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

(incorporated as a joint stock company (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 S.r.l.

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

Except where specified otherwise, capitalised words and expressions in this Base 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**") 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 constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up of the Issuer, any funds realised and payable to the Bondholders will be collected by the Guarantor on their behalf. MPS Covered Bond S.r.l. (the "**Guarantor**") has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee (the "**Guarantee**") which is collateralised by a pool of assets (the "**Cover Pool**") made up of Residential Mortgage Loans and Asset-Backed Securities assigned and to be assigned to the Guarantor by the Principal Seller and the Additional Seller(s), and of other Eligible Assets and Top-Up Assets. Recourse against the Guarantor under the Guarantee is limited to the Cover Pool.

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority in Grand Duchy of Luxembourg as a base prospectus under article 8(1) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and the Luxembourg act relating to prospectuses for securities dated 16 July 2019 (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières et portant mise en oeuvre du règlement (UE) 2017/1129*) (the "**Luxembourg Prospectus Law**"). The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or the Guarantor or the quality of the Covered Bonds that are subject to this Base Prospectus. Investors should make their own assessment as to the suitability of investing in Covered Bonds. Application has been made for Covered Bonds to be admitted during the period of 12 months from the date of this Base Prospectus to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Markets in Financial Instruments Directive 2014/65/UE (*MiFID II*) as subsequently amended. The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system. As referred to in Article 6(4) of the Luxembourg Prospectus Law, by approving this Base Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer.
This Base Prospectus will be valid until 19 January 2023. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies after the end of its 12-month validity period.

Interest amounts payable under Floating Rate Covered Bonds may be calculated by reference to euro interbank offered rate ("**EURIBOR**") or such other reference rate, as specified in the relevant Final Terms. At the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is included in the register of administrators maintained by the European Securities and Markets Authority ("**ESMA**") under article 36 of Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**").

An investment in Covered Bonds issued under the Programme involves certain risks. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds and the section entitled "*Banca Monte dei Paschi di Siena S.p.A.*".

From their relevant issue dates, the Covered Bonds will be issued in bearer and dematerialised form or in any other form as set out in the relevant Final Terms. The Covered Bonds issued in bearer and dematerialised form will be held on behalf of their ultimate owners by Monte Titoli S.p.A. ("**Monte Titoli**") for the account of the relevant Monte Titoli account holders. Monte Titoli will also act as depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"). The Covered Bonds issued in bearer and dematerialised form will at all times be evidenced by book-entries in accordance with the provisions of the Financial Laws Consolidation Act and with the joint regulation of the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in bearer and dematerialised form.

The Covered Bonds of each Series or Tranche will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in Condition 9 (*Redemption and Purchase*)). Unless previously redeemed in full in accordance with the Conditions and the relevant Final Terms, the Covered Bonds of each Series or Tranche will be redeemed at their Final Redemption Amount on the relevant Maturity Date (or, as applicable, the Extension Determination Date), **provided that** if:

(i) a Guarantee Enforcement Notice has been served on the Issuer and the Guarantor as a result of the Issuer having failed to pay, in whole or in part, the Guaranteed Amounts on the Maturity Date for such Series of Covered Bonds and, on the relevant Extension Determination Date, the Guarantor has insufficient funds to pay, in accordance with the Guarantee Priority of Payments, the Guaranteed Amounts in respect of such Series of Covered Bonds; or

(ii) a Guarantee Enforcement Notice has been served on the Issuer and the Guarantor following the occurrence of an Issuer Event of Default (other than the Issuer Event of Default referred to in paragraph (i) above) and, on the Maturity Date for such Series of Covered Bonds, the Guarantor has insufficient funds to pay, in accordance with the Guarantee Priority of Payments, the Guaranteed Amounts in respect of such Series of Covered Bonds,

then the relevant Series or Tranche of Covered Bonds shall become a Pass Through Series.

Investors should also consider that if, on any Test Calculation Date following the service of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as a result of an Article 74 Event, prior to the service of an Article 74 Event Cure Notice), the Calculation Agent notifies, through the Test Performance Report, the Issuer, the Sellers, any Additional Seller and the Guarantor that the Amortisation Test is not met, then all Series of Covered Bonds shall become Pass Through Series.

As at the date of this Base Prospectus, payments of interest and other proceeds in respect of the Covered Bonds may be subject to withholding or deduction for or on account of Italian substitute tax, in accordance with Italian Legislative Decree No. 239 of 1 April 1996 (the "**Decree No. 239**"), as amended and supplemented from time to time, and any related regulations. Upon the occurrence of any withholding or deduction for or on account of tax from any payments under any Series or Tranche of Covered Bonds, neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any holder of Covered Bonds any Series or Tranche. For further details see the section entitled "*Taxation*".

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

Each Series or Tranche of Covered Bonds issued under the Programme, if rated, is expected to be assigned, unless otherwise stated in the applicable Final Terms, the following credit ratings: A1 by Moody's Deutschland GmbH ("**Moody's**"), A+ by Fitch Ratings Ireland Limited ("**Fitch**") and AA (low) by DBRS Ratings GmbH ("**DBRS**" and, together with Moody's and Fitch, the "**Rating Agencies**" and, each of them, a "**Rating Agency**"). Each of Moody's, Fitch and DBRS is established in the EEA and is registered under Regulation (EU) No 1060/2009, on credit rating agencies (the "**EU CRA Regulation**"). Please refer to the ESMA webpage http://www.esma.europa.eu/page/List-registered-and-certified-CRAs in order to consult the updated list of registered credit rating agencies. Any websites included in this Base Prospectus are for information purposes only and do not form part of this Base Prospectus.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by any or all of the Rating Agencies and each rating shall be evaluated independently of any other.

Whether or not each credit rating applied for in relation to relevant Series of Covered Bonds will be (1) issued or endorsed by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies as amended from time to time (the "**EU CRA Regulation**") or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the United Kingdom ("**UK**") and registered under Regulation (EC) No. 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the European Union but endorsed by a credit rating agency established in the European Union and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the European Union which is certified under the EU CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation. The European Securities and Markets Authority (the "**ESMA**") is obliged to maintain on its website, https://www.esma.europa.eu/page/List-registered-and-certified-CRAs, a list of credit rating agencies registered and certified in accordance with the EU CRA Regulation. The Financial Conduct Authority (the **FCA**) is obliged to maintain on its website, https://register.fca.org.uk/s/search?q=fitch&type=Companies), a list of credit rating agencies registered and certified in accordance with the UK CRA Regulation.

Other than in relation to the documents which are deemed to be incorporated by reference (see the section headed "*Documents Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

JOINT-ARRANGERS FOR THE PROGRAMME

Barclays	**Banca Monte dei Paschi di Siena S.p.A.**	**NatWest Markets**

DEALERS

Barclays	**MPS Capital Services Banca per le Imprese S.p.A.**	**NatWest Markets**

The date of this Base Prospectus is 19 January 2022.

RESPONSIBILITY STATEMENT

This Base Prospectus is a base prospectus for the purposes of article 8(1) of the Prospectus Regulation and for the purposes of giving information which, according to the particular nature of the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the Guarantor and of the rights attaching to the Covered Bonds.

The Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer and the Guarantor, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus makes no omission likely to affect the import of such information.

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

Other than in relation to the documents which are deemed to be incorporated by reference (see Documents Incorporated by Reference), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

Third Party Information – Certain information and statistics presented in this Base Prospectus regarding markets and market share of the Issuer or the Group are either derived from, or are based on, internal data or publicly available data from external sources. In respect of information in this Base Prospectus that has been extracted from a third party, the Issuer 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 third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources.

The Dealers have not undertaken, nor are responsible for, any assessment of the Sustainability Bond Framework (if adopted) or the Green Eligible Projects and Social Eligible Projects, any verification of whether the Green Eligible Projects and Social Eligible Projects meet the criteria set out in the Sustainability Bond Framework (if adopted) or the monitoring of the use of proceeds.

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

supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

PRIIPs / IMPORTANT – EEA RETAIL INVESTORS - *If the Final Terms in respect of any Covered Bonds include a legend entitled "Prohibition of Sales to EEA Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.*

PRIIPs / IMPORTANT – UK RETAIL INVESTORS - *If the Final Terms in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.*

MiFID II PRODUCT GOVERNANCE / TARGET MARKET - *The Final Terms in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending such Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.*

*A determination will be made at the time of issue about whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Joint-Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.*

***UK MiFIR product governance / target market** – The Final Terms in respect of any Covered Bonds will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.*

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Joint-Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

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

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

The Joint-Arrangers and the Dealers have not separately verified the information contained in this Base Prospectus. None of the Dealers or the Joint-Arrangers make any representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Representative of the Bondholders, the Joint-Arrangers or the Dealers that any recipient of this Base 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 Base Prospectus and its purchase of Covered Bonds should be

based upon such investigation as it deems necessary. None of the Dealers, the Representative of the Bondholders or the Joint-Arrangers undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of any of the Dealers, the Representative of the Bondholders or the Joint-Arrangers.

In this Base 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.

For the avoidance of doubt, the content of any website referred to in this Base Prospectus does not form part of the Prospectus.

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

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

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

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SUPPLEMENTS, FINAL TERMS AND FURTHER PROSPECTUSES

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

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

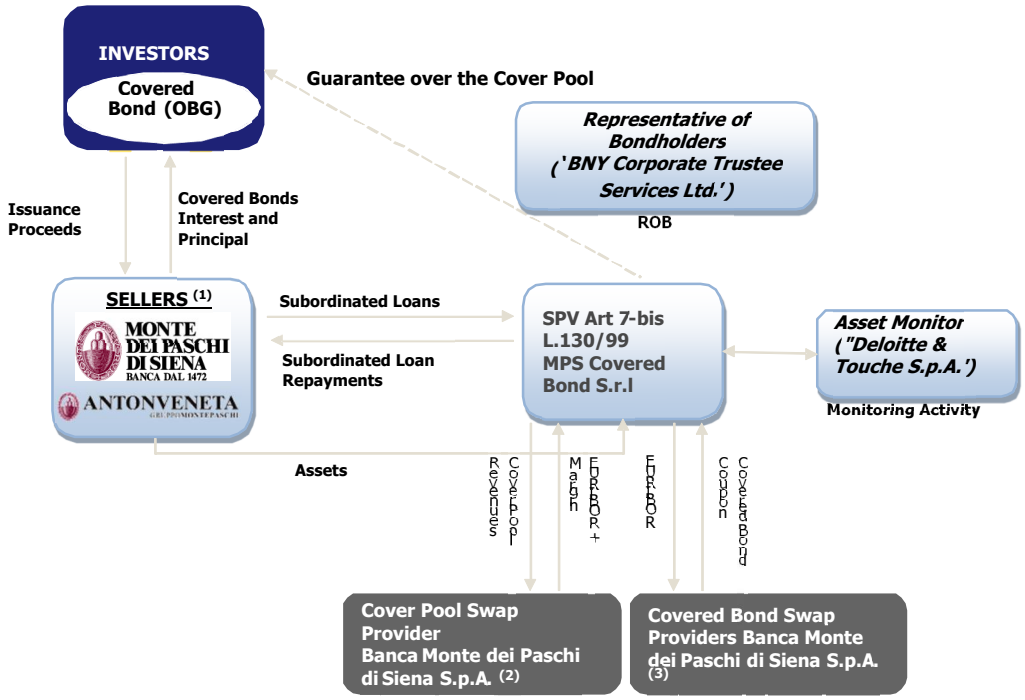
The terms and conditions applicable to any particular Series or Tranche of Covered Bonds will be the conditions set out in the section entitled "*Conditions of the Covered Bonds*", as completed in the relevant Final Terms or amended and/or replaced to the extent described in the Drawdown Prospectus.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

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

STRUCTURE OVERVIEW

This section constitutes a general description of the Programme for the purposes of Commission Delegated Regulation (EU) No. 2019/980. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base 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 Base Prospectus shall have the same meaning in this overview.

Structure Diagram



Notes:

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

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

PARTIES

Issuer	**Banca Monte dei Paschi di Siena S.p.A.** a bank operating in Italy as a joint stock company (*società per azioni*), having its registered office at Piazza Salimbeni, 3, 53100 Siena, Italy, fiscal code and enrolment with the companies register of Siena number 00884060526 and enrolled under number 5274 in the register of banks held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act ("**BMPS**" or the "**Issuer**"). For a more detailed description of the Issuer, see section "*Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender*".
Guarantor	**MPS Covered Bond S.r.l.**, a special purpose entity incorporated as limited liability company (*società a responsabilità limitata*), with registered office in Conegliano (TV), Via V. Alfieri n. 1, capital of Euro 10,000.00-i.v., fiscal code and enrolment with the companies register of Treviso-Belluno No. 04323680266, MPS VAT Group - VAT number 01483500524, belonging to the Monte dei Paschi Banking Group - registered in the Register of Banking Groups at n. 1030.6, company subject to the activity of direction and coordination (*soggetta all'attività di direzione e coordinamento*) of Banca Monte dei Paschi di Siena S.p.A. having as its sole purpose the ownership of the Cover Pool and the granting to holders of the Covered bonds of the Guarantee (the "**Guarantor**"). For a more detailed description of the Guarantor, see section "*The Guarantor*".
Principal Seller	BMPS, pursuant to the terms of the Master Assets Purchase Agreement. For a more detailed description of BMPS, see section "*Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender*".
Additional Seller(s)	Any other bank which is a member of the Montepaschi Group and wishes to sell Assets to the Guarantor within the scope of the Programme, subject to satisfaction of certain conditions and which, for such purpose, shall enter into, *inter alia*, the Master Assets Purchase Agreement with the Guarantor and any other Programme Document. On 27 May 2011, Banca Antonveneta S.p.A. ("**BAV**") acceded to the Master Assets Purchase Agreement and to the Programme in the capacity as Additional Seller. Following the merger by way of incorporation of BAV in BMPS with effect as of 28 April 2013 (the "**Merger**"), BMPS assumed all rights and obligations of BAV in the

	capacity as Additional Seller under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.
Principal Servicer	Pursuant to the terms of the Master Servicing Agreement, BMPS will act as Principal Servicer. For a more detailed description of the Principal Servicer, see section "*Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender*".
Additional Servicer(s)	Any Additional Seller that, subject to satisfaction of certain conditions, wishes to act as Additional Servicer for the administration, management and collection activities relating to the Eligible Assets from time to time assigned by it to the Guarantor and, for such purpose, has acceded to the Master Servicing Agreement. On 27 May 2011, BAV acceded to the Master Servicing Agreement and to the Programme in the capacity as Additional Servicer. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Servicer under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.
Back-Up Servicer Facilitator	Banca Finanziaria Internazionale S.p.A., a *società per azioni*, incorporated under the laws of the Republic of Italy, having its registered office at Via Vittorio Alfieri 1, 31015 Conegliano (TV), Italy, equity capital of € 2,000,000.00 fully paid-up, fiscal code and enrolment with the companies register of Treviso-Belluno number 03546510268, VAT Group "Gruppo IVA FININT S.P.A." - VAT number 04977190265, enrolled under number 50 in the register of Financial Intermediaries (*albo degli intermediari finanziari*) held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act, belonging to the banking group known as "*Gruppo Banca Finanziaria Internazionale*", registered with the register of the banking group held by the Bank of Italy, further to its accession to the Master Servicing Agreement and to the Programme on 3 April 2012.
Back-up Servicer	Banca Finanziaria Internazionale S.p.A. or any eligible counterparty appointed upon downgrading of the Servicer below "Baa3" by Moody's, "BBB-" Fitch and BBB (low) by DBRS, pursuant to the Servicing Agreement.

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

Italian Account Bank	Banca Monte dei Paschi di Siena S.p.A. subject to it being an Eligible Institution. As at the date of this Base Prospectus, the Italian Back-Up Account Bank has succeeded to Banca Monte dei Paschi di Siena S.p.A. and is acting in the capacity of Italian Account Bank pursuant to the provisions of the Cash Allocation Management and Payments Agreement.
Payments Account Bank	The Bank of New York Mellon (Luxembourg) S.A., Italian Branch, subject to it being an Eligible Institution.
Italian Back-Up Account Bank	The Bank of New York Mellon (Luxembourg) S.A., Italian Branch, subject to it being an Eligible Institution.
English Back-Up Account Bank	The Bank of New York Mellon, London Branch, a public limited liability credit institution incorporated under the laws of the State of New York, acting through its London branch, whose principal place of business is at One Canada Square, London E14 SAL, United Kingdom, subject to it being an Eligible Institution.
English Account Bank	Banca Monte dei Paschi di Siena S.p.A., subject to it being an Eligible Institution. As at the date of this Base Prospectus, the English Back-Up Account Bank has succeeded to Banca Monte dei Paschi di Siena S.p.A. and is acting in the capacity of English Account Bank pursuant to the provisions of the English Account Bank Agreement.
Asset Monitor	Deloitte & Touche S.p.A. a company incorporated under the laws of Italy, enrolled with the Companies' Register of Milano Monza Brianza Lodi under number 03049560166 and with the special register of accounting firms held by the "Ministero dell'Economia e delle Finanze" n. 132587, having its registered office at via Tortona 25, 20144 Milan, Italy.
Asset Swap Provider(s)	No Asset Swap Provider has been appointed as of the date of this Base Prospectus.
Covered Bond Swap Providers	One or more suitably rated entities as may be appointed for each Series or Tranche of Covered Bonds.
Guarantor Corporate Servicer	Banca Finanziaria Internazionale S.p.A.
Guarantor Quotaholders	Banca Monte dei Paschi di Siena S.p.A. and SVM Securitisation Vehicles Management S.r.l. a company incorporated under the laws of Italy as *società per azioni con socio unico*, having its registered office at Via Vittorio Alfieri 1, 31015, Conegliano (TV), Italy, fiscal code and

	enrolment with the companies register of Treviso No. 03546510268.
Representative of the Bondholders	BNY Mellon Corporate Trustee Services Limited, a limited liability company incorporated under the laws of England and Wales, having its registered office at One Canada Square, London E14 5AL, United Kingdom.
Luxembourg Listing and Paying Agent	The Bank of New York Mellon (Luxembourg) S.A., a bank incorporated under the laws of Grand Duchy of Luxembourg, having its registered office at Vertigo Building - Polaris – 2-4 rue Eugène Ruppert - L-2453, Luxembourg.
Joint-Arrangers	BMPS Barclays Bank Ireland PLC, a public limited company incorporated under the laws of Ireland with registered number 396330 and having its registered office at One Molesworth Street, Dublin 2, Ireland, D02 RF29; and NatWest Markets N.V., a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, registered with the commercial register of the Dutch Chamber of Commerce under 330002587.
Dealer(s)	Barclays Bank Ireland PLC, a public limited company incorporated under the laws of Ireland with registered number 396330 and having its registered office at One Molesworth Street, Dublin 2, Ireland, D02 RF29; MPS Capital Services Banca per le Imprese S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy, having its registered office at Via Pancaldo, 4, 50127 Firenze, Italy, fiscal code and enrolment with the companies register of Firenze number 00816350482; NatWest Markets N.V., a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, registered with the commercial register of the Dutch Chamber of Commerce under 330002587; and any other Dealer(s) appointed in accordance with the Programme Agreement.
THE PROGRAMME	
Programme description	Under the terms of the Programme, the Issuer has issued and will issue Covered Bonds (*Obbligazioni Bancarie Garantite*) to Bondholders on each Issue Date. The

