 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 each Subordinated Loan Agreement, means four financial institutions of the greatest importance, acting on the interbank market of the member states of the European Union, as selected by the relevant Subordinated Lender and notified to the Guarantor Calculation Agent.

"Reference Rate" has the meaning ascribed to it in the relevant Final Terms. **"Regular Period"** means:

- (a) 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;
- (b) 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
- (c) 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 Securitisation Services S.p.A. or any other entity acting in such capacity pursuant to the Programme Documents.

"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,

where:

"A" is the sum of all the amounts to be paid by the Guarantor on the next following Guarantor Payment Date (i) under items from *First* to *Third* of the Pre-Issuer Default Interest Priority of Payments and (ii) as compensation for the activity of any of the Main 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 6 (six) months period following the relevant Guarantor Calculation Date, which (i) in respect of the first quarter following the relevant Guarantor Calculation Date, shall be the interest payable on the relevant Series of Covered Bonds calculated on the basis of the reference rate (the **"Fixed Rate"**) specified for such series of Covered Bonds pursuant to the applicable Final Terms; and (ii) in respect of the second quarter, shall be the

interest payable on the relevant Series of Covered Bonds calculated on the basis of the same Fixed Rate.

"Reserve Account" means the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank (IBAN: IT 68 P 01030 14200 000010919758) or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"Reserve Amount" means the funds standing to the credit of the Reserve Account from time to time.

"Residential Mortgage Loan" means each loan secured by a Mortgage on a Real Estate Asset used for residence (*uso di abitazione*) disbursed to the relevant Debtor pursuant to a Residential Loan Agreement and from which a Residential Mortgage Receivable arises.

"Residential Mortgage Loan Agreement" means each of the agreements entered into with the relevant Debtor, pursuant to which a Residential Mortgage Loan is disbursed, as well as each deed, contract, agreement or supplement thereto or amendment thereof, or any document pertaining thereto (such as "*atti di accollo*").

"Residential Mortgage Receivable" means, pursuant to article 2, sub-paragraph 1, letter a) of Decree 310, a receivable deriving from a Residential Mortgage Loan, in respect of which the relevant amount outstanding added to the principal amount outstanding of any preceding mortgage loans secured by the same property, does not exceed, as at the relevant Valuation Date, 80 per cent of the value of the relevant property and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"Retention Amount" means an amount equal to euro 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" means collectively the Asset Backed Securities, the Public Entities Securities and the Other Securities.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Security" means the security created pursuant to the Deed of Pledge, the Account Pledge Agreement and the Deed of Charge (if any).

"Security Interest" means:

- (a) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (b) 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
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

"Segregated Assets" means the Guarantor's assets consisting of (a) the Cover Pool, (b) any amounts paid by the relevant Debtors and/or the Swap Providers and/or (c) any amounts received by the Guarantor pursuant to any other Programme Documents.

"Segregation Event" means the event occurring upon delivery of a Breach Test Notice pursuant to the Terms and Conditions.

"Seller" means any of the Main Seller and any Additional Seller pursuant to the Master Assets Purchase Agreement.

"Series" or **"Series of Covered Bonds"** means each series of Covered Bonds issued in the context of the Programme.

"Servicer" means any of the Main Servicer and any Additional Servicer pursuant to the Master Servicing Agreement.

"Servicer Termination Event" means any event as indicated in clause 10.1 of the Master Servicing Agreement.

"Servicer's Insolvency Event" means, with respect to the Main Servicer and/or any Additional Servicer acceding to the Master Servicing Agreement, any order issued by the competent authorities against the relevant Servicer, by effect of which such a Servicer is rendered subject to compulsory winding up ("*liquidazione coatta amministrativa*"), to an extraordinary administration procedure ("*amministrazione straordinaria*") or other insolvency procedure, which entails the cessation of the Servicer's business and prejudice its activity, or a resolution is passed by the relevant Servicer seeking its liquidation of the admission to any of the mentioned procedures.

"Servicer's Reports" means together the Monthly Servicer's Report, the Quarterly Servicer's Report and the Consolidated Quarterly Servicer's Report, and **"Servicer's Report"** means any of them.