	Covered Bonds will be direct, unsubordinated, unsecured and unconditional obligations of the Issuer guaranteed by the Guarantor under the Guarantee.
Programme Limit	The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed Euro 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.
THE COVERED BONDS	
Form of Covered Bonds	Unless otherwise specified in the relevant Terms and Conditions and Final Terms, the Covered Bonds will be issued in bearer and dematerialised form and held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli Account Holders and title thereto will be evidenced by book entries. Monte Titoli will act as depository for Euroclear and Clearstream. No physical document of title will be issued in respect of any such bearer and dematerialised Covered Bonds.
Denomination of Covered Bonds	The Covered Bonds will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or where the relevant Series or Tranche is denominated in a currency other than euro, the equivalent amount in such other currency).
Status of the Covered Bonds	The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.
Specified Currency	Subject to any applicable legal or regulatory restrictions, each Series or Tranche of Covered Bonds will be issued in such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders, subject to prior notice to the Rating Agencies (as set out in

	the applicable Final Terms) subject to compliance with all applicable legal, regulatory and/or central bank requirements.
Maturities	The Covered Bonds will have such Maturity Date as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Redemption	The applicable Final Terms relating to each Series or Tranche of Covered Bonds will indicate either that the Covered Bonds of such Series or Tranche of Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments if applicable, or for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following a Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Bondholders on a date or dates specified prior to the specified Maturity Date and at a price and on other terms as may be agreed between the Issuer and the Dealer(s) as set out in the applicable Final Terms. The applicable Final Terms may provide that the Covered Bonds may be redeemable in two or more instalments of such amounts and on the dates indicated in the Final Terms. For further details, see Condition 9 (*Redemption and purchase*).
Redemption at the option of Bondholders	If the relevant Final Terms of the Covered Bonds provide for a put option to be exercised by the Bondholders prior to an Issuer Event of Default, the Issuer shall, at the option of any Bondholder, redeem such Covered Bonds held by it on the date which is specified in the relevant put option notice at a price (including any interest (if any) accrued to such date) and on other terms as may specified in, and determined in accordance with, the relevant Final Terms.
Extended Maturity Date and Pass Through Series	The applicable Final Terms relating to each Series or Tranche of Covered Bonds issued will indicate, in the interest of the Guarantor, that the Guarantor's obligations under the Guarantee to pay Guaranteed Amounts equal to the Final Redemption Amount of the applicable Series or Tranche of Covered Bonds on their Maturity Date may be deferred until the Extended Maturity Date. Such deferral will occur automatically: (A) in respect of a Series of Covered Bonds (each such Series, a "**Pass Through Series**") if (i) a Guarantee Enforcement Notice

has been served on the Issuer and the Guarantor as a result of the Issuer having failed to pay, in whole or in part, the Guaranteed Amounts on the Maturity Date for such Series of Covered Bonds and, on the relevant Extension Determination Date, the Guarantor has insufficient funds to pay, in accordance with the Guarantee Priority of Payments, the Guaranteed Amounts in respect of such Series of Covered Bonds, or (ii) a Guarantee Enforcement Notice has been served on the Issuer and the Guarantor following the occurrence of an Issuer Event of Default (other than the Issuer Event of Default referred to in paragraph (i) above) and, on the Maturity Date for such Series of Covered Bonds, the Guarantor has insufficient funds to pay, in accordance with the Guarantee Priority of Payments, the Guaranteed Amounts in respect of such Series of Covered Bonds; and (B) in respect of all Series of Covered Bonds, which all become Pass Through Series, if, on any Test Calculation Date following the service of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as a result of an Article 74 Event, prior to the service of an Article 74 Event Cure Notice), the Calculation Agent notifies, through the Test Performance Report, the Issuer, the Sellers, any Additional Seller and the Guarantor that the Amortisation Test is not met.

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

The Guarantor will be obliged to (A) apply on each Guarantor Payment Date any Guarantor Available Funds towards redemption in full of all Pass Through Series in accordance with the Guarantee Priority of Payments; and (B) prior to a breach of the Amortisation Test, use its best efforts to sell, in accordance with the provisions of the Cover Pool Management Agreement, Selected Assets, on a semi-annual basis, for an amount as close as possible to the amount necessary (i) to redeem in full (a) the Pass Through Series and/or (b) only on the Earliest Maturing Sale Date, the Earliest Maturing Covered Bonds and (ii) to pay any interest amount due in respect of the Covered Bonds, net of any amounts standing to the credit of the Programme Accounts, **provided that**, prior to and

following the sale of such Selected Assets, the Amortisation Test is complied with.

If, on any Test Calculation Date following the service of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as a result of an Article 74 Event, prior to the service of an Article 74 Event Cure Notice), the Calculation Agent notifies, through the Test Performance Report, the Issuer, the Sellers, any Additional Seller and the Guarantor that the Amortisation Test is not met, the Guarantor shall use its best effort (but shall not be obliged) to sell all Eligible Assets and Top-Up Assets included in the Cover Pool, on a semi-annual basis starting from the date falling 30 calendar days after the date of the relevant Test Performance Report, **provided that** the proceeds of the sale (net of any costs connected thereto), together with any amount standing to the credit of the Accounts, are sufficient to redeem in full the Pass Through Series. For further details, see section headed "*Disposal of the Assets included in the Cover Pool following the delivery of a Guarantee Enforcement Notice and the breach of the Amortisation Test*".

For the avoidance of doubt, failure by the Guarantor to sell Selected Assets (or, following the breach of the Amortisation Test, all Eligible Assets and Top-Up Assets included in the Cover Pool) in accordance with the Cover Pool Management Agreement shall not constitute a Guarantor Event of Default.

Interest will continue to accrue and be payable on the unpaid amount (to the extent permitted by Italian law) on each Guarantor Payment Date up to the Extended Maturity Date, subject to and in accordance with the provisions of the relevant Final Terms.

For further details, see Condition 9 (*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 (as set out in the relevant Final Terms).

Interest

Covered Bonds may be interest bearing or no interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series or Tranche. Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms). Interest on Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant

Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s).

Any series of Covered Bonds becoming a Pass Through Series will accrue the interest rate provided under the relevant Final Terms for the period from the Maturity Date to the Extended Maturity Date.

Fixed Rate Covered Bonds

Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable on the date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such day count fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Covered Bonds

Floating Rate Covered Bonds will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or

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

in each case, as set out in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds, as set out in the applicable Final Terms.

Zero Coupon Covered Bonds

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

Amortising Covered Bonds

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

Taxation

All payments in relation to Covered Bonds will be made without tax deduction or withholding except where required by law. If any tax deduction is made, the Issuer shall be required to pay additional amounts in respect of the amounts so deducted or withheld, subject to a number

	of exceptions including deductions on account of Italian substitute tax pursuant to Decree No. 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 11 (*Taxation*).
Cross default provisions	Each Series or Tranche of Covered Bonds will cross accelerate as against each other Series or Tranches, but will not otherwise contain a cross default provision. Accordingly, neither an event of default under any other indebtedness of the Issuer (including other debt securities of the Issuer) nor any acceleration of such indebtedness will of itself give rise to an Issuer Event of Default (except where such events constitute an Insolvency Event in respect of the Issuer). In addition, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default, provided however that, where a Guarantor Event of Default occurs and the Representative of the Bondholders serves a Guarantor Default Notice upon the Guarantor, such Guarantor Default Notice will accelerate each Series or Tranche of outstanding Covered Bonds issued under the Programme. For further details, see Condition 12 (*Segregation Event and Events of Default*).
Notice to the Rating Agencies	The issue of any Series or Tranche of Covered Bonds (including, for the avoidance of doubt, Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds and Amortisation Covered Bonds) in each case as specified in the applicable Final Terms shall be subject to prior notice to the Rating Agencies.
Listing and admission to trading	Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.
Issue Ratings	Each Series or Tranche of Covered Bonds may or may not be assigned a rating by one or more Rating Agencies. Each

Series or Tranche of Covered Bonds, if rated, is expected to be assigned the following ratings on the relevant Issue Date unless otherwise stated in the applicable Final Terms:

Moody's	Fitch	DBRS
AA1	A+	AA (low)

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

Governing Law

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

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

Segregation Events

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

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

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

has not been remedied within the applicable Test Grace Period.

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

In such case:

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

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

Master Assets Purchase Agreement and the Cover Pool Management Agreement and/or in compliance with the limits set out in the Bank of Italy Regulations);

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

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

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

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

Issuer Event of Default

An Issuer Event of Default will occur if:

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

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

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

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

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

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

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

Upon the service of a Guarantee Enforcement Notice:

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

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

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

(d) *Guarantee*: (i) interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under the Conditions and the Final Terms of the relevant Series or Tranche of Covered Bonds, subject to and in accordance with the terms of the Guarantee and the Guarantee Priority of Payments; then (ii) the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall be entitled to

request from the Issuer an amount up to the Guaranteed Amounts and any sum so received or recovered from the Issuer will be used to make payments in accordance with the Guarantee;

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

(f) *Disposal of Assets*: the Guarantor shall use its best effort to sell the Eligible Assets and/or Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement,

provided that, in case of the Issuer Event of Default determined by a resolution issued in respect of the Issuer pursuant to article 74 of the Consolidated Banking Act (referred to under item (iv) (Article 74 Event) above) (the "**Article 74 Event**"), the effects listed in items (a) (*Application of the Segregation Event provisions*), (b) (*Guarantee*) and (d) (*Disposal of Assets*) above will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect (the "**Suspension Period**"). Accordingly (A) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds.

For the avoidance of doubt (i) in case of delivery of a Guarantee Enforcement Notice further to a non- payment of interest on a Series of Covered Bonds the relevant Series becomes a Pass-Though Series on the relevant Maturity Date if and only to the extent that, on the Extension Determination Date, the Guarantor does not have sufficient funds to redeem the Final Redemption Amount of such Series and (ii) in case of delivery of a Guarantee Enforcement Notice further to an Insolvency Event of the Issuer - consisting in a procedure of *liquidazione coatta amministrativa* - or further to an Article 74 Event, if the Guarantor does not have sufficient funds pay the Final Redemption Amount due on a Series of Covered Bond on the relevant Maturity Date, such

Series becomes a Pass-Though Series on such Maturity Date.

If any of the events set out in points (ii), (iii) other than in case of Insolvency Event consisting in a procedure of *liquidazione coatta amministrativa* of the Issuer, (v) or (vi) above occurs and is continuing, then the Representative of the Bondholders shall serve a notice to the Issuer, the Guarantor, the Principal Seller and any Additional Seller (if any), the Principal Servicer and any Additional Servicer (if any), the Asset Monitor, the Rating Agencies, the Guarantor Calculation Agent, the Swap Counterparties, the Post-Issuer Default Test Calculation Agent and the Rating Agencies (an "**Issuer Default Notice**").

Upon the service of an Issuer Default Notice the provisions governing the Segregation Event from item (a) to (d) shall apply.

Please also see Condition 12.2 (*Issuer Event of Default*).

Guarantor Event of Default

Following the occurrence of an Issuer Event of Default and delivery of the relevant Guarantee Enforcement Notice (to the extent not revoked), a Guarantor Event of Default will occur if:

(i) *Non-payment*: the Guarantor fails to pay any interest and/or principal due and payable under the Guarantee and such breach is not remedied within the next following 7 Business Days; or

(ii) *Insolvency*: an Insolvency Event occurs in respect of the Guarantor; or

(iii) *Breach of other obligation*: a material breach of any obligation under the Programme Documents by the Guarantor occurs (other than payment obligations referred to in item (i) (*Non-payment*) above) which is not remedied within 30 calendar days after the Representative of the Bondholders has given written notice thereof to the Guarantor.

If any of the events set out in points from (i) to (iii) above (each, a "**Guarantor Event of Default**") occurs and is continuing then the Representative of the Bondholders shall serve a Guarantor Default Notice to the Issuer, the Guarantor, the Principal Seller and any Additional Seller (if any), the Principal Servicer and any Additional Servicer (if any), the Asset Monitor, the Guarantor Calculation Agent, the Italian Account Bank, the English Account Bank, the Back-up English Account Bank, the Principal Paying Agent and the Guarantor Corporate

Servicer and the Rating Agencies, unless the Representative of the Bondholders, having exercised its discretion, resolves otherwise or a resolution of the Bondholders is passed resolving otherwise.

Upon the delivery of a Guarantor Default Notice:

(i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Termination Amount together, if appropriate, with any accrued interest and will rank *pari passu* among themselves in accordance with the Post-enforcement Priority of Payments;

(ii) *Guarantee*: subject to and in accordance with the terms of the Guarantee, the Representative of the Bondholders, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Termination Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable as gross up) in accordance with the Priority of Payments;

(iii) *Disposal of Assets*: the Guarantor shall immediately sell all Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement; and

(iv) *Enforcement*: the Representative of the Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a resolution of the Bondholders.

Please also see Condition 12.3 (*Guarantor Event of Default*).

Breach of Mandatory Tests and /or Asset Coverage Test

If on any Test Calculation Date or Quarterly Test Calculation Date, as the case may be, a Test Performance Report specifies that the Cover Pool is not in compliance with the relevant Test, then the Principal Seller and/or any Additional Seller(s) in respect of each relevant New Portfolio transferred to the Guarantor will either (i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, in accordance with the Master Assets Purchase Agreement and the Cover Pool

	Management Agreement, to be financed through the proceeds of Term Loans to be granted by the Principal Seller and/or any Additional Seller(s), (ii) substitute any relevant assets in respect of which the right of repurchase can be exercised under the terms of the Master Assets Purchase Agreement with new Eligible Assets, for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report or (iii) take any other action deemed appropriate to allow the relevant Tests to be cured on the next Test Calculation Date. If, within the Test Grace Period the relevant breach of the Tests is not remedied in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Breach of Test Notice. If, after the delivery of a Breach of Test Notice, the relevant breach of the Tests is not remedied, within the Test Remedy Period, in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Guarantee Enforcement Notice.
Breach of the Amortisation Test	If, after the delivery of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice), a breach of the Amortisation Test occurs: • *Pass Through Series*: any and all Series of Covered Bonds will become immediately Pass Through Series in accordance with Condition 8(b); and • *Disposal of Assets*: the Guarantor shall use its best effort to sell the Eligible Assets and/or Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement.
15% Limit	The aggregate amount of Top-Up Assets included in the Cover Pool may not be in excess of 15 per cent. of the aggregate outstanding principal amount of the Cover Pool, other than as otherwise permitted by law or applicable regulation.
THE TESTS	For an overview of the Tests, see paragraphs "*Mandatory Tests*" and "*Asset Coverage Test*", "*Amortisation Test*" of section "*Structure Overview*" below.

For a detailed description of the Tests, see paragraph "*Tests*" of section "*Credit Structure*" below.

THE GUARANTOR AND THE GUARANTEE

Guarantee

Payments of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor to make payments in respect of such Guaranteed Amounts when Due for Payment are subject to the conditions that an Issuer Event of Default has occurred, and a Guarantee Enforcement Notice has been served on the Issuer and on the Guarantor.

The obligations of the Guarantor will accelerate once a Guarantor Default Notice has been delivered to the Guarantor. The obligations of the Guarantor under the Guarantee constitute direct, unconditional and unsubordinated obligations collateralised by the Cover Pool and recourse against the Guarantor is limited to such assets.

For further details, see "*Description of the Programme Documents - Guarantee*".

Cover Pool

The Guarantee will be collateralised by the Cover Pool constituted by (i) the Portfolio comprised of (a) Mortgage Loans and the related collateral and (b) Asset Backed Securities, assigned to the Guarantor by the Principal Seller and/or the Additional Seller(s) in accordance with the terms of the Master Assets Purchase Agreement (ii) any proceeds arising from the Swap Agreements and (iii) any other Eligible Assets and Top-Up Assets held by the Guarantor with respect to the Covered Bonds and the proceeds thereof which will, *inter alia*, comprise the funds generated by the Portfolio, the other Eligible Assets and the Top-Up Assets including, without limitation, funds generated by the sale of assets from the Cover Pool and funds paid in the context of a liquidation of the Issuer.

The Asset Backed Securities to be comprised in the Cover Pool will comply with the relevant eligibility criteria set out under the ECB Guidelines.

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

Limited recourse

The obligations of the Guarantor to the Bondholders and, in general, to the Seller and/or any Additional Seller(s) and other creditors will be limited recourse obligations of the Guarantor. The Bondholders, the Seller and /or any Additional Seller(s) and such other creditors will have a claim against the Guarantor only to the extent of the

	Guarantor Available Funds subject to the relevant Priorities of Payments, in each case subject to, and as provided for in, the Guarantee and the other Programme Documents.
Term Loans	Under the terms of the Subordinated Loan Agreements, the Principal Seller and the Additional Seller(s), in their capacity, respectively, as Principal Subordinated Lender and Additional Subordinated Lender, will from time to time grant to the Guarantor Term Loans in the form of (i) a Programme Term Loan, or (ii) a Floating Interest Term Loan, or (iii) a Fixed Interest Term Loan. The Programme Term Loan will be granted for the purpose of, *inter alia* (i) funding the purchase price of the Eligible Assets and Top Up Assets included in the Initial Portfolio and in any New Portfolios to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement, and/or (ii) remedying any breach of the Tests and complying with the 15% Limit with respect to the Top-Up Assets, and/or (iii) repayment of any other Floating Interest Term Loan or Fixed Interest Term Loan as necessary. Each Floating Interest Term Loan or Fixed Interest Term Loan will be granted for the purpose of, *inter alia* (i) funding the purchase price of the Eligible Assets and Top-Up Assets included in any New Portfolios to be transferred to the Guarantor in connection with the issue of a Corresponding Series or Tranche of Covered Bonds to be issued under the Programme, and/or (ii) reimbursing (also in part) any Term Loan for an amount equal to the Corresponding Series or Tranche of Covered Bonds. Amounts owed to each Subordinated Lender by the Guarantor under the Subordinated Loan Agreements will be subordinated to amounts owed by the Guarantor under the Guarantee. For further details, see "*Description of the Programme Documents - Subordinated Loan Agreements*".
Excess Assets and support for further issues	Any Eligible Assets and Top-Up Assets forming part of the Cover Pool which are in excess of the value of the Eligible Assets and Top-Up Assets required to satisfy the Tests may be (i) purchased by the Seller in accordance with the provisions of the Cover Pool Management Agreement and the Master Assets Purchase Agreement or (ii) retained in the Cover Pool, also to be applied to support the issue of new Series or Tranche of Covered Bonds or ensure compliance with the Tests, **provided that** in each case any such disposal or retention shall

	occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310 and no disposal under item (i) above may occur if it would cause the Tests to be breached. For further details, see "*Description of the Programme Documents - The Cover Pool Management Agreement*".
Segregation of Guarantor's rights and collateral	The Covered Bonds benefit from the provisions of article 7-*bis* of Law 130, pursuant to which the Cover Pool is segregated by operation of law from the Guarantor's other assets. In accordance with article 7-*bis* of Law 130, prior to and following a winding up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Guarantee to be called, proceeds of the Cover Pool paid to the Guarantor and amounts standing to the credit of the accounts opened in the name of the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to the Bondholders, to the Swap Providers under the Swap Agreements and to any other creditors exclusively in satisfaction of the transaction costs of the Programme. The Cover Pool may not be seized or attached in any form by creditors of the Guarantor other than the entities referred to above, until full discharge by the Guarantor of its payment obligations under the Guarantee or cancellation thereof.
Cross-collateralisation	All Eligible Assets and Top-Up Assets transferred from the Seller(s) to the Guarantor from time to time or otherwise acquired by the Guarantor and the proceeds thereof, any proceeds arising from the Swap Agreements and any funds generated by the sale of assets included in the Cover Pool form the collateral supporting the Guarantee in respect of all Series or Tranche of Covered Bonds.
Claims under Covered Bonds	The Representative of the Bondholders, for and on behalf of the Bondholders, may submit a claim to the Guarantor and make a demand under the Guarantee in case of an Issuer Event of Default or Guarantor Event of Default.
Disposal of the Assets included in the Cover Pool following the delivery of a	After the service of a Guarantee Enforcement Notice, the Guarantor (or the Principal Servicer on behalf of the Guarantor) shall use its best effort to sell the Eligible Assets and/or Top-Up Assets in the Cover Pool (any such Eligible Assets and Top-Up Assets, the "Selected Assets")

Guarantee Enforcement Notice	in accordance with the provisions of the Cover Pool Management Agreement. The Guarantor shall use its best effort to sell the Selected Assets, on a semi-annual basis, at least within (**provided that** the Guarantor may commence before) the date falling (i) 30 calendar days after the service of a Guarantee Enforcement Notice following a non-payment referred under Condition 11.2(a) or (ii) in any other case of Guarantee Enforcement Notice delivered other than for a non payment on a Series of Covered Bonds, six months prior to the Maturity Date of the Earliest Maturing Covered Bonds (the "**Earliest Maturing Sale Date**") and up to the earlier of (a) the date on which a breach of the Amortisation Test occurred, (b) the date on which the Pass Through Series of Covered Bonds have been redeemed in full and (c) the date on which a Guarantor Default Notice is delivered. The Guarantor shall use its best effort to sell the Selected Assets, in accordance with the provisions of the Cover Pool Management Agreement, in an amount as close as possible to the amount necessary (i) to redeem in full (a) the Pass Through Series and/or (b) only on the Earliest Maturing Sale Date, the Earliest Maturing Covered Bonds and (ii) to pay any interest amount due in respect of the Covered Bonds, net of any amounts standing to the credit of the Programme Accounts, **provided that**, prior to and following the sale of such Selected Assets, the Amortisation Test is complied with. Any such sale shall be subject to the right of pre-emption in favour of the Issuer (other than in case of *liquidazione coatta amministrativa* of the Issuer), as Principal Seller, or any Additional Seller(s) in respect of such Selected Assets. The proceeds from any such sale will be credited (net of the cost connected to the sale of such Selected Assets) to the Main Programme Account and applied as set out in the Guarantee Priority of Payments to (i) pay interest on the relevant Series of Covered Bonds and (ii) redeem any relevant Pass Through Series. The Selected Assets to be sold will be selected from the Cover Pool on a random basis by the Principal Servicer on behalf of the Guarantor.
Disposal of the Assets included in the Cover Pool following the delivery of a Guarantee Enforcement	Following the delivery of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice), in case a

Notice and the breach of the Amortisation Test	Test Performance Report specifies that a breach of the Amortisation Test occurred, the Guarantor shall use its best effort to sell all Eligible Assets and/or Top-Up Assets included in the Cover Pool, on a semi-annual basis starting from the date falling 30 calendar days after the date of the relevant Test Performance Report. The Guarantor shall use its best effort to sell the Eligible Assets and/or Top-Up Assets in an amount as close as possible to the amount necessary (i) to redeem in full the Pass Through Series and (ii) to pay any interest amount due in respect of the Covered Bonds net of any amounts standing to the credit of the Programme Accounts.
Disposal of the Assets included in the Cover Pool following the delivery of a Guarantor Default Notice	After the service of a Guarantor Default Notice, the Guarantor shall immediately sell all Eligible Assets and/or Top-Up Assets included in the Cover Pool in accordance with the procedures described in the Cover Pool Management Agreement, subject to the right of pre-emption in favour of the Issuer (other than in case of *liquidazione coatta amministrativa* of the Issuer), as Principal Seller, or the Additional Seller **provided that** the Guarantor will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale is carried out as quickly as reasonably practicable taking into account the market conditions at that time. For further details, see Condition 12.3 (*Guarantor Event of Default*).

SALE AND DISTRIBUTION

Distribution	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non syndicated basis, subject to the restrictions set forth in the Programme Agreement.
Purchase of Covered Bonds by the Issuer	The Issuer or any such subsidiary may at any time purchase any Covered Bonds in the open market or otherwise and at any price.
Certain restrictions	Each Series or Tranche of Covered Bonds issued will be denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply and will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. There are restrictions on the offer, sale and transfer of Covered Bonds in the United States, the European Economic Area (including the Republic of Italy), the United Kingdom and Japan. Other restrictions

may apply in connection with the offering and sale of a particular Series or Tranche of Covered Bonds.

For further details, see section "*Subscription and Sale*" below.

RISK FACTORS

In purchasing Covered Bonds, investors assume the risk that BMPS may become insolvent or otherwise be unable to make all payments due in respect of the Covered Bonds. There is a wide range of factors which individually or together could result in BMPS becoming unable to make all payments due in respect of the Covered Bonds.
Each of the Issuer and the Guarantor believes that the following factors may affect their ability to fulfil their obligations under the Covered Bonds issued under the Programme. All these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Covered Bonds issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on the information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any document incorporated by reference) and reach their own views prior to making any investment decision.

The following sections describe 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 Base Prospectus, including the considerations set out below, before making any investment decision.

RISK FACTORS RELATING TO THE ISSUER AND THE GROUP

Factors that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds

The risks below have been classified into the following categories:

A. *Risks relating to the Issuer's financial position;*

B. *Risks relating to judicial and administrative proceedings and inspections of the supervisory authorities; and*

C. *Risks relating to the Issuer's business activity and industry.*

(A) Risks relating to the Issuer's financial position

Risks associated with capital adequacy

The capital adequacy evaluation under a regulatory perspective is based on the constant monitoring of own funds, RWA as well as on the comparison with the minimum regulatory requirements, including the additional excess requirements to be met over time as communicated to the Group after the supervisory review and evaluation process ("**SREP**"), and the additional capital buffers provided for by the applicable legislative provisions.

For a description of the capital adequacy requirements applicable to BMPS please refer to sub-paragraph "*Basel III and the CRD IV Package*" of paragraph 2 "*Regulations and Supervision of the ECB, Bank of Italy, CONSOB and IVASS*" of section "*Regulatory Aspects*" of this Base Prospectus.

As at the date of this Base Prospectus, the banks must meet the own funds requirements provided by article 92 of (EU) Regulation 575/2013 of the European Parliament and European Council of 26 June 2013 concerning prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 (the "**CRR**"): (i) the Common Equity Tier 1 Ratio must be equal to at least 4.5 per cent. of the total risk exposure amount of the Bank; (ii) the Tier 1 Ratio must be equal to at least 6 per cent. of the total risk exposure amount of the Bank; and (iii) the Total Capital Ratio must be equal to at least 8 per cent. of the total risk exposure amount of the Bank. In addition to these minimum requirements, the Bank must comply with an additional Pillar 2 requirements ("**P2R**") of 2,75% to be satisfied with at least 56,25% CET1 and 75% Tier 1.

Further to the minimum regulatory requirements, banks must meet the combined buffer requirement provided by EU Directive 2013/36 of the European Parliament and European Council in relation to credit institutions' activities, credit institutions' prudential supervision and investment undertakings (the "**CRD IV**"), as amended by Directive (EU) 2019/878, (the "**Combined Buffer Requirement**")[1].

Banks that do not satisfy the combined capital requirement, or even just the capital conservation buffer, are subject to the capital conservation measures provided for by Directive (EU) 2013/36. The capital conservation measures impose restrictions on, inter alia, distributions of dividends, with greater restrictions being imposed as the breach becomes more significant. It further provides for banks to adopt a capital conservation plan which shall set out the measures (among which further capital increases cannot be excluded) the Bank intends to adopt to restore, within an appropriate timeframe, the necessary capital level to maintain capital reserves in line with the requirements. Should these conditions not be satisfied (i.e., failed compliance with the combined capital requirement, or even just the capital conservation buffer), and/or changes to the methodologies and parameters to estimate impaired loans (as defined in Circular No. 272 issued by the Bank of Italy on 30 July 2008 and amendments thereto, the Impaired Loans") adjustments or amendments to the internal models to calculate RWAs occur, the need may then arise for further capital enhancements of the Issuer, such as calling in investors to participate in further capital increase transactions.

As a result of the conclusion of the SREP conducted with reference to the figures as at 30 June 2020, also having regard to any other relevant information provided after such date, the Bank has received the European Central Bank's ("**ECB**") final decision regarding own funds requirements to be met starting from 1 January 2021. In particular, the minimum SREP requirements have been reduced by 25 basis points compared to the requirements set for the 2020. For more information in this respect, reference is made to sub-paragraph "*2020 SREP Decision*" of paragraph "*SREP Decisions*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

[1] For information on the Combined Buffer Requirement please refer to sub-paragraph "*Basel III and the CRD IV Package*" of paragraph 2 "*Regulations and Supervision of the ECB, Bank Of Italy, CONSOB and IVASS*" of section Regulatory Aspects of this Base Prospectus.

Furthermore, the ECB notified the Issuer of the expectation for the Group to comply with an additional threshold ("**Pillar II capital guidance**") to be fully satisfied with Common Equity Tier 1, in addition to the Overall Capital Requirement (OCR).

In relation to the above, it should be noted that failure to comply with such capital guidance would not constitute a failure to comply with capital requirements; however, in the event of capital dropping below the level including the Pillar II capital guidance, the supervisory authority, which shall be promptly informed in detail by the Issuer on the reasons for the failed compliance with the aforementioned level, will take into consideration, on a case-by-case basis, possible appropriate and proportional measures (including the possibility of implementing a plan aimed at restoring compliance with the capital requirements – inclusive of capital enhancement requests – in accordance with article 16, paragraph 2 of the Council Regulation (EU) 1024/2013, as amended from time to time (hereinafter the "**SSM Regulation**")).

It should also be noted that during 2020 and the first six months of 2021, the ECB granted a number of supervisory measures that included a greater flexibility in supervisory burdens in order to mitigate the impact of COVID-19 on the European banking system. In particular, the ECB allowed the banks to temporarily operate below the capital level defined by Pillar II capital guidance, the capital conservation buffer and the LCR. These temporary measures are in addition to the decrease in countercyclical buffer rates applied by some national authorities.

For more details on the regulatory measures adopted by the European institutions in response to the COVID-19 pandemic, please refer to paragraph "*Regulatory and supervisory interventions by institutions within the context of the COVID-19 pandemic*" of the 2020 Consolidated Financial Statements, incorporated by reference in this Base Prospectus.

With particular reference to the SREP, it should also be noted that it is conducted by the ECB at least on a yearly basis (without prejudice in any case to the ECB supervisory powers and prerogatives which can be exercised on an on-going basis during the course of the year) and, accordingly, it cannot be excluded that, following future SREPs, the supervisory authority may prescribe to the Issuer, *inter alia*, the maintenance of capital adequacy standards higher than the ones currently applicable. Furthermore, the ECB, following future SREPs, may impose on the Issuer specific corrective measures, among which, *inter alia*: (i) requesting that the Issuer holds capital resources greater than the regulatory level specified for credit, counterparty, market and operational risks; (ii) interventions aimed at enhancing systems, procedures and processes referring to risk management, control mechanisms and capital adequacy evaluation; (iii) imposing limits on the distribution of profits or other asset items, as well as, in relation to financial instruments eligible as own funds, the prohibition to pay interest; and (iv) prohibitions to carry out certain transactions, also of a corporate nature, for the purpose of limiting the level of risks.

For more information on the SREP, please see paragraph 3.2 "*SREP Decisions*" of section "*Banca Monte dei Paschi di Siena S.p.A*". of this Base Prospectus.

Depending on the outcomes of the legislative process underway in Europe, the Issuer might be compelled to adapt to changes in the regulations (including, for example, the treatment of deferred tax assets) and in their construction and/or implementation procedures adopted by the supervisory authorities, with potential adverse effects on the Issuer's assets, liabilities and financial situation.

Furthermore, among the main risk factors which could lead to a change in capital requirements, there is the differential yield between Italian and German government bonds (BTP-Bund

spread), the increase of which leads to a reduction in capital reserves (FVTOCI Reserve, as defined below) with a consequent decrease in regulatory capital.

In 2020, the Group, like the other major European banks subject to the Single Supervisory Mechanism ("**SSM**"), completed its work on Targeted Review of Internal Models ("**TRIM**") and requested permission to apply a material change to the definition of default (DoD) used in its internal models pursuant to Article 143 of the CRR to the ECB, the final outcome of which, as a result of feedback from the ECB, will result in further methodological changes to the current internal models with significant impacts on RWA. The introduction of the new definition of default (implemented, for accounting purpose, by 1 January 2021) and the introduction of specific standards for calculating Loss Given Default ("**LGD**") on Defaulted Assets and Expected Loss Best Estimate ("**ELBE**") imply a major revision of all Probability of Default ("**PD**") and LGD, with a consequent change in capital requirements. In this case, it cannot be excluded that the Issuer may have to resort to capital strengthening measures and that it may not be able to establish and/or maintain the capital requirements determined, from time to time, by the supervisory authority.

In light of the above, investors should consider that supervisory authorities may impose further requirements and/or parameters for the purpose of calculating capital adequacy requirements or may adopt interpretation approaches of the legislation governing prudential fund requirements unfavourable to the Issuer, with consequent inability of the Bank to comply with the requirements imposed and with a potential negative impact, even material, on the business and capital, economic and financial conditions of the Issuer and the Group, which may give rise to the need to adopt further capital enhancement measures.

Furthermore, the evaluation of the capital adequacy level is affected by various variables, among which the need to deal with the impacts deriving from the new and more demanding requirements under a regulatory standpoint announced by the EU regulator, the need to support functional plans for a swifter reduction of the stock of Impaired Loans – even in addition to the assignment of the NPL Portfolio as described in "*Risks associated with the Group's exposure to Impaired Loans*" and/or the assessment of market scenarios which promise to be particularly challenging and which will require the availability of adequate capital resources to support the level of assets and investments of the Group. It should also be noted that the current level of capital ratios has been achieved through precautionary recapitalisation, which has an exceptional nature.

As at the date of this Base Prospectus, the BMPS Group is also active in France through the subsidiary Monte Paschi Banque S.A. ("**MP Banque**") and, accordingly, the Group results are also affected by the results and operations of such company belonging to the Group. Any deterioration of the profitability conditions and variables affecting the capital adequacy level of MP Banque, also related to specific requests made by the competent authority, may require the Group to support functional plans for the restoration of capital resources and to support the level of assets and investments of the subsidiary and may also have negative impacts on the economic, capital and/or financial condition of the Group.

In this respect, it should be noted that, as regards the relevance of MP Banque within the Group in terms of contribution to the Group RWA, MP Banque has no additional requirements imposed in accordance with the relevant SREP Decision.

Finally, the assignment of foreign subsidiaries (in particular, following the assignment of Banca Monte dei Paschi Belgio S.A. to funds managed by Warburg Pincus on 14 June 2019, the run-off of MP Banque) constitutes one of the Restructuring Plan's Commitments. In particular, with

respect to MP Banque, the Issuer resolved to start an orderly winding-down process by setting up a plan in compliance with the provisions set out in Commitment no.14 "Disposal of Participations and business". Should the Issuer be unable to achieve this Commitment, in whole or in part, it might suffer the adverse effects of any orders adopted by the European Commission *vis-à-vis* the Italian State as a consequence of the failure to comply with the Commitments undertaken as part of the Restructuring Plan, with potential adverse effects, including material adverse effects, on the Issuer's and/or Group's assets, liabilities and financial situation. For more information on risks associated with the failed compliance with the Restructuring Plan's Commitments, reference is made to paragraph "*Risks associated with the failed realisation of the Restructuring Plan*" above.

Investors should also consider that it cannot be excluded that in the future the Issuer may be required, also in light of external factors and unforeseeable events outside its control and/or after further requests by the supervisory authority, to look for capital enhancement interventions; also, it cannot be excluded that the Issuer or the Group may not be able to achieve in the prescribed times and/or maintain (both at individual and consolidated level) the minimum capital requirements provided for by the legislation in force from time to time or established from time to time by the supervisory authority, with potential material negative impact on the business and capital, economic and financial condition of the Issuer and/or the Group.

In this circumstance, it cannot be excluded that the Issuer and/or the Group may be subject to extraordinary actions and/or measures by competent authorities, which may include, *inter alia*, the application of the resolution tools as per Legislative Decree No. 180 of 16 November 2015, as amended from time to time ("**Decree 180**"), implementing Directive 2014/59/EU for the recovery and resolution of credit institutions ("**BRRD**") in Italy.

With specific 'reference to capital adequacy, following (i) the significant provisions on legal risks made during 2020 (for more information on risks deriving from judicial and administrative proceedings and the relevant provisions on legal risks made please refer to paragraph "*Risks relating to the judicial and administrative proceedings and the inspections of the supervisory authorities*" of this Base Prospectus), (ii) the effects of the partial, non-proportional demerger with asymmetric option from BMPS in favour of Asset Management Company S.p.A. ("**AMCO**") (for more information on the impact of the Demerger Transaction, please refer to letter a) "Partial, non-proportional demerger with asymmetric option from BMPS in favour of AMCO" of paragraph 3 "*Major Events*", subparagraph 3.1 "*Recent developments*" of section "*Banca Monte dei Paschi di Siena S.p.A*." of this Base Prospectus) (the "Demerger Transaction"), (iii) the negative impact of the COVID-19 pandemic on the macroeconomic scenario (for more information on impact of the COVID-19 pandemic please refer to paragraph "*Risks associated with the general economic/financial scenario*" of this Base Prospectus), and (iv) regulatory headwinds, a capital shortfall was expected with respect to SREP capital requirements .