"Servicer's Report Date" means the Quarterly Servicer's Report Date or the Monthly Servicer's Report Date, as the case may be.

"Specific Criteria" means the specific criteria integrating the Common Criteria for the selection of the Receivables, as specified from time to time by the relevant Seller to the Guarantor in the relevant Transfer Proposal.

"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.

"Subordinated Lender" means any of the Main Subordinated Lender and any Additional Subordinated Lender pursuant to the relevant Subordinated Loan Agreement.

"Subordinated Loan Agreement" means, as the case may be, the BMPS Subordinated Loan Agreement or any other subordinated loan agreement entered between an Additional Subordinated Lender and the Guarantor 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.

"Subordinated Loan Availability Period" means the period starting from the date of execution of 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 Terms and Conditions and the applicable Final Terms, in which the relevant Subordinated Lender may disburse to the Guarantor, on each Drawdown Date, a Term Loan.

"Subscription Agreement" means each subscription agreement entered on or about the Issue Date of each Series or Tranche of Covered Bonds between, *inter alios*, each Dealer and the Issuer.

"Substitute Servicer" means, with reference to each Servicer, the substitute which will be appointed upon the occurrence of a Servicer Termination Event pursuant to clause 10.6 of the Master Servicing Agreement.

"Swap Agreement" means any swap agreement which may be entered into by the Guarantor in the context of the Programme, 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.

"Swap Providers" means any entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement in the context of the Programme.

"Target Commingling Amount" means the positive difference between (y) the amount of principal and interest of the outstanding Portfolio that could be subject to commingling risk and (x) the Reserve Amount (if any) posted to the Reserve Account, as set out in clause 4 (*Asset Coverage Test*) of the Cover Pool Management 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 BMPS or any other entity acting in such capacity pursuant to the Cover Pool Management Agreement, as the case may be.

"Test Calculation Date" means, following the delivery of a Test Performance Report evidencing the breach of any of the Mandatory Tests and/or Asset Coverage Test, the 24th calendar day of the second calendar month falling after the delivery of such Test Performance Report.

"Test Grace Period" means the period starting on the Test Performance Report Date on which a Test Performance Report notifying the breach of any of the Mandatory Tests and/or of the Asset Coverage Test is notified by the Test Calculation Agent and ending on the following Test Calculation Date.

"Test Performance Report" means the Pre-Issuer Default Test Performance Report or the Post-Issuer Default Test Performance Report, as the case may be.

"Test Performance Report Date" means (i) the 24th calendar day of each January, April, July and October of each year, and (ii) upon delivery of a Test Performance Report evidencing the breach of any of the Mandatory Tests and/or Asset Coverage Test, the 24th calendar day of the second calendar month following the delivery of such Test Performance Report.

"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 Quarterly Test Calculation Date.

"Tests" means, collectively, the Mandatory Tests, the Asset Coverage Test and the Amortisation Test and **"Test"** means any of them.

"Top-Up Assets" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree 310, each of the following assets:

- (a) Deposits; and
- (b) Other Securities.

"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.

"Transaction Accounts" means the accounts opened with the Italian Account Bank under the Programme, other than the BMPS Italian Collection Account.

"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 5 to the Master Assets Purchase Agreement.

"Treaty" means the treaty establishing the European Community.

"Usury Law" means 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 (i) with respect to the Initial Portfolio, 27 April 2012 and (ii) with respect to any New Portfolios, the date that will be agreed between the relevant Seller and the Guarantor.

"Warranty and Indemnity Agreement" means the warranty and indemnity agreement entered on 30 April 2012 between the Main Seller and the Guarantor, and, following accession to the Programme, each Additional Seller, 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.

"Zero Coupon Covered Bonds" means the Covered Bonds, bearing no interest, which may be offered and sold at a discount to their nominal amount, as specified in the applicable Final Terms.

"15% Limit" means the maximum limit (as may increased or decreased from time to time in accordance with the applicable laws and regulations) of the aggregate amount of Top-Up Assets included in the Cover Pool, which may not be from time to time in excess of 15% of the aggregate outstanding principal amount of the Eligible Assets included in the Cover Pool.

ISSUER

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GUARANTOR CORPORATE SERVICER**

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