As at 30 September 2021 no capital shortfall had occurred and no capital shortfall is expected 12 months after the reference date, i.e. as at 30 September 2022. The elimination of the expected shortfall at 12 months derives from the effects of the capital management actions already carried out, from the performance in terms of capital and RWA and from the assumption that the update of the internal models to the EBA Guidelines will take place beyond the valuation horizon. The capital position is estimated taking into account the results of the first nine months of 2021 and the expected performance in 2021, assuming confirmation of the current business/operating model and excluding the Capital Strengthening (as defined below), other extraordinary capital contributions and subordinated issues.

It should also be noted that, as at 1 January 2023, taking into account the planned capital reduction due to the IFRS 9 phase-in and assuming the full implementation in the fourth quarter of 2022 of the inflationary effects on the RWA related to the changes in the credit risk measurement models as a result of the EBA Guidelines, the shortfall in terms of the Tier 1 capital aggregate could reach Euro 500 million. This shortfall could be mitigated or eliminated by capital management initiatives available to the Group.

In addition, the Bank falls within the provisions of Article 2446 of the Italian Civil Code (in particular, considering also the loss for the financial year 2020 - equal to 1.9 billion - the relevant net equity for the purposes of Article 2446, paragraph 1, is less than two-thirds of the share capital). In accordance with the provisions of Article 6 of Law Decree 8 April 2020 no. 23, converted with amendments by Law 5 June 2020 no. 40, as amended by Law 30 December 2020 no. 178, the BMPS' shareholders' meeting held on 6 April 2021 resolved to postpone the decisions - regarding the reduction of the share capital - pursuant to Article 2446, paragraph 2 of the Italian Civil Code to the following shareholders' meeting that will be convened to resolve upon the Capital Strengthening (as defined below), in order to take into account the past losses and the loss for the year and, therefore, to carry forward the yearly loss as of 31 December 2020.

In connection with the above:

(i) on 17 December 2020, the Board of Directors of BMPS approved the 2021-2025 strategic plan (the "**Strategic Plan**").

The Strategic Plan has been prepared taking into account, inter alia, the Commitments assumed by the Italian Government pursuant to the Restructuring Plan and the Prime Minister's Decree (DPCM) dated 16 October 2020 (the "**October DPCM**") relating to the disposal of the investment held by the MEF in the share capital of BMPS to be carried out through the market and also through operations aimed at consolidating the banking system; and

(ii) on 28 January 2021, the Board of Directors of BMPS approved the new capital plan (the "**New Capital Plan**").

The New Capital Plan has been submitted to the ECB as requested in the SREP decision for the year ending 31 December 2019 ("**2020 SREP Decision**") and is based on ongoing focus on a potential structural solution for the Bank, including the merger with a partner of "primary standing" consistently with the Commitments and the October DPCM (the "**Structural Solution**"). Should the Structural Solution not be implemented in the short/medium term, the New Capital Plan foresees a capital strengthening of Euro 2.5 billion which, if implemented (subject to shareholders' approval), will be executed at market terms and with proportional subscription by the Italian state (which has already confirmed its full support) (the "**Capital Strengthening**"). Such Capital Strengthening is subject to uncertainties as it requires the completion of the assessment and approval process already started by the DG COMP and the ECB.

Both the Strategic Plan and the New Capital Plan were submitted to DG COMP and the ECB, respectively for their assessments.

For more information with respect to the Strategic Plan and the New Capital Plan, please see letter b) "*BMPS approved the 2021-2025 Strategic Plan and the New Capital Plan*" of

paragraph 3 "*Major* Events" subparagraph 3.1 "*Recent developments*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus, paragraph "*2021-2025 Group Strategic Plan*" of the section "*Consolidated Report on Operations*" of the 2020 Consolidated Financial Statements, to the section "*2021-2025 Group Strategic Plan*" of the 2021 Consolidated Half-Yearly Report and to the section "*2021-2025 Group Strategic Plan*" of the Consolidated Interim Report as at 30 September 2021.

As regards the 2021 EBA stress test, the results announced to the market on 30 July (in this respect, please see letter c) "*EBA 2021 stress test*" of paragraph 3 "*Major* Events" subparagraph 3.1 "*Recent developments*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus) are consistent with the Capital Plan, which envisages capital strengthening for Euro 2.5 billion.

The need to strengthen the capital position of the Bank is significant, resulting in uncertainty as to the use of the going concern assumption in preparing the 2020 Consolidated Financial Statements, the Group's Consolidated Interim Report as at 31 March 2021, the 2021 Consolidated Half-Yearly Report and the Consolidated Interim Report as at 30 September 2021. This uncertainty is mitigated by the full support of the MEF, as controlling shareholder of the Bank, and the potential Structural Solution.

With respect to the first mitigating factor, the MEF (i) expressed its intention to carry out the Commitments undertaken by the Italian Republic towards the European Union and to carry out a market transaction that identifies an anchor investor and/or a banking partner of adequate standing as part of the Structural Solution, in order to restore and ensure the competitiveness of the Bank, and (ii) has guaranteed the necessary financial support to ensure compliance with the minimum capital requirements of the Bank.

In regard to the second mitigating factor, it should be noted that BMPS has set up dedicated virtual data rooms for the due diligence activities of potential investors and partners required by the Structural Solution. Access to virtual data rooms was granted to the Apollo fund, UniCredit S.p.A. ("**UniCredit**"), Mediocredito Centrale S.p.A. and AMCO (for further information in this respect, please see letter d) "*Disposal of the equity investment by the Ministry of Economy and Finance*" of the paragraph 3 "*Major* Events" subparagraph 3.1 "*Recent developments*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus). As regards the discussions between UniCredit and the MEF, started at the end of July 2021, on 24 October UniCredit and the MEF issued press releases to announce the interruption of negotiations regarding the potential acquisition of a selected perimeter of BMPS. As at the date of this Base Prospectus, only AMCO has access to the virtual data room. The Bank, having acknowledged the current inability to find a Structural Solution, started a preliminary dialogue with the MEF in order to re-open discussions with DG Comp to extend the MEF's participation in the BMPS' shareholding and determine the necessary measures that the Bank will have to take.

Given the above, in December 2021 the Bank has outlined a new Strategic Plan (the "**New Strategic Plan**") that will form part of the various information, approval and regulatory processes that the Bank has undertaken to present to the ECB, the Single Resolution Board and the DG Comp. Furthermore, the MEF is liaising with the DG Comp regarding its participation in the Bank. The positions of the aforementioned authorities constitute a prerequisite for the capital increase envisaged by the New Strategic Plan. The Bank is currently unable to provide a precise estimate of the time required for the competent authorities to complete the respective processes, but will provide the authorities with the utmost commitment to collaboration so that the aforementioned processes can be completed promptly and successfully. The New Strategic

Plan, which constitutes the basis for the start of the above approval processes, may however have to incorporate any amendments and changes, even significant ones, to reflect the outcome of the discussions with the competent authorities. Finally, the New Strategic Plan is based on several key assumptions including, among others, the completion of a capital increase of Euro 2.5 billion in 2022 that will enable, *inter alia*, the full coverage of 2020 stress test indications. It cannot be excluded that unforeseeable elements may arise that could affect the Bank's capital strengthening process and the structure and feasibility of a capital increase at market conditions. For more information with respect to the New Strategic Plan, please see letter f) "*BMPS approved the 2022-2026 Strategic Plan*" of paragraph 3 "*Major Events*" subparagraph 3.1 "*Recent developments*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

The Directors of BMPS, having considered the significant uncertainty with regard to the execution of the recapitalisation of the Bank, which may give rise to significant doubts on the ability of the Group to continue to operate as a going concern, have deemed that, taking into account the actions taken, the above mentioned assessments support the reasonable expectation that the Bank will continue to operate as a going concern in the foreseeable future. Therefore, the 2020 Consolidated Financial Statements, the Group's Consolidated Interim Report as at 31 March 2021, the 2021 Consolidated Half-Yearly Report and the Consolidated Interim Report as at 30 September 2021 have been prepared under the going concern assumption. In this respect, investors should note that the auditors" report included in the 2020 Consolidated Financial Statements contains reference to the existence of a significant uncertainty regarding going concern of the Bank. For more information with respect to the use of the going concern assumption, please refer to paragraph "*Use of the going concern assumption*" of the section "*Notes to the consolidated financial statements - Use of estimates and assumptions when preparing financial statements*" and to the section "*Independent Auditors' report on the financial statements*" of the 2020 Consolidated Financial Statements, to paragraph "*Going concern*" of the section "*Explanatory Notes*" of the 2021 Consolidated Half-Yearly Report and to paragraph "*Going concern*" of the section "*Explanatory Notes*" of the Consolidated Interim Report as at 30 September 2021.

In addition, with respect to MREL (as defined below) targets applicable to the Bank (for further information in respect of MREL targets, please refer to sub-paragraph "*The BRRD and the revision of the BRRD framework*" of paragraph 2 "*Regulations and Supervision of the ECB, Bank Of Italy, CONSOB and IVASS*" of the section "*Regulatory Aspects*" of this Base Prospectus), it should be noted that the Bank will need to meet the MREL targets which, as of 1 January 2022, will become "binding" for the banking system. To meet these MREL targets, besides the Capital Strengthening, BMPS' funding strategies call for unsecured public bond issues for the following amounts: Euro 2 billion in 2021, Euro 1 billion in 2022 and Euro 1.8 billion in 2023. These amounts are in any event periodically revised in light of RWA and Leverage Exposure trends, based on which the MREL targets to be achieved are determined. In particular, considering a better than expected trend in RWAs and capital ratios, the estimate of the issues to be carried out in 2021 has been gradually reduced, to almost zero, assuming the expected capital increase is carried out. Considering the potential postponement of the share capital increase to next year, in the absence of issues in 2021, a temporary breach of the Combined Buffer Requirement (CBR) considered in addition to the MREL requirements based on RWAs and the subordination requirement based on Leverage Exposures, could occur as at 1 January 2022. This breach would then be corrected due to and at the time of the share capital increase. Finally, it should also be noted that in the context of the MREL review conducted by the resolution authorities (and without prejudice in any case to the resolution powers and prerogatives which can be exercised by the competent authorities on an on-going basis during the course of the year), the resolution authorities may prescribe to the Issuer, *inter alia*, the

maintenance of MREL requirements higher than the ones currently applicable as well as specific corrective measures. Furthermore, investors should also consider that it cannot be excluded that in the future the Issuer may be required, also in light of external factors and unforeseeable events outside its control and/or after further requests by the resolution authorities, to look for MREL enhancement interventions; also, it cannot be excluded that the Issuer or the Group may not be able to achieve in the prescribed times and/or maintain (both at individual and consolidated level) the minimum MREL requirements provided for by the legislation in force from time to time or established from time to time by the resolution authorities, with potential material negative impact on the business and economic and financial condition of the Issuer and/or the Group. For further information on the consequences of a breach of MREL targets, please refer to sub-paragraph "*The BRRD and the revision of the BRRD framework*" of paragraph 2 "*Regulations and Supervision of the ECB, Bank of Italy, CONSOB and IVASS*" of the section "*Regulatory Aspects*" of this Base Prospectus.

For further information on the risks associated with the capital adequacy, please also refer to paragraph "*2017-2021 Restructuring Plan*" of the section "*Consolidated Report on Operations*" of the 2020 Consolidated Financial Statements, sections "*2017-2021 Restructuring Plan*" and "*2021-2025 Group Strategic Plan*" of the 2021 Consolidated Half-Yearly Report and sections "*2017-2021 Restructuring Plan*" and "*2021-2025 Group Strategic Plan*" of the Consolidated Interim Report as at 30 September 2021.

Risks associated with the general economic/financial scenario

The results of the Issuer and the companies belonging to the Group are significantly affected by general economic conditions and financial markets dynamics and, in particular, by the performance of the economy of the Republic of Italy (determined, *inter alia*, by factors such as the soundness perceived by investors, expected growth perspectives of the economy and credit reliability). In particular, since the Republic of Italy is the country in which the Bank operates on an almost exclusive basis and in which respect the Group has a relevant credit exposure, the Bank's business is particularly sensitive to investor perception of the country's reliability and solidity of its financial condition as well as prospects of its economic growth.

The world economy is trying to cohabit with the COVID-19 pandemic: the main economies are showing different cyclical phases, depending on the trend of infections, progress in vaccination campaigns, the degree of fiscal and monetary stimulus implemented by the policy makers, and differences in the structure of domestic production. Generally, economic growth in the second quarter of 2021 was surprisingly on the upside in the Euro Area, maintained a good pace in US, albeit lower than expected, and was broadly in line with expectations in China. The third quarter economic data confirm the world economic expansion, but even sign of a certain slowdown. Supply constraints and problems in international chains of value could, in part, limit the recovery. The spread of new variants of the virus ("Omicron" is the latest) has recently forced some Countries to impose lockdowns, generating turbolence on the financial markets. A persistent and not temporary high inflation could also afflict the global scenario.

EU countries have submitted to the EU Commission their National Recovery and Resilience Plans obtaining access to the Next Generation EU (NGEU): a program providing a total support of Euro 750 billion to countries, including subsidies of Euro 390 billion and loans of Euro 360 billion.

During 2021, Italian GDP has resurged, driven by the growth of consumption, the high support of fiscal policy, a productive specialisation in manufacturing together with the tourist vocation

of the country, and the progress of the domestic vaccination campaign. Also, the relatively higher fall of the Italian economy in 2020 favours such a rebound in 2021.

The Italian parliament has authorized a further increase in the deficit and has approved the economic and financial document 2021. As part of the European Next Generation EU programme, the government has transmitted the National Recovery and Resilience Plan to the EU Commission at the end of April 2021. Resources available for financing investments and reforms foreseen in the Plan will amount globally to almost Euro 250 billion (Euro 192 billion from the EU, and the remainder part from national resources). The EU Commission approved the National Recovery and Resilience Plan and Italy received an advance of Euro 25 billion in August 2021.

The liquidity support measures expiring at the end of the year, have favoured the expansion of credit to the private sector throughout 2021 mainly driven by loans to households, while loans to Italian companies have slowed. Support measures (moratoria, loan guarantees, TLTRO III auctions and the PEPP programme) are expected to terminate in 2022 and this could result in lower flows of financing, especially to companies, even if the expected solid economic recovery sustains the demand.

Even in 2021 the liquidity of the banking sector was confirmed strong with a further accumulation of deposits, while bond issues and international funding contribution was modest given the wide availability of ECB liquidity. In the following three years, it is expected there will be a reduction in current account deposits; companies will use liquidity to fund their business and net working capital; also households will reduce deposits as a result of a lower propensity to save and a higher preference towards forms of more profitable investments (e.g. assets under management and insurance), latter phenomenon already being underway. Following the first TLTRO III repayments, the funding needs of the banking system are expected to grow: from 2022, international funding, bond issues in the wholesale segment and term deposits are expected to increase.

The ECB is expected to remain ultra-accommodative and no significant changes in the deposit rate with the monetary authority are expected in the medium term; nevertheless, market rates have already shown sign of reaction due to the improvement in the global economic scenario and a possible change in the monetary policy stance has been anticipated by the FED. This slight rise in the medium term would correspond to a slightly lower rise in the rates on loans, a more moderate one in the average rate for long-term deposits and a livelier one in the rate on bonds, in line with the rise in Italian government bonds.

Neither the FED nor the ECB are supposed to run the risk of a sudden slowdown in recovery due to a premature rise in monetary policy rates and will maintain their accommodative policy, even if assessing accurately the risk of a higher inflation scenario. Especially in the US, FED has already started tapering in November 2021 with the Governor Powell that judge high inflation 'not transitory'. In the Euro Area, ECB has decided on a moderate reduction in monthly purchases under the PEEP, not yet considering starting tapering and postponing further decisions in the next meetings; no significant changes in the deposit rate are expected in the medium term. Nevertheless market rates have already shown signs of reaction due to the improvement in the global economic scenario and a possible change in the stance on monetary policy. This rise in the medium term would correspond to a slightly lower rise in the rates on loans, a more moderate one in the average rate for long-term deposits and a livelier one in the rate on bonds, in line with the rise in Italian government bonds. A modest recovery of the traditional income from banking activity is expected due to the still limited contribution given by the banking spread which is expected to be stable in the medium term. The support to the

overall interest rate margin will remain linked to the benefit for the medium and long-term funds of the ECB, which will probably be at their maximum in 2021 and then gradually decrease with the end of the TLTROIII and the beginning of refunds. Revenues from indirect funding will sharply rise thanks to the recovery of economic activity and the accumulation of liquidity recorded during the crisis that could be directed towards managed investment products. The contribution of commissions from protection insurance products is also expected to increase, as a result of a customer base more sensitive to work conditions and health-care. Liquidity management services revenues are also expected to grow; but the competitive pressure of non-traditional operators in the context of the payment systems, will limit the prospects for expansion.

Moratoria and guarantee mechanisms, extended until the end of 2021, will likely shift the peak of riskiness to 2022, with the cost of risk starting to grow again also due to the adjustments connected with NPL market disposals.

The banking system ROE will show a gradual recovery, also due to an improvement in efficiency, with a consolidation above 5% in a mid term horizon.

Although in a recovery scenario, the uncertainty related with the evolution of the COVID-19 pandemic could still have severe consequences on global and domestic economic environment; an high public debt may have an impact on the volatility of the government securities market, even if the action of the ECB and a renewed confidence about the capability of the Italian government in making structural reforms with the help of the Next Generation EU funds, should ensure the easing of excessive market pressures.

For further details on the effects of the volatility of government securities on the Bank and/or the Group please see paragraph "*Risk associated with the Group's exposure to sovereign debt*" below.

Risks associated with the failed realisation of the Restructuring Plan

The approval of the Bank's Restructuring Plan 2017 – 2021 (the "**Restructuring Plan**") by the European Commission on 4 July 2017 allowed for the precautionary recapitalisation of the Bank in compliance with the legislation applicable to banks in relation to "State aid" [2].

The precautionary recapitalisation has been implemented through the Italian Ministry of Economy and Finance ("**MEF**")'s publication of certain decrees aimed at giving effect to Burden Sharing (as defined below)[3].

The Restructuring Plan groups together common risks of an industrial plan, such as (i) those reporting in quantitative and qualitative terms the competitive strategies of a company and the relevant actions for achieving the strategic goals, and (ii) assumptions of formal commitments given to the European Commission that are consistent with the limits provided for the purpose of "State aid" by the European Commission concerning the compliance with certain objectives

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[2] For a complete description of the Restructuring Plan please refer to letter g) "*Restructuring Plan 2017-2021*" of paragraph 3 "*Major Events*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

[3] For a complete description of the Burden Sharing please refer to letter f) "*Precautionary Recapitalisation, Capital Enhancement and relevant implementing measures, Public Offering for Exchange and Settlement*" of paragraph 3 "*Major Events*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

the achievement of which will be periodically monitored by an independent subject (monitoring trustee) (the "**Commitments**").

The Restructuring Plan is consistent with the Commitments given by the Italian government to the European Commission, concerning various aspects of the plan, such as, *inter alia*: (i) realisation of the Burden Sharing measures; (ii) cost reduction measures; (iii) restrictions in advertising and commercial policy; (iv) assignment of assets; (v) risk containment measures; (vi) prohibition to carry out acquisitions; (vii) restrictions on coupon payments on outstanding securities and on liability management transactions; (viii) prohibition to pay dividends; and (ix) remuneration of employees.

If the Bank is not be able to comply with one or more Commitments of the Restructuring Plan, then certain adjustment mechanisms may be activated.[4]

The failure to achieve any of the Commitments, as has already happened[5], might imply for the Issuer adverse effects of any orders adopted by the European Commission *vis-à-vis* the Italian State, including material adverse effects on the Issuer's and/or Group's assets, liabilities and financial situation.

Furthermore, in the event of any deviation from the European Commission's provisions that may involve the failure to comply with the conditions according to which the decision was adopted, the European Commission may consider ineffective the statement of compatibility with the "State aid" due to the failed realisation or violation of any condition. Consequently, the European Commission may either decide to undertake a new formal investigation procedure or directly file a petition in before the European Court of Justice, for the purposes of obtaining the declaration of non-fulfilment of the undertakings given by the Italian State. Although less likely, the European Commission may also consider that the "State aid" has been carried out unlawfully (if State aid's project is implemented without complying with the provisions as set thereon i.e. in a different area; without implementing planned hirings; or in light of a decrease of investments) and consequently undertake the relevant specific procedure. In this context, the European Commission may issue urgent measures, such as an injunction requesting the State to suspend the implementation of aid measures or, if the conditions are met, to proceed with the recovery of the already given "State aid". In this respect, the Issuer may cope with significant damages, also reputational damages, considering the re-launching activity of the Bank, with consequent negative impacts on the activities and on the Bank's and/or the Group's economical, capital and/or financial condition. In addition to the reputational damages, due to negative publicity arising from the non-fulfilment of the Restructuring Plan's conditions, the Issuer would be further exposed to, *inter alia*, the risk of additional measures aimed at rebalancing the usual competition of the sector (including other forms of Burden Sharing), as well as the risk associated with the restitution of the given "State aid".

The Restructuring Plan is based on 2016 macroeconomic forecasts and a banking scenario that have been disregarded by the facts. Moreover, the impact of the pandemic together with other idiosyncratic facts impacting the bank, suggested the drafting of a new plan.

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[4] For a description of the adjustment mechanism please refer to letter g) "*Restructuring Plan 2017-2021*" of paragraph 3 "*Major Events*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

[5] Commitment no. 24 in December 2018 and Commitment no. 9 in December 2019 and December 2020 (as at 30 June 2021, date of the last monitor report available).

On 17 December 2020 the Board of Directors of BMPS approved the Strategic Plan 2021-2025 and on 28 January 2021 the Board of Directors of BMPS approved the New Capital Plan. Both the Strategic Plan and the New Capital Plan have been prepared taking into account, *inter alia*, the Commitments assumed by the Italian Government pursuant to the Restructuring Plan and were submitted to DG COMP and the ECB for their respective assessments.

On 17 December 2021 BMPS, following the interruption of negotiations regarding the potential acquisition of a selected perimeter of BMPS, having acknowledged the current inability to find a Structural Solution, has defined the New Strategic Plan that will form part of the various information, approval and regulatory processes that the Bank has undertaken to present to the ECB, the Single Resolution Board and the DG Comp. Furthermore, the MEF is liaising with the DG Comp regarding its participation in the Bank. The positions of the aforementioned authorities constitute a prerequisite for the Capital Strengthening envisaged by the New Strategic Plan. Finally, the New Strategic Plan is based on several key assumptions including, among others, the completion of a capital increase of Euro 2.5 Billion in 2022. It cannot be excluded that unforeseeable elements might arise that could affect the Bank's capital strengthening process and the structure and feasibility of a capital increase at market conditions. For more information with respect to the New Strategic Plan, please see letter d) "*BMPS approved the 2022-2026 Strategic Plan*" of the paragraph 3 "*Major Events*" subparagraph 3.1 "*Recent developments*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

Investors shall consider that there is no certainty that the Bank will be able to realise, in whole or in part, the objectives of the New Strategic Plan and that they will be able to adequately address the weakness profiles which may be found by the ECB (specifically in the context of the SREP Decisions) or which may be found by the competent authorities in the future. In particular, the New Strategic Plan contains a set of forecasts and estimates based on the realisation of future events and actions to be undertaken, by directors and the management, inclusive of hypothetical assumptions subject to the risks and uncertainties relating to future events and actions which will not necessarily occur, over which directors and the management have only partial or no control. Accordingly, it cannot be excluded that the assumptions on which the forecasts and estimates contained in the New Strategic Plan are based on may prove to be unreliable or may not take place, even due to external facts that the Issuer cannot control.

Finally, one or more rating agencies may downgrade the Bank's ratings with the consequent increased cost of funding. For more information on the risks associated with the rating assigned to the Issuer, reference is made to paragraph 4 "*Ratings*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

Risks associated with the Group's exposure to Impaired Loans

With reference to the various aggregate figures as regards the Group's exposure to the Impaired Loans, the year 2020 recorded a significant decrease of "Doubtful Loans", "Unlikely to Pay" and "Past Due Impaired Exposures" (together and respectively, the "**Doubtful Loans**", the "**Unlikely to Pay**", and the "**Past Due Impaired Exposures**" as defined in Circular No. 272 issued by the Bank of Italy on 30 July 2008, as amended from time to time).

With respect to the derisking strategy of the Bank's NPE exposure, please refer to letter a) "*Partial, non-proportional demerger with asymmetric option from BMPS in favour of AMCO*" of paragraph 3 "*Major* Events", subparagraph 3.1 "*Recent developments*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

For further details on the Group's overall exposure to Impaired Loans, reference is made to the 2019 Consolidated Financial Statements and the 2020 Consolidated Financial Statements each as defined below, incorporated by reference into this Base Prospectus.

Since the Restructuring Plan does not consider the potential effects of the addendum, starting from 2021, the Target SREP of the Bank could require additional capital pursuant to the provisions of the addendum and/or it might be possible that the Bank will not reach the targets of the Restructuring Plan due to higher coverage levels in relation to non-performing loans originated after 1 April 2018.

Considering the potential outcomes of any future SREP, it cannot be excluded that the supervisory authority may require the Issuer to maintain higher capital adequacy standards compared to those currently applicable.

It should be noted that, as a consequence of the COVID-19 outbreak, the European institutions (European Commission, European Council and Parliament), the Italian and European Supervisory Authorities (European Banking Authority, ESMA, ECB/SSM, Bank of Italy, Single Resolution Board), and international institutions (IASB, Basel Committee) adopted a number of regulatory measures to address the economic effects of the COVID-19 pandemic. These measures, in particular moratoria and liquidity support to families and enterprises, mitigated the effect of the pandemic on the credit quality of the Group in the 2020 and in the first half of the 2021. Furthermore, the Issuer has taken a number of actions to verify and monitor the quality of credit risk in the post-COVID-19 pandemic period.

Nevertheless, when the extraordinary measures to support households and enterprise expire by the end of 2022, any difficulty in resuming regular repayment of loans (with specific reference to sectors worst impacted by the crisis) could lead to a significant deterioration of the credit quality of the Group.

Furthermore, the macroeconomic scenario development and/or the performance of specific sectors (with specific reference to families and small and medium enterprises, representing the Group's main customers) entail a further reduction, possibly significant, in the credit quality of the Bank and/or the Group. Such scenario may also lead to a reduction of the value of guarantees received from customers and/or the impossibility, on the side of customers, to supplement the guarantees provided as a result of a value reduction thereof, thus negatively impacting the Bank's estimated results due to the deterioration of credit quality and the additional provisions to be created in light of this deterioration, with a potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Credit risk and risk of credit quality deterioration

The Group's business, economic, capital and financial soundness as well as the ability to generate profits depend, *inter alia*, on the creditworthiness of its clients, i.e. the risk that its contractual counterparties (including the counterparties of financial transactions on derivative securities traded over the counter – although in this case, this is more appropriate to counterparty risk, as set out in paragraph "*Counterparty risk*" below) default their obligations or that the creditworthiness of such counterparties deteriorates or that Group companies grant, based on untrue, incomplete or inaccurate information, loans that they would otherwise not have granted or they would have granted on different terms. Furthermore, not reducing the cost of funding for the Group in respect to competitors may negatively affect the quality of lending.

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

It should be noted that the assessment of possible losses the Issuer and/or the Group may incur in respect of single credit exposures and the aggregate lending portfolio depends side from the reference legislative and regulatory framework on several factors including, without limitation, the trend of general economic conditions as well as those relating to specific productive sectors, the worsening of the competitive position of counterparties in their respective business sectors the possible bad management of enterprises or borrowers, movements in interest rates the indebtedness level of families and the dynamic of the real estate market as well as other elements which, for various reasons, may affect the creditworthiness and/or the value of guarantees in protection of risks taken.

In light of the above, even following the completion of the assignment of the NPL Portfolio, a further deterioration of credit quality compared to that already recorded during past financial years with a consequent increase in Impaired Loans and related value adjustments, may result in negative impacts, possibly significant, on the economic, financial and capital condition of the Issuer and/or the Group and cannot be excluded.

Liquidity risk

Liquidity risk is the risk that the Bank is not able to fulfil expected and unexpected payment obligations in a timely and economic manner, due to the inability to raise financial resources at market costs (funding liquidity risk) or to the difficulty to disinvest its own assets without incurring capital losses (market liquidity risk). This occurs when internal (specific crisis) or external (macroeconomic conditions) events result in the Bank having to deal with a sudden reduction of available liquidity or with a sudden need to increase the funding.

BMPS implemented strategies, policies, processes and systems for the identification, measurement, management and monitoring of the liquidity risk. The main indicators used by the Issuer for the assessment of the Group liquidity risk are the LCR, the NSFR and the Loan to Deposit Ratio, representing the ratio between lending to customers and direct deposit collection, excluding transactions with central counterparties. Asset Encumbrance Ratio is also closely monitored, in order to analyse the overall degree of encumbrance of the Issuer's total assets and the existence of a sufficient quantity of free assets that may be encumbered to raise liquidity through phases of potential liquidity tensions.

For further details on the abovementioned indicators and the relevant levels reference is made to the financial statements of the Issuer incorporated by reference into this Base Prospectus.

The liquidity position of the Bank may be prejudiced by a number of factors that are also outside its control. These relate to both the macroeconomic/regulatory context in which it operates and the specific situation of the Bank itself. Such factors may determine the impossibility of accessing capital markets through the issuance of debt securities, the inability to receive funds from counterparties which are external to the Group, unexpected cash outflows, devaluation of certain assets and/or the inability to liquidate them.

More specifically, given the weight of sight deposit in its overall funding structure, the Group's liquidity may be severely impacted in the event of a sharp reduction in this aggregate, which could be in turn determined by a general market disruption or specific issues or negative news regarding the Group, or also by reason of the perception among the participants in the market that the Group or other participants in the market are experiencing a higher liquidity risk. Such

a liquidity crisis may increase the Bank's cost of funding and limit its access to some of its traditional liquidity sources.

Furthermore, it should be considered that the Group has a significant exposure to Italian government debt securities. A possible deterioration of the Republic of Italy creditworthiness, determined by political uncertainties or weak economic conditions, and/or a downgrading of the credit rating assigned to the Republic of Italy may adversely affect the value of such debt securities and could impact the extent to which BMPS can use, *inter alia*, Italian government debt securities as a collateral for the ECB refinancing transactions, which could have a negative effect on the Group's liquidity position. The magnitude of such negative effect would be amplified by possible downgrade, according to rating agencies' rules, of retained covered bonds and asset-backed securities ("**ABS**") used as collateral for ECB financing, which could cause a decrease in ECB evaluation and an increase in cuts applied by the Central Bank. The Republic of Italy's rating downgrade and/or credit spread increase may also hamper the Bank from accessing institutional bond markets, or may increase the cost of such access.

Retained covered bonds and ABS constitute a significant part of the Bank's overall counterbalancing capacity; a downgrade of these securities, also for reasons other than a downgrade by the Italian government, would therefore considerably affect the Group liquidity position.

Finally, it must be noted that a potential deterioration of the evolution of the COVID-19 pandemic and the subsequent economic downturn and/or financial tensions may have a significant impact on the liquidity position of the Issuer. The Issuer, as well as all Italian banks, would have to support the liquidity needs of its customers (businesses and families) stemming from a potential crisis, notwithstanding the relief measures put in place by the Italian government. Furthermore, it cannot be excluded that the Bank could face difficult access to institutional funding markets, that could hamper the execution of its funding plan.

In this context, it should be noted that the Issuer is benefiting from the monetary policy measures introduced in March 2020 by the ECB to support bank liquidity conditions, including the easing of conditions for targeted longer-term refinancing operations (TLTRO III). For further information on risks associated with the COVID-19 pandemic, please see paragraph "*Risks associated with the general economic/financial scenario*" above and for further information about liquidity support measures introduced by the ECB, reference is made to paragraph "*Risks associated with the reduction of the system liquidity support*" below.

Risks associated with the Group's exposure to sovereign debt

The Group has a material exposure to central governments or public entities, mainly held *vis-à-vis* the Republic of Italy. Therefore, possible tensions on the government securities market and the volatility thereof may cause negative impacts on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

In particular, a lowering of the creditworthiness of the Republic of Italy, together with a consequent decrease in the securities value, would cause an increased negative value of the valuation reserves (specifically "*Fair Value Through Other Comprehensive Income*", the "**FVTOCI Reserve**") linked to the *"Financial assets measured at fair value through other comprehensive income"* accounting category, which entails a negative impact on the Bank's own funds considering that, as provided for by ECB Regulation EU 2016/445 of 14 March 2016, starting from 1 January 2018, profits and losses not realised and relating to the exposures

to the central administration classified in the accounting category "*Other Comprehensive Income*" are fully included in CET1 capital.

As for the portfolio of "*Financial assets measured at fair value through profit and loss*" ("**FVTPL Portfolio**") the effects on the economic results of a lowering of the creditworthiness of the Republic of Italy depend on corresponding portfolio exposure (on bonds and derivatives positions) following the lines traced within the corresponding trading book strategies.

Apart from debt securities, the Group's exposure to sovereign debt includes loans granted by the Group to central governments and other public entities. The possible deterioration of the creditworthiness of such counterparties may lead to write-downs and, therefore, may give rise to negative impacts on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

In addition to the above, the Group has a material exposure to credit derivatives on government securities, almost exclusively referred to the Republic of Italy. The possible deterioration of the creditworthiness of the Republic of Italy and, to a lesser extent, that of the other countries to which the Group is exposed, may cause a reduction in the value of such derivatives, with a consequently negative impact, possibly significant or even relevant, on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

For further details on the Group's overall exposure to sovereign debt, reference is made to the 2019 Consolidated Financial Statements, to the 2020 Consolidated Financial Statements, to the 2021 Consolidated Half-Yearly Report and to the Consolidated Interim Report as at 30 September 2021 each as defined below, incorporated by reference into this Base Prospectus.

Risks associated with the application of Burden Sharing in the context of precautionary recapitalisation intervention

Further to the failed completion of the transaction announced by the Issuer's board of directors on 29 July 2016 (the "**2016 Transaction**"), the Bank had access to "precautionary recapitalisation", as provided for by article 32, subsection 4 of the BRRD. In particular, pursuant to the MEF ministerial decrees published in the Official Gazette on 28 July 2017, general series no. 175, the Issuer was subject to: (i) a capital increase (the "**Capital Increase**"); and (ii) the application of burden sharing measures as per Article 22, subsections 2 and 4 of Legislative Decree No. 237 of 23 December 2016 ("**Decree 237**") (the "**Burden Sharing**" and, together with the Capital Increase, the "**Capital Enhancement**").

Article 22, paragraph 4 of Decree 237 provides that contractual or non-contractual clauses executed by the Issuer over own notes or capital instruments and relating to the capital rights to be paid on the same, hindering or limiting their full compatibility in the Common Equity Tier 1, shall be ineffective. Such provision implies the inefficacy of some agreements and/or clauses of the agreements executed in the context of the FRESH 2008 structure (floating rate equity-linked subordinated hybrid preferred securities (the "**FRESH 2008**"). For more information about the agreements executed in connection with FRESH 2008, please refer to letter b) *"FRESH 2008"* of paragraph 3 "*Major Events*" of section "*Banca Monte dei Paschi di Siena S.p.A.*".

Therefore, on 5 October 2017, the Bank's board of directors resolved, *inter alia* to: (i) apply Decree 237 also to the FRESH 2008 transaction; (ii) inform the DG Comp and the Bank of Italy of such resolution, setting the relevant process for the authorisation to classify the amount of FRESH 2008 issue from Additional T1 to Common Equity Tier 1; and (iii) send a letter to inform J.P. Morgan about the implementation of Decree 237 and the consequent termination of

both the usufruct agreement and the company swap agreement, entered into in the context of the FRESH 2008 transaction (the "**Usufruct Agreement**" and the "**Company Swap Agreement**").

As a consequence of the application of Decree 237 to FRESH 2008, some FRESH 2008 holders summoned the Bank, *inter alia*, before the Courts of Luxembourg; for more information about the proceedings connected with FRESH 2008, please refer to letter A) "*FRESH 2008*", "*Alexandria*", "*Santorini*", "*Chianti Classico*" *Transactions – Criminal proceedings before the Courts of Milan (Proceedings no. 29634/14)*" of paragraph 10.2.1 "*Criminal investigations and proceedings*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus and to point i) "*Legal dispute Banca Monte dei Paschi di Siena S.p.A. / the holders of FRESH 2008*" of letter A) "*Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*" of paragraph 10.2.3 "*Civil Proceedings*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

In the event that, following the above mentioned proceedings, the FRESH 2008 framework remains valid and/or article 22, paragraph 4 of the Decree 237 is deemed not applicable, the Bank may be forced to continue to pay the remuneration in accordance with FRESH 2008, in the event that certain requirements are met. It would follow that from a prudential standpoint, the FRESH 2008 transaction would not fail and it should continue to qualify as Additional Tier 1, as opposed to the representation set out in the Restructuring Plan.

In addition, the Bank has commenced a legal procedure in Italy to ascertain whether the Usufruct Agreement has been terminated as a consequence of the implementation of the Decree 237. In December 2019 the Italian Judge issued an order declaring the suspension of the judgment waiting for the issuance of a decision by the Luxembourg Judge. The Bank challenged this decision in the Supreme Court. The Supreme Court has rejected the petition of the BMPS in a ruling dated 31 March 2021. For more information in this respect, please refer to point i) "*Legal dispute Banca Monte dei Paschi di Siena S.p.A. / the holders of FRESH 2008*" of letter A) "*Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*" of paragraph 10.2.3 "*Civil Proceedings*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

The failed cancellation of the FRESH 2008 framework and/or the failed application of article 22, paragraph 4 of the Decree 237, following any legal actions commenced against the Bank may involve, with respect to the prospective figures of the Restructuring Plan, the impossibility to implement the aforementioned requalification and, consequently, the CET1 Ratio would be lower in 2021, with Tier1 equal to Total Capital Ratio. In addition to an impact on capital adequacy (for further information on which reference is made to paragraph "*Risks associated with capital adequacy*" above), this could also have a negative impact on the Restructuring Plan which may result in a review to be conducted.

In October 2021, the Bank completed the sale of treasury shares held by the Group, deriving from the capital strengthening measures carried out in 2017 pursuant to Law Decree no. 237/2016, converted with amendments by Law no. 15/2017, and the Decree of the Minister of Economy and Finance published in the Official Gazette no. 175 on 28 July 2017, which provided also the conversion into newly issued ordinary shares of class 1 (Additional Tier 1) and class 2 (Tier 2) equity instruments, as part of the application of the Burden Sharing. The sales had a positive impact on the 2021 CET1 of the Bank. For further information in this respect, please refer to letter e) "*Sale of BMPS own shares*" of sub-paragraph 3.1 "*Recent developments*" of the paragraph 3 "*Major* Events" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

Risks associated with assignments of Impaired Loans

As part of its typical business, the Issuer carries out receivables assignment transactions. For more information on the most significant transactions, reference is made in the 2019 Consolidated Financial Statements and the 2020 Consolidated Financial Statements that are incorporated by reference into this Base Prospectus.

Without prejudice to what is provided in the Restructuring Plan, in regard to the assignment of the NPL Portfolio and the relevant derecognition, it cannot be excluded that it may be necessary for the Issuer to proceed with further assignments of Impaired Loan as a consequence of a possible further deterioration of credit quality, should the Group be required to pursue more stringent targets in terms of reducing the amount of Impaired Loans compared to those planned. These stringent targets may be a consequence of requests received from the supervisory authority and may have a consequent negative impact on the economic, capital and financial condition of the Issuer and the Group.

The perfection of assignments may entail the debit through profit or loss of higher value adjustments on credits for a significant amount due to the well-known spread between the value at which Impaired Loans (and specifically Doubtful Loans) are recorded in the Bank's balance sheet and the consideration that market operators specialising in the management of distressed assets are willing to offer to purchase them. Recovery expectations of cash flows that could be obtained from the debtor and/or liquidation procedures being unchanged, the difference between the book value and the consideration for the assignment are in fact affected by the high yield rates investors intend to realise, as well as by management costs (costs of staff and organisational structures dedicated to the recovery activity) that prospective purchasers must cover, which factors are discounted in the determination of the purchase price of the same loans.

In this context, upon perfection of receivables assignment transactions, the Issuer may need to debit through profit or loss further value adjustments of the same loans with a consequent negative impact, even significant, on the economic, capital and financial condition of the Issuer and/or the Group. Furthermore, it cannot be excluded that the Issuer may not be able to find a counterparty willing to participate in receivable assignment transactions the Bank may wish to carry out.

Risks associated with the failed distribution of dividends

Under the 2020 SREP Decision, in line with the previous SREP Decisions, the ECB specifically prohibited the Bank to distribute dividends to shareholders or holders of instruments computed in Additional Tier 1, unless failure in such payment would constitute an event of default. Such prohibition is valid until the decision is withdrawn; accordingly, until the ECB decides to remove this prohibition, the Issuer may not distribute dividends, despite profits for the period being available for distribution.

Furthermore, the prohibition to distribute dividends is also one of the Commitments of the Restructuring Plan, whereby it is provided that dividends can only be distributed if the Bank has a CET1 and a Total Capital ratio higher than a predetermined level of the SREP thresholds which are set periodically by the ECB in order to promote the capitalisation of the dividend not distributed. Accordingly, the Bank is required to adopt dividend distribution policies allowing it to maintain at an individual and consolidated level, actual and perspective capital adequacy conditions in line with aggregate risks taken, suitable to favour the alignment with the prudential requirements set by the CRD IV and the CRR and to guarantee the coverage of internal capital levels calculated in the context of the Internal Capital Adequacy Assessment Process ("**ICAAP**").

The Issuer may in any case decide not to distribute any dividends or to distribute dividends in an amount that equates to the maximum available for distribution in accordance with the applicable legal and statutory provisions, notwithstanding the fact that there are profits available for distribution for the period and there are no prohibitions and/or legislative or regulatory restrictions.

In addition, negative economic results of a financial year may impede or limit the possibility for the Bank to distribute dividends, even if the ECB prohibitions were to be withdrawn, with a consequent negative impact on the return on the investments in the Issuer shares.

Finally, the lack of profits and reserves available for distribution could negatively affect the Issuer's capitalisation considering that such circumstances do not trigger recapitalisation of the Issuer in accordance with applicable Italian laws and regulations.

Risk associated with the existence of over the counter derivatives in the Issuer portfolio

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

The OTC derivative portfolio consists almost entirely of instruments classified at the level 2 of the fair value hierarchy, which do not generate specific illiquidity risks.

OTC derivatives operations could expose the Group to potential losses on positions held as a result of adverse movements in market parameters. In particular, OTC derivatives operations is subject to the following main risk factors: interest rates, exchange rates, shares, indices, commodities and related volatilities and correlations. Such operations also expose the Group to counterparty risks which is the risk that a contractual counterparty does not fulfil the obligations undertaken thereunder or becomes insolvent prior to the expiry of the agreements when the Bank or the companies of the Group still have credit claims against such counterparty. The counterparty risk is mitigated by the presence of netting and collateral agreements. (for more details please refer to paragraph "*Counterparty risk*" below).

(B) **Risks relating to judicial and administrative proceedings and the inspections of the supervisory authorities**

Risks deriving from judicial and administrative proceedings

As at the date of this Base Prospectus, a number of judicial proceedings (including civil, criminal and administrative actions) are pending against the Issuer. Some of these derive from the extraordinary and exceptional context related to criminal investigations ordered by courts involving the Issuer in 2012 and 2013. In addition to this litigation, there are also: (i) disputes deriving from the Bank's ordinary course of business; (ii) labour disputes; (iii) tax disputes; and (iv) disputes arising from Burden Sharing.

The overall *petitum* for tax proceedings of the Group as at 30 June 2021, is equal to Euro 80.2 million (rounded), almost entirely relating to the Bank (the overall *petitum* for tax proceeding of the Group as at 31 December 2020, amounted to Euro 86.0 million, of which Euro 80.0 million relates to the Bank); at the same date, the overall *petitum* relating to the passive labour proceedings is equal to Euro 82.0 million (75.0 million as at 31 December 2020), including the labour proceedings brought by certain employees of Fruendo S.r.l., almost entirely relating to the Bank.

As at 30 June 2021, the *petitum* for disputes arising from Burden Sharing, is equal to Euro 46.9 (rounded) million (Euro 49.9 million rounded as at 31 December 2020) for which provisions for risks of Euro 27.3 million (rounded) (Euro 29.6 million rounded as at 31 December 2020) have been set aside and included in the Bank judicial proceedings relating to investment service activities. In such proceedings the relevant plaintiffs are claiming the violation of the general principles set forth by the Consolidated Finance Act and the general principles of correctness, transparency and duty of care with respect to the sale of such securities.

In light of the estimates made on the risk of adverse outcome in the aforementioned proceedings, as at 30 June 2021, provisions for "legal and tax disputes" included under the item "provision for risks and charges", amount to Euro 996.8 million (rounded) (Euro 971.9 million rounded as at 31 December 2020), comprising claw-backs of Euro 24.8 million (rounded) (Euro 26.1 million rounded as at 31 December 2020), legal disputes of Euro 962.1 million (rounded) (Euro 928.6 million rounded as at 31 December 2020) and tax disputes for Euro 9.9 million (rounded) (Euro 17.2 million rounded as at 31 December 2020). Furthermore, as at the same date, in addition to the above, the "provision for risks and charges" includes labour disputes (both passive and active) for Euro 38.5 million (rounded) (Euro 47.2 million rounded as at 31 December 2020).

Allocations to item provision for risks and charges have been made for amounts representing the best possible estimate relating to each dispute, quantified with sufficient reasonableness and, in any case, in accordance with the criteria set forth in the Issuer's policies. Among the components of the overall provision for risks and charges are included, in addition to the allocations provided for "legal disputes", also allocations versus expected losses on estimated disbursements for client complaints. The estimate of liabilities is based on the information available from time to time and in any case it implies multiple and significant evaluation elements, due to several uncertain factors characterising the different judicial proceedings. In particular, sometimes it is not possible to produce a reliable estimate such as in case of proceedings that have not been initiated, in case of possible counterclaims or in the presence of uncertainties in law or in fact so as to make any estimate unreliable. In particular, for further information relating to the methodology used to account allocations into the "provision for risks and charges" with respect to civil and criminal legal proceedings, including threatened litigations, relating to the purchase of securities issued in connection with the capital increase transactions of 2008, 2011, 2014 and 2015, and/or in connection with trading activities based on the allegedly inaccurate disclosure contained in prospectuses and/or financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2015, reference is made to paragraph 10 "*Legal proceedings*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

Accordingly, although the Bank believes the overall provision for risks and charges recorded in the financial statement are considered adequate in respect of the liabilities potentially consequent to negative impacts, if any, of the aforementioned disputes, it may occur that the provision, if any, may be insufficient to fully cover the charges, expenses, sanctions as well as the compensation and restitution requests associated with the pending proceedings, also in relation to the bringing of civil actions, or that the Group may in the future be called to satisfy compensation and restitution costs and obligations not covered by provisions, with a potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

In relation to disputes in which the Bank is involved, it has to be specified that, as at the date of the Base Prospectus, it cannot be excluded that disputes against the Bank may increase in number, also in consideration of the criminal proceedings pending and/or concluded before the

Courts of Milan as well as the extraordinary transactions put in place by the Bank, in particular in relation to the civil plaintiffs in the context of such proceedings and/or the filing of civil claims for damages following the conviction sentence of the Courts of Milan on 8 November 2019 (for more information, reference is made to the paragraph 10 "*Legal proceedings*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus). In this respect, it should be noted that following the judgment of the Court of Milan in the proceedings 955/16 on 16 October 2020, there is an increasing number of disputes relating to the 2014 and 2015 share capital increases of the Bank.

Unfavourable outcomes, if any, for the Bank in the disputes it is a party to, specifically those with larger media impact or the arising of new disputes, may have negative impacts, even significant ones, on the Bank and/or the Group, with a consequent potential negative impact on the business and the economic, capital and/or financial condition thereof.

In relation to proceedings 29634/14 and 955/16, investors must take into account that, as at the date of the Base Prospectus, a precise monetary figure relating to the total of the compensatory requests and accordingly the economic burden the Bank will have to bear cannot be predicted, except to the extent of the relevant *petitum.* Furthermore, there is the risk that, should the Bank and/or other Group companies or their representatives (including the Bank's former representatives) be convicted, such circumstance may have an impact on the reputation of the Bank and/or the Group, as well as entail a liability under the Legislative Decree No. 231/2001. For further information, reference is made to paragraph "*Risks associated with the organisation and management model pursuant to Legislative Decree 231/2001*" below and to paragraph "*Main types of legal, employment and tax risks*" of the 2020 Consolidated Financial Statements, and paragraph "*Main types of legal, employment and tax risks*" of the 2021 Consolidated Half-Yearly Report and to paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Interim Report as at 30 September 2021.

For further information on BMPS' risks deriving from judicial and administrative proceedings, reference is also made to Part E "*Information on risks and hedging policies*" of the section "*Notes to the consolidated financial statements*" of the 2020 Consolidated Financial Statements, to paragraph "*Main types of legal, employment and tax risks*" of the 2020 Consolidated Financial Statements and paragraph "*Main types of legal, employment and tax risks*" of 2021 Consolidated Half-Yearly Report and to paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Interim Report as at 30 September 2021, incorporated by reference into this Base Prospectus. In particular, investors should note that the assessment of such legal risks is specified as "key audit matter" in the auditors' report included in the 2020 Consolidated Financial Statements.

Furthermore, while carrying out its ordinary business, the Group is subject to inspections promoted by the supervisory authorities that may give rise to requests for organisational interventions and enhancement of safeguards aimed at remedying any deficiencies found. The results of such inspections may lead to sanctioning proceedings against the relevant company's representatives and employees and, as a consequence thereof, compensatory requests, fines imposed by supervisory authorities, other sanctions and/or reputational damage; For further information, reference is made to paragraph 10.2.8 "*Sanctioning procedures*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

Risks associated with the investigations of supervisory authorities

The Issuer, to the extent it exercises the banking activity and provides investment services, is subject to complex regulation and to the specific supervision of the ECB, the Bank of Italy and CONSOB.

In the exercise of their supervisory powers, the ECB, the Bank of Italy, the *Commisione Nazionale per le Società e la Borsa* ("**CONSOB**") and the other supervisory authorities may request organisational and controls aimed at remedying any possible deficiencies found that may have a negative impact on the economic, capital and/or financial condition the Group. The extent of any such potential deficiencies may also determine the start of sanctioning proceedings against representatives of the Bank and/or the companies of the Group, with possible negative impacts on the economic, capital and/or financial condition of the Group.

For a description of the inspection activities recently carried out by the supervisory authorities on the Issuer and the relevant administrative proceedings, please see paragraph 10 "*ECB/Bank of Italy inspections concluded during the period 2015-2021*" of section "*Banca Monte dei Paschi di Siena S.P.A.* of this Base Prospectus.

In light of the above, there is the risk that the Issuer may find itself in the future, also in light of external factors and unforeseeable events outside the Group's control, having to acknowledge failed compliance with qualitative requirements, with the consequent need to comply with further requests of the supervisory authority as well as the failure to comply with quantitative requirements set by the supervisory authority and, amongst the others, by the SREP Decisions. Such circumstances may require the adoption of a capital restoration plan and having to resort to capital enhancement interventions for the purpose of achieving the capital adequacy levels set by the supervisory authority.

Risks deriving from tax disputes

The Bank and the main companies of the Group are exposed to the risk of unfavourable outcomes in the tax proceedings they are involved in or in the potential new tax proceedings.

As at 30 September 2021, the Bank and the main Group's companies are subject to 140 (rounded) tax disputes for an overall amount of Euro 80 million (rounded) (of which Euro 76.7 million relates to the Bank) for taxes, sanctions and interest set out in the deeds of contestation. The value of the disputes also includes that associated with tax verifications closed, for which no dispute is currently pending since the tax authority has not yet formalised any claim or contention.

In relation to pending tax disputes, which are associated with "likely" unfavourable outcomes, as at 30 September 2021 the Bank allocated to the overall provision for risks and charges an amount equating to Euro 10 million (rounded).

It should be noted that, on 10 April 2018, the revenue agency, regional office for Tuscany, started control proceedings on the Bank for the 2015 tax period. Following the conclusion of such controls, on 17 December 2018 a tax authority audit report was notified to the Bank objecting to: (i) the incorrect calculation with regard to corporate income tax ("**IRES**") of the benefits deriving from the provisions of EGS; and (ii) with regard to Italian regional tax on productive activities ("**IRAP**"), the non-taxation of certain revenues recorded under items not relevant for the purpose of the mentioned tax. The higher potential tax IRES associated with the EGS finding is equal to Euro 3.3 million, while the findings relating to IRAP entail higher potential taxes of Euro 3.9 million (rounded). On the basis of the abovementioned tax

assessment report, on 14 November 2019 the tax authorities notified the Bank challenging the ACE benefits (*aiuto alla crescita economica* or allowance for corporate equity) with respect to the effects on the amount of the surplus available for the 2014 tax period. A judicial review has been lodged against the notice of assessment. With regard to the other objections arising from the assessment report notified on 17 December 2018, in-depth assessments of the complaints raised are still on-going in order to identify the appropriate initiatives to be carried out. The resulting notices of assessment, notified on 26 May 2021, contain a total claim for higher taxes (IRES and IRAP) and penalties of approximately Euro 10.3 million (plus interest as required by law), in addition to the disallowance of tax assets for approximately Euro 2.5 million.

At the end of the assessment procedure with adhesion initiated by the Bank, the disputes for IRES were settled with the deed of adhesion signed on 16 November 2021: the claims in terms of higher tax, penalties and interests were fully cancelled, although a reduction in residual ACE excess (as at 31 December 2015) of approximately Euro 10.7 million remained confirmed (without economic effects, in consideration of the failure to record the corresponding DTAs due to the so-called "probability test"), as well as a higher IRES taxable base due to undue use of residual ACE excess of approximately Euro 1.4 million (however, with no economic effects due to residual ACE surplus available conferred by another company adhering to the Group tax consolidation). On the other hand, with reference to the IRAP disputes, as the similar assessment procedure with adhesion was concluded with a negative outcome, the Bank took steps to initiate tax litigation (for further information reference is made to paragraph 10.2.11 "*Tax disputes*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus). Contingent liabilities arising from the IRAP dispute amount to approximately Euro 8 million (Euro 3.9 million for higher taxes, Euro 3.5 million for penalties and Euro 0.6 million for interest).

Notwithstanding the evaluations effected by the Bank, the Group companies and the respective consultants, an unfavourable verdict within the pending proceedings and/or the commencement of new proceedings cannot be excluded, even as a result of the aforementioned on-going tax assessment, may involve increased tax risks for the Bank and/or the Group, which could result in additional provisions or disbursements and could have a potential negative impact on the business and the capital, economic and/or financial conditions of the Bank and/or the Group.

Risks associated with the organisation and management model pursuant to Legislative Decree No. 231/2001

The Issuer adopted its own organisation and management model as provided for by Legislative Decree 231/2001, establishing a set of rules suitable to prevent the adoption of unlawful behaviours by top managers, managers and/or employees. Furthermore, also considering the current ownership structure and the participation of the MEF in the share capital of the Bank, the Issuer supplemented its organisational model to prevent the criminal offences pursuant to Legislative Decree 231/2001 with the guidelines for the prevention of corruption within the Group and the new ethical code. These guidelines supplement the organisational model for the prevention of the criminal offences provided for by Legislative Decree 231/2001 and therefore also contain the controls provided by this model. It cannot be excluded that potential illicit offences could expose the Bank to administrative liability with consequent negative effects on the capital, economic and financial position of the Bank.

The adequacy of the model to prevent the crimes contemplated by the legislation is a pre-condition exempting the Issuer from liability. Such requirement, however, is assessed by the judicial authority possibly called to verify the single crime cases and not ascertained in advance. For those reasons and in compliance with the provisions of the aforementioned decree, the Bank

set up a specific supervisory body in charge of supervising the functioning of and compliance with the model.

Accordingly, there is no certainty on the exemption from liability of the Bank in the case of material offences pursuant to Legislative Decree No. 231/2001. Should the model not be deemed suitable, the application of a monetary sanction is in any case provided for in respect of all crimes committed, in addition to, for the most serious cases, the possible application of interdiction sanctions (i.e. the interdiction from the exercise of business, the suspension or withdrawal of authorisations, licences or concessions, the prohibition to contract with the public administration, as well as the prohibition to advertise goods and services). Furthermore, the current regime provides that, in case of a conviction judgment of the entity pursuant to Legislative Decree No. 231/2001, the confiscation of the price or profit of the crime may be ordered, possibly in an equivalent amount, in addition to the application to the same entity of monetary and interdiction sanctions, with a potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group. Furthermore possible convictions of the entity pursuant to Legislative Decree No. 231/2001 may have reputational impacts significant on the Bank and/or the Group, with a consequently potential negative impact on the business and the economic, capital and/or the financial condition thereof.

As at the date of this Base Prospectus, the Bank was indicted in the context of certain proceedings for administrative liability profiles pursuant to Legislative Decree No. 231/2001. For further information on such proceedings please refer to paragraphs 10.2.9 *"Judicial proceedings pursuant to Italian Legislative Decree 231/2001*" and 10.2.10 "*Administrative offences pursuant to Legislative Decree 231/2001 challenged in relation to the sale of investment diamonds based on alleged self-laundering crime (article 648-ter of the Italian Criminal Code)*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus and paragraph "*Main types of legal, employment and tax risks*" of the 2020 Consolidated Financial Statements and paragraph "*Main types of legal, employment and tax risks and complaints*" of BMPS 2021 Consolidated Half-Yearly Report and paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Interim Report as at 30 September 2021.

(C) Risks relating to the Issuer's business activity and industry

Risks associated with possible aggregations

The occurrence of an aggregation depends, *inter alia*, upon external factors such as the receipt of expressions of interest by counterparties interested in an acquisition or integration with the Group, the matching of the interests of the Group with those of potentially interested parties, the positive outcome of any due diligence exercise by the Bank and/or the counterparty, the favourable vote by the Bank's shareholders and interested parties, where required, and the positive outcome of the procedures required by the applicable legislation.

In addition, in accordance with the Commitments set out in the Restructuring Plan, the Bank may only proceed with the acquisition of any interest or asset upon satisfaction of certain conditions. The need to comply with such Commitments and the consequent limitations to the Bank's activities may adversely affect the possibility for the Bank to carry out any aggregation. For more information on the Commitments and the Restructuring Plan, please refer to letter g) "*Restructuring Plan 2017-2021*" of paragraph 3 "*Major Events*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

Should the opportunity for the Bank to proceed with a possible aggregation with another entity materialise, such transaction would also expose the Bank to the risks and complexities that are typical of the integration process of banking groups.

In this respect, it should be noted that, following the execution of the capital enhancement and precautionary recapitalisation measures, the MEF held 68.247 per cent of the Bank's share capital, and, accordingly, by law control over it[6]. The precautionary recapitalisation reserved to MEF constituted, pursuant to art. 18 of Decree 180, a measure adopted on a precautionary and temporary basis. In this respect, the Commitments required by DG Comp provide, *inter alia*, for the MEF to dispose of its stake held in the Bank by the end of the Restructuring Plan.

At the end of 2019, the MEF communicated that it had agreed with the European Commission to postpone at the beginning of 2020, the presentation of the plan to dispose of its equity investment in the Bank's capital, initially expected by December 2019, in light of the ongoing dialogue on the derisking strategy on the NPE exposure of the Bank (in which respect please refer to letter a) "*Partial, non-proportional demerger with asymmetric option from BMPS in favour of AMCO*" of sub-paragraph 3.1 "*Recent developments*" of paragraph 3 "*Major* Events" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus).

In regard to the Structural Solution the October DPCM has authorised the disposal of the stake held by the MEF in BMPS: this may be carried out in one or more stages, with sale procedures and techniques used in the markets, through individual or joint recourse to a public offer to investors in Italy, including personnel of the Group, and/or Italian and international investors, through direct negotiations to be carried out with transparent and non-discriminatory competitive procedures and through one or more extraordinary transactions, including a merger.

BMPS has set up dedicated virtual data rooms for the due diligence activities of potential investors and partners required by the Structural Solution. Access to virtual data rooms was granted to the Apollo fund, UniCredit, Mediocredito Centrale S.p.A. and AMCO (for further information in this respect, please see letter d) "*Disposal of the equity investment by the Ministry of Economy and Finance*" of the paragraph 3 "*Major Events*" subparagraph 3.1 "*Recent developments*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus). As regards the discussions between UniCredit and the MEF, started at the end of July 2021, on 24 October 2021 UniCredit and the MEF issued press releases to announce the interruption of negotiations regarding the potential acquisition of a selected perimeter of BMPS. As at the date of this Base Prospectus, only AMCO has access to the virtual data room.

The Bank has therefore acknowledged the current inability to find a Structural Solution, which remains a possible scenario. Accordingly, as at the date of this Base Prospectus, it is not possible to predict if the Structural Solution will be implemented.

In addition, it cannot be excluded that the implementation of the Structural Solution (if any) may entail a substitution of BMPS as issuer under the Covered Bonds issued and outstanding at the time of any such substitution. Before investing in the Covered Bonds investors should

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[6] Upon completion of the partial, non-proportional demerger with asymmetric option from BMPS in favor of AMCO, effective as of 1 December 2020, the MEF holds 64.230 per cent. of the Bank's share capital (holding as well by law control over the Bank). For further information in this respect, please refer to paragraph "*Main Shareholders as at 30 September 2021*" of section "*Management of the Bank*" of this Base Prospectus.

therefore consider the current uncertainties linked to the implementation of the Structural Solution.

For more information with respect to the Structural Solution and possible aggregations, reference is made to the letter b "*BMPS approved the 2021-2025 Strategic Plan and the New Capital Plan*" of sub-paragraph 3.1 "*Recent Development*" of paragraph 3 "*Major Events*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus and paragraph "*Use of the going concern assumption*" of the section "*Notes to the consolidated financial statements - Use of estimates and assumptions when preparing financial statements*" of the 2020 Consolidated Financial Statements, to paragraph "*Going concern*" of the section "*Explanatory Notes*" of the 2021 Consolidated Half-Yearly Report and to paragraph "*Going concern*" of the section "*Explanatory Notes*" of the Consolidated Interim Report as at 30 September 2021. In case of absence of Structural Solution see also paragraph "*Risks linked to the prospective capital shortfall*" of the section *"Disclosure on risks – Main risks and uncertainties"* of the Consolidated Interim Report as at 30 September 2021.

In case of disposal, in whole or in part, of the stake held by the MEF in the Bank, a consequent variation in the ownership structure and, possibly, even in the control of the Bank would take place. For information relating to the stake held by the MEF in the Bank, please refer to "*Main shareholders as at 30 September 2021*" of section "*Management of the Bank*" of this Base Prospectus.

Market and interest rate risk

The financial results of the Issuer are linked to the operational context in which it carries out its business. In particular, the Issuer is exposed to potential changes in the value of securities, including securities issued by sovereign debtors, as a result of fluctuations in interest rates, exchange rates, the prices of listed securities and commodities, and credit spreads. Such fluctuations may be triggered by changes in the general performance of the economy, the appetite of investors, monetary and tax policy, market liquidity on a global scale, the availability and cost of funding, action taken by rating agencies, political events (both local and international), war and terrorism.

Although the Group has existing measures in place for the purposes of identifying and accurately measuring risks, it cannot be excluded that, at a future date, the market-related trends (such as share prices, inflation rates, interest rates and exchange rates and their volatility, as well as changes in the creditworthiness of the Issuer) involving a reduction in the value of the Group's assets or an increase in financial liabilities of the Group will have an adverse effect on the financial conditions and results of operations of the Issuer and the Group.

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

Counterparty risk

In carrying out its activities, the Group is exposed to the so-called "counterparty-risk" being the risk for the counterparty of a transaction, concerning specific financial instruments (derivatives and repos) not to fulfil its obligations or to default prior to the settlement of the relevant transaction. As part of its operations, the Group negotiates derivatives with a wide variety of

underlying, such as interest rates, exchange rates, prices in share indices, derivatives on commodities and credit rights, with counterparties in the financial services sector, commercial banks, public administrations, finance and insurance companies, investment banks, funds and other institutional clients, as well as with non-institutional clients.

In the context of such operations, the Group uses Italian government securities when dealing with the central counterparty (Cassa di Compensazione e Garanzia S.p.A.), while when dealing with other institutional counterparties, as well as with illiquid securities coming from its own securitisations, there is the risk that unfavourable variations of market parameters may determine unfavourable conditions in the determination of contractual conditions (e.g. in terms of haircut).

In addition to market risks and operational risks, operations in derivative financial instruments and repos expose the Group to the risk that the contractual counterparty does not fulfil the obligations undertaken thereunder or becomes insolvent prior to the expiry of the agreements when the Bank or the companies of the Group still have credit claims against such counterparty.

Such risk may cause an additional prejudice in case collaterals given in favour of the Bank or another company of the Group are not or may not be realised or liquidated in the time, manner and size sufficient to cover the exposure to the counterparty.

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

The Group monitors counterparty risk associated with the operations in derivative and repo transactions through the definition of guidelines and policies. However, a persisting international crisis, any evolution of market parameters and any deterioration of the creditworthiness of counterparties may have a negative impact on the valuation of such derivative instruments, with a potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risk management

Risk management strategies are defined in line with the Group's business model, medium-term objectives of the Restructuring Plan and external legal and regulatory constraints.

The Group's risk appetite framework is structured so as to be consistent with the risk and overall management, including business strategy, risk strategy, Internal Capital Adequacy Assessment

Process ("**ICAAP**"), Internal Liquidity Adequacy Assessment Process (ILAAP) and the capital and liquidity planning and budgeting, and the recovery plan, in terms of governance, roles, responsibilities, metrics, stress methodologies and monitoring of key risk indicators.

The Group falls within the Italian banks subject to the ECB Single Supervisory Mechanism. The Group continues its dialogue with the Joint Supervisory Team ECB-Bank of Italy.

In the period 2016-2020, the Issuer undertook the mitigation actions required by the ECB and the Bank of Italy after both a thematic in-depth analysis, "*Thematic Review on Risk Governance and Appetite*", and an ordinary investigation activity on the Bank's governance and the Risk Management system. In this respect, it should be noted that the SREP Decisions pointed out,

inter alia, the need to generate further improvements connected to the internal risk governance and the risk management system.

However, in the event that (i) such strategies, the policies and procedures of the Group companies aimed at identifying, monitoring and managing risks prove not to be adequate, or the evaluations and assumptions on which such policies and procedures are based prove to be incorrect; (ii) the Bank is notified with requests of the supervisory authority in the context of future SREP to comply with higher Pillar II requirements compared to current ones; or (iii) the Group's structures prove unable to handle such risks in carrying out certain activities, exposing the Bank to unexpected or unquantified risks notwithstanding the existence of the aforementioned internal procedures aimed at identifying and managing risk, the Bank and/or the Group may incur losses, even relevant, with a potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Finally, it cannot be excluded that the review of the internal models and procedure could become necessary in case of changes in the relevant laws and regulations.

Risks associated with debt restructuring transactions

In exercising the banking activity and, also as a result of the economic/financial crisis that impacted the countries in which the Group operates, the Group is a party to several debt restructuring transactions, both bilateral and in a pool, involving its clients. The restructuring transactions provide for amendments to the originally agreed contractual provisions in favour of borrowers. Such amendments concern, in particular, the granting of moratorium periods, the extension of loan amortisation plans, the write-off of a portion of credits claimed by the Bank, the granting of new finance and/or the conversion of the whole or a part of the indebtedness in equity interests or other financial, debt or equity instruments.

With specific reference to the taking of equity interests and/or other instruments representing equity risk through debt conversion, in the context of the aforementioned procedures, the Group acquired some equity interests, even significant, in finance companies.

Risks associated with the ratings assigned to the Issuer

The risk linked to an issuer's ability to fulfil its obligations, which arise after the issuance of debt instruments and money market instruments, is defined by credit ratings assigned by independent rating agencies. Such valuations and related surveys provide indications about the issuers' ability to fulfil their obligations. The lower the rating assigned on the respective scale the higher the risk, as evaluated by the rating agency, that an issuer will not fulfil its obligations at maturity or will not fully and/or punctually fulfil them. A suspension, reduction or withdrawal of an assigned rating may have a negative impact on the market price of issued bonds and, furthermore, on the stock price of the same issuer.

In determining the rating assigned to the Issuer, agencies also take into account and examine various Group performance parameters, among which are profitability and ability to maintain its capital ratios within certain levels. Should the Issuer and/or one of the subsidiaries or the Group that have been assigned a rating not achieve or maintain the results measured by such parameters or not be able to maintain its capital ratios within the pre-identified level, even if due to exogenous shocks (such as the COVID-19 pandemic), this may lead to a downgrade of the rating assigned by the agencies, with a consequent higher cost of funding, restricted access to capital markets, negative repercussions for the Group's liquidity and the potential need to supplement collaterals given. For further information on risks associated with the COVID-19

pandemic, please see paragraph "*Risks associated with the general economic/financial scenario"* above.

Considering the Bank's ownership structure, the Issuer's ratings may be also affected by the rating of the Italian State which, as at the date of this Base Prospectus, is higher than that of the Issuer. Therefore, a potential downgrading of the Republic of Italy's sovereign rating may lead to a further downgrading of the Issuer's rating, with a consequent negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group. For further information on the Italian State's rating, see paragraph "*Risks associated with the Group's exposure to sovereign debt*" above.

Furthermore, since the Issuer's ability to access the market to obtain unsecured loans depends on its creditworthiness, a possible downgrading or withdrawal of one or more ratings may have an unfavourable impact on the opportunities for the Bank and the Group to access the various liquidity instruments and on the ability thereof to compete in the market, a circumstance that may cause increased deposit collection costs or require the creation of additional guarantees for the purpose of raising liquidity, which may have a negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

For further information about ratings assigned to the Issuer, reference is made to paragraph 4 *"Ratings"* of section *"Banca Monte dei Paschi di Siena S.p.A."* of this Base Prospectus.

Risks associated with the assignment and evaluation of equity interests

As at 30 June 2021, the value of equity interests amounted to Euro 1,027.7 million, equal to 0.70 per cent. of the Group's total assets; the most relevant are AXA MPS Assicurazioni Vita S.p.A., AXA MPS Assicurazioni Danni S.p.A., Fondo Etrusco Distribuzione, Fidi Toscana S.p.A., Fondo Minibond PMI Italia and Fondo Socrate. As at 31 December 2020, the value of equity interests amounted to Euro 1,107.5 million, equal to 0.73 per cent of the Group's total assets.

In accordance with the provisions of international accounting standard IAS 36, an impairment test is periodically conducted on equity interests. Valuation as at 30 June 2021 and 31 December 2020, did not involve the need to make value adjustments.

Should the Bank be forced to review the value of the equity interests held, also due to extraordinary and/or assignment transactions or changed market conditions, the Bank may be forced to apply significant write-downs, with a potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Operational Risk

In carrying out its business, the Group is exposed to the so-called operational risk, namely the risk to incur losses deriving from the inadequacy or malfunctioning of corporate procedures, errors and shortcomings of human resources, internal processes or IT systems, or external events. Such risk includes losses deriving from fraud, human errors, discontinuation of operations, unavailability of systems and increasing resorting to atomisation and outsourcing of corporate functions, contractual non-fulfilments, natural catastrophes, low IT security and legal risks, while strategic and reputational risks are excluded.

The Issuer's exposure to operational risk is mainly linked to the legal risk exposure. The operational risk capital requirement includes also the capital requirement for risk legal exposure.

For further details on the capital requirement in respect of operational risks, please refer to the 2020 Consolidated Financial Statements, the 2021 Consolidated Half-Yearly Report and the Consolidated Interim Report as at 30 September 2021, eachincorporated by reference into this Base Prospectus.

It should also be noted that due to the continuous development of legal proceedings pending against the Bank further litigation with possible negative effects on the operational risk exposure and so the economic, equity and/or financial situation of the Bank and/or the Group cannot be excluded.

For further information on legal proceedings and related risk, please see 10.2.5 "*Disputes deriving from ordinary business*" and letter A) "*Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*" of paragraph 10.2.3 "*Civil Proceedings*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" and paragraph "*Risks deriving from judicial and administrative proceedings*" in the "*Risk Factors*" of this Base Prospectus; and (ii) paragraph "*Main types of legal, employment and tax risks*" of the 2020 Consolidated Financial Statements, paragraph "*Main types of legal, employment and tax risks*" of BMPS 2021 Consolidated Half-Yearly Report and paragraph *" Main types of legal, employment and tax risks"* of BMPS 2021the Consolidated Interim Report as at 30 September 2021.

In relation to the calculation of capital requirements, the Basel committee published a consultation document with the amendment proposals to the regime of capital requirements in respect of operational risks. A variation, if any, of calculation criteria may entail increased requirements and have an impact on the Group's capital adequacy.

Although the Issuer deems to have adequate organisational and control measures in place, there is the risk that certain unforeseeable events (including, without limitation, frauds, scams or losses deriving from employee disloyalties and/or the violation of control procedures, the attack of IT viruses or the malfunctioning of electrical and/or telecommunication services, possible terrorist attacks), which are fully or partially outside the Group's control, may still occur in the future.

In addition, the rise of the COVID-19 pandemic (for further information on the risks associated with the COVID-19 pandemic, please see paragraph "*Risks associated with the general economic/financial scenario*" above) has increased the Group's level of exposure to further operational risks.

On one hand, the threat of cyber criminals has intensified, exploiting the attention and emotion generated by the COVID-19 pandemic theme to bring targeted attacks through email and webpages, aimed at stealing access credentials to information systems and payment instruments (phishing) and disseminating malicious programs. On the other hand, phenomena such as the massive shift to smart working, the further acceleration in the use of banking services through remote access channels, the use of ecommerce and, more generally, the digitization of interpersonal relationships, give rise to new vulnerabilities, related to the level of preparation of users against threats from the network and the use of personal devices and home networks.

Moreover, the revision and/or extension of certain existing processes (such as those relating to digital services, web collaboration tools and smart working) and the impossibility of implementing standard business processes inevitably exposes the Group to higher operational risks as a result of possible legal disputes, potential fraud and cyber attacks.

This situation also increases the potential risks to which the Group is exposed for business continuity, due to the increased dependence on infrastructure and network equipment to ensure users" access to the IT system. The continuation of the emergency and lockdown situation could aggravate exposure to such risks.

The Bank has adopted numerous initiatives to control and lower such risks, such as the strengthening of the control and monitoring system, also to comply with the regulations implemented by the Italian government to support the country in a time of health emergency and protect its productive sector.

Risks associated with the Group's asset valuation assumptions and methodologies

According to the International Accounting Standards, the Group prepares evaluations, estimates and hypotheses which affect the application of the same standards and reflect themselves on assets, liabilities, costs and revenues amounts recorded in the financial statement.

In particular, the Group adopts estimate processes in support of the book value of the most important financial statement items. The elaboration of such estimates entails the use of available information and the adoption of subjective evaluations. By their nature, estimates and assumptions used may vary from year to year and, accordingly, it cannot be excluded that in the coming years the values currently recorded in the financial statements may vary, also to a significant extent, after changes to subjective evaluations used.

The estimated uncertainty risk is substantially embedded in the determination of the following values: (i) fair value relating to illiquid items, not listed on active markets; (ii) impairment losses on receivables and, in general, financial assets; (iii) fairness of the value of equity interests, tangible assets, goodwill and other intangible assets; (iv) fair value of the properties, (v) liabilities for the estimate of severance indemnity and other defined benefits due to employees; (vi) provisions for risks and charges; and (vii) recoverability of deferred tax assets, the quantification of which might significantly change due to the following factors: (a) the national and international environment; (b) the financial markets, with consequent impacts on the performance of rates, the fluctuation of prices and the assumptions of actuarial estimates; (c) the real estate market with consequent effects on the real estate assets owned by the Group and held as collateral and (d) potential changes in laws and regulations. It cannot be excluded that a worsening of such factors may give rise to negative impacts on the items under evaluation and, ultimately, on the operating results and the economic, capital and/or financial condition of the Bank and/or the Group.

In particular, the Group's net loans to customers represent one of the valuation items exposed the most to the choices made in the matter of risk delivery, management and monitoring (for more information on the loans to customers book value, please refer to the 2020 Consolidated Financial Statements and the 2019 Consolidated Financial Statements incorporated by reference into this Base Prospectus). The Group manages financed counterparties' default risk, by monitoring on an on-going basis the evolution of relations with customers for the purpose of assessing repayment capacity, on the basis of their economic-financial condition, and the presumed recoverable value of real estate properties and collaterals.

In this respect, it should be noted that the credit assessment depends also on the strategies carried out by the Group for the relevant recovery on the basis of the provisions of the Restructuring Plan. Therefore, as to the estimate of the expected loss on non-performing exposure the expected transfers are also considered. In the context of a range of possible approaches relating to the estimate models permitted by reference to international accounting standards, resorting to a methodology or selecting certain estimate parameters may significantly

affect the assessment of loans. Such methodologies and parameters are necessarily subject to an on-going updating process for the purpose of better representing the presumed recoverable value.

It cannot therefore be excluded that different monitoring criteria or different methodologies, parameters or assumptions in the estimate process of the recoverable value of the Group's credit exposures may determine significantly different evaluations compared to those set out in the 2020 Consolidated Financial Statements, especially after a possible further deterioration of the economic-financial crisis, with a consequent impact on the economic and financial and condition of the Group.

Furthermore, in the presence of complex or illiquid financial instruments, for which quotations or parameters observed on active markets are not available, it is necessary to resort to valuation models and parameters, the selection of which is affected by some margins of subjectivity.

Assets valued at fair value on a recurrent basis and classified in correspondence with level 3 in the fair value hierarchy are assets, for which the measurement of fair value is based to a relevant extent on inputs not coming from the market, involving estimates and assumptions the management. For further details on such assets valued at fair value on recurrent basis, please refer to the Consolidated Interim Report as at 30 September 2021, the 2021 Consolidated Half-Yearly Report, 2020 Consolidated Financial Statements and 2019 Consolidated Financial Statements incorporated by reference into this Base Prospectus.

It cannot, accordingly, be excluded that the selection of alternative models and parameters may entail negative effects, even significant ones, on the economic, capital and financial condition of the Group.

For uncertainties linked to the estimates of the provision for risks and charges for legal actions and tax disputes as well as to the recoverability of deferred tax assets, reference is made to paragraph "*Risks relating to DTAs*" below and paragraph "*Risks deriving from tax disputes*" above.

The risks associated with the uncertainties concerning the use of estimates for the assessment of loans and financial instruments measured at fair value on recurrent basis described above are classified in correspondence with level 3 in the fair value hierarchy.

Risks relating to DTAs

The risk relating to deferred tax assets ("**DTA**") is connected to the possibility that the Bank's future taxable income is lower than estimated and does not sufficiently guarantee the re-absorption of the DTAs and to the possibility that significant changes occur to the current tax regime. In such cases, negative effects, even material, could impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group. The risk connected to future taxable income does not concern the recovery of DTAs eligible to be converted into tax credit pursuant to Law of 22 December 2011, no. 214 ("**Law 214/2011**"), whose recovery is guaranteed for the Issuer also in case the latter does not generate adequate future taxable income.

For detailed information on the aggregate amount of the DTA and, more specifically, on the amount which is qualified under Law 214/2011, please refer to the 2020 Consolidated Financial Statements and the 2019 Consolidated Financial Statements, Notes to the consolidated financial Statements – Part B – Information on the balance sheet – Section 11: Tax Assets and Liabilities, incorporated by reference into this Base Prospectus.

In particular, deferred tax assets qualified under Law 214/2011 refer to write-downs, credit losses and amortisation of goodwill and other intangible assets. Those relating to write-downs and credit losses are naturally destined to reduce over time as a result of the progressive conversion from deferred to current, until its coming to zero in financial year 2025, in accordance with the time mechanism predefined by the tax provisions in force (Law Decree No. 83/2015, as amended).

Moreover, those relating to goodwill and other intangible assets are equally naturally destined to reduce over time as a consequence of the progressive conversion from deferred to current. The tax amortisation of such assets takes place on a straight line basis over more financial years. No possible increases are currently foreseen, which may exclusively derive from the freeing up of the goodwill recorded as a consequence of the possible acquisition of new equity interest or business units.

DTAs are, furthermore, recognised as tax losses and economic growth support (so-called *aiuto alla crescita economica*, provided for by article 1 of the Law-Decree no. 201/2011) ("**EGS**") surpluses. EGS surpluses refer to the portion of tax incentive known as "Economic Growth Support" introduced by article 1 of Law Decree No. 201/2011 not used in prior financial years, due to insufficient taxable income.

Such DTAs for tax losses and EGS surpluses, together with the other DTAs not eligible for conversion into tax credits pursuant to Law no. 214/2011, have been recorded in the Consolidated Interim Report as at 30 September 2021, the 2021 Consolidated Half-Yearly Report, the 2020 Consolidated Financial Statements, as well as in the 2019 Consolidated Financial Statements, to the extent the existence of future taxable income has been reasonably proved sufficient to guarantee their absorption in the coming financial years (probability test).

For details with respect to the amounts of the DTAs and the EGS surpluses reference is made to the 2020 Consolidated Financial Statements, as well as to the 2019 Consolidated Financial Statements incorporated by reference into this Base Prospectus.

For further information on the legislative framework relating to DTAs reference is made to paragraph 1 "*Deferred tax assets*" of section *Regulatory Aspects* of this Base Prospectus.

Changes in regulatory framework

The Issuer is subject to extensive regulation and supervision by, among others, the Bank of Italy, CONSOB, the ECB and the Single Resolution Board. 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 the Republic of Italy and the European Union.

Significant uncertainty remains around the implementation of some of these initiatives and how they are ultimately applied which may have a material effect on the Issuer's business and operations. It is not known whether laws and regulations will be adopted, enforced or interpreted in a manner that will or will not restrict the operations of the Issuer or otherwise have an adverse effect on its business, financial condition, cash flows and results of operations or on the rights of Noteholders as creditors of the Issuer.

It should be noted that, as a consequence of the COVID-19 outbreak, the European institutions (European Commission, European Council and Parliament), Italian and European Supervisory Authorities (European Banking Authority, ESMA, ECB/SSM, Bank of Italy, Single Resolution

Board), and international institutions (IASB, Basel Committee) are adopting a number of regulatory measures to address the economic effects of the emergency caused by the COVID-19 pandemic. These measures have the objective of supporting banks in mitigating the economic impact of the pandemic.

For more details on the regulatory measures adopted by the institutions, please refer to paragraph "Regulatory intervention" of the 2020 Consolidate Financial Statements as at 31 December 2020, incorporated by reference in this Base Prospectus.

Risks associated with competition in the banking and financial sector

The Bank and the Group companies operate in a competitive market context and are accordingly exposed to risks deriving from the competitive pressure of the market. Those risks are connected in particularly to: (i) the implementation of EU directives aimed at strengthening and harmonizing the EU banking sector; (ii) the evolution of customer needs; (iii) the diffusion of technological innovations also introduced by *fintech* companies; (iv) new incumbent players; (v) aggregation processes involving financial and technological operators; and (vi) other factors not necessarily under the Issuer's control.

The of the macroeconomic environment could negatively affect the profitability of the banking sector, and in particular of the Issuer which is already subject to the respect of commitments set by DG Comp. As a consequence the Issuer should suffer adverse compensative effects of any orders adopted by the European Commission vis-à-vis the Italian State.

Therefore, should the Group be unable to adequately deal with competitive pressure, a contraction in the Group's market shares may occur which, in the absence of appropriate corrective actions, could lead to a failure in the re-launch of the Issuer's profitability.

Risks associated with the reduction of the system liquidity support

In recent years, financial markets have been affected by several phases of crisis entailing reduced liquidity available to operators, increased risk premium and tensions linked to the sovereign debt of certain countries. Such factors gave rise to the need for complex initiatives in support of the credit system that directly involved both state (also through the direct intervention in some banks' capital) and central banks (initially mainly through extraordinary refinancing transactions upon delivery of suitable collaterals and, at a later stage, also through outright asset purchase programmes).

Furthermore, from March 2020, as a result of economic disturbances and greater uncertainty caused by the effects of the spread of COVID-19, specific monetary policy measures have been introduced by the ECB, with the main objective of supporting families and businesses. These measures include: the introduction of new longer-term refinancing operations ("**LTRO**") and pandemic emergency longer-term refinancing operations (PELTRO) to safeguard liquidity conditions of the euro area financial system and preserve the orderly functioning of the money markets; the extension of the terms of access to TLTRO III and the improvement of the conditions applied to them; the strengthening of the existing outright securities purchase programmes and, subsequently, the launch of the Pandemic Emergency Purchase Programme; collateral easing programmes, especially regarding conditions for the use of credit claims as collateral and the general reduction of valuation haircuts, as to facilitate participation in Eurosystem's liquidity providing operations; the grandfathering, until September 2021, of the eligibility of marketable assets used as collateral in Eurosystem credit operations falling below current minimum credit quality requirements.

For details with respect to the Group's refinancing operations with the ECB and the relevant amounts reference is made to the financial statements of the Issuer, as well as to the 2019 Consolidated Financial Statements incorporated by reference into this Base Prospectus.

There is no certainty in relation to the duration and intensity with which liquidity support transactions may last or be re-proposed in the future, depending on the performance of the economic cycle and market conditions. A significant reduced or ceased system liquidity support by governments and central authorities may cause greater difficulties in raising liquidity in the market and/or higher costs associated with the raising of such liquidity, with a potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

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

The SSM is in charge of the prudential supervisory of all credit entities of the participating Member States and ensures that the EU policy in the matter of prudential supervision of credit institutions is implemented in a consistent and effective manner and credit institutions are subject to the highest quality supervision.

In this context, the ECB has been entrusted with specific prudential supervisory duties on credit institutions providing, *inter alia*, for the possibility of the latter to carry out, if the case is in coordination with the European Banking Authority ("**EBA**"), stress tests (supervisory stress test) to ascertain whether the measures, strategies, processes and mechanisms put in place by credit institutions and own funds held thereby would allow for a sound management and coverage of risks when dealing with future but plausible negative events. The stress tests are designed to serve as an input to the SREP. The outcome of the SREP could be an additional own funds requirement, as well as other measures.

In general, the outcomes of such stress tests are by their nature uncertain and only partially predictable by the financial institutions involved since the evaluation methodologies used by the ECB aim at adopting a homogeneous risk evaluation within EU Member States and, accordingly, may deviate, even to a significant extent, from the RWAs evaluation methods adopted by the single credit institutions involved.

On February 2019 the ECB launched a sensitivity analysis of liquidity risk to assess the ability of the banks to handle idiosyncratic liquidity shocks (Sensitivity Analysis of Liquidity Risk - Stress Test 2019, LiST 2019). The exercise did not envisage minimum requirements to be met, and the results are used by the supervisory authorities as an input to the SREP.

The EBA conducted an EU-wide stress testing for 2021 (following the postponement of the 2020 exercise, due to the COVID-19 pandemic) which aimed at assessing the resilience of the European banking sector, including BMPS Group. The results have been published at the end of July 2021 and are available on the EBA website. See also https://www.gruppomps.it/en/media-andnews/press-releases/cs-30-07-21.html for an overview of BMPS' stress test results.

Furthermore, the EBA, in cooperation with the competent supervisory authorities, may in the future decide to recommend a new asset quality review on the most important European banks, including the Issuer, in order to verify the classifications and evaluations operated by them on their loans for the purpose of dealing with the worries linked to the deterioration of asset quality.

Such asset quality review exercise may, possibly, also be combined with an additional stress test conducted by the ECB in the context of a new comprehensive assessment exercise.

Should the ECB, in cooperation with the EBA and the other competent supervisory authorities, carry out new comprehensive assessment exercises (or stress test or asset quality review exercises), it cannot be assured that the Issuer will meet the minimum parameters. In case of failure, it could be the addressee of ECB measures that, *inter alia*, may impose the implementation of new capitalisation actions or other measures suitable to replenish the capital insufficiencies found in the Bank's own funds, with a potential negative impact on the business and the economic, capital and/or financial conditions of the same and/or the Group.

Risks associated with the entry into force of the new accounting principles and the amendment of applicable accounting principles

The Group is exposed, similarly to the other entities operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or rules and regulations and/or to the amendment thereof (including those deriving from International Accounting Standards as homologated and adopted in the EU jurisdiction). Specifically, in the future the Group may have to review the accounting and regulatory treatment of certain outstanding assets and liabilities and transactions (and related profits and charges), with a potential negative impact, even significant, on the estimates contained in the financial plans for future years and may have to restate previously published financial data.

In this respect, it should be noted that the application of the new International Accounting Standards IFRS 9 "Financial Instruments" ("**IFRS 9**") and IFRS 15 "Revenues from contracts with customers" ("**IFRS 15**"), both approved in 2016, which replaced, respectively, IAS 39 "Financial Instruments: recognition and measurement" and IAS 18 "Revenues" with effect from 1 January 2018. IFRS 16 "*Leases*" ("**IFRS 16**"), applicable from 1 January 2019, was approved in 2017 and replaced IAS 17 – "Leases", IFRIC 4 "*Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases—Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"*. For more information regarding to the application of IFRS 9, IFRS 15 and IFRS 16, please refer to 2018 and 2019 Consolidated Financial Statements, the latter incorporated by reference into this Base Prospectus.

On the basis of legislative and/or technological and/or business context evolutions, it is also possible that the Group may have to further review the operating methodologies for the application of International Accounting Standards, with possible negative impacts, even significant, on the economic, financial and/or capital position of the Issuer and/or the Group.

Risk associated with ordinary and extraordinary contribution obligations to the Deposit Guarantee Scheme and Single Resolution Fund

The Issuer is obliged to provide the financial resources necessary for funding the Deposit Guarantee Scheme (the "**DGS**") and the Single Resolution Fund (the "**SRF**"). These contribution obligations could have a significant impact on the Issuer's financial and capital position.

The Issuer has also joined the "voluntary scheme" (the "**Voluntary Scheme**") introduced by the interbank deposit protection fund (IBDPF), operating as a representative of the national deposit guarantee scheme under Directive 2014/49/EU of the European Parliament and of the European Council of 16 April 2014 on deposit guarantee schemes (the "**DGSD**"). The

Voluntary Scheme is provided with autonomous regulations, governance and resources, and provides supportive measures to assist crisis-affected banks.

The contributions required under the SRF, DGS and the Voluntary Scheme reduce the Group's profitability and have a negative impact on its capital resources. In addition, the amount of both ordinary and extraordinary contributions may increase significantly in the future and their timing cannot be predicted. Consequently, the Issuer and the Group may be required to record further extraordinary expenses which may have an adverse impact on the Issuer's and the Group's business, financial condition and results of operations and/or could negatively affect the value of the Covered Bonds.

Risks connected with the United Kingdom leaving the European Union ("Brexit")

On 31 January 2020, the UK withdrew from the EU. Pursuant to Articles 126 and 127 of the article 50 withdrawal agreement that entered into force on exit day (the "**Article 50 Withdrawal Agreement**"), the UK entered an implementation period during which it negotiated its future relationship with the EU under the political declaration that accompanied the Article 50 Withdrawal Agreement. During such implementation period – which ended at 11 p.m. UK time (midnight CET) on 31 December 2020 (the "**Exit Date**") – EU law generally continued to apply in the UK.

On 24 December 2020 the UK and the EU concluded a free trade agreement known as the 'UK-EU Trade and Cooperation Agreement' (the "**TCA**"). The TCA - which had provisional application pending completion of ratification procedures and entered into force on 1 May 2021 - does not address in any detail a number of areas, including the cross-border provision of services, the "passporting" provisions of UK and EU financial institutions, the determination of equivalence between EU and UK financial market regulations, or judicial cooperation in civil matters. In addition, on the Exit Date, in order to mitigate the effect of the EU Treaties no longer applying to the UK, the UK incorporated into its law (i.e. grandfathered) the majority of EU law in force in the UK as at the Exit Date (the "**EU Retained Law**").

Notwithstanding the conclusion of the Article 50 Withdrawal Agreement and the TCA between the EU and the UK, and the implementation by the UK of EU Retained Law, there remain significant uncertainties with regard to the political and economic outlook of the UK and the EU and the changes in the legal rights and obligations of commercial parties across all industries, particularly in the services sector (including financial services) following the UK's exit from the EU.

Accordingly, the precise impact on the business of the Issuer is difficult to determine. As such, no assurance can be given that such matters would not adversely affect the business and the economic, capital and/or financial condition of the Issuer and/or the market value and/or the liquidity of the Covered Bonds in the secondary market.

Risks related to Sanctioned Countries

The Issuer and the Group have customers and partners who are located in various countries around the world. Some of these countries are, or may become, subject to comprehensive country-wide or territory-wide sanctions issued by the United States of America, the European Union and/or the United Nations ("**Sanctioned Countries**"). Such sanctions may limit the ability of the Issuer and/or the Group to continue operating with such customers and partners in the future.

In particular, since January 2016, the Bank has undertaken and, as at the date of this Base Prospectus, continues to undertake minor commercial transactions involving a limited number of private and state-owned banks having registered addresses in Iran, Cuba and Syria. Such commercial transactions have all been, and are, carried out in full compliance with all sanction laws applicable to the Bank and the Bank's internal sanctions-related policies and procedures for the purpose of supporting the Bank's selected Italian customers. Neither the Bank nor the Group maintains any physical presence in Iran, Cuba and/or Syria, and the Bank's existing activities as described above are undertaken solely through the use of correspondent banking relationships. The Bank and/or the Group do not otherwise conduct any other material business with any such sanctioned person or entity. As at the date of this Base Prospectus, it is also not expected that this position will materially change moving forward.

All of the activities described in the preceding paragraph have been, and are, conducted in compliance with all laws applicable to the Bank, and are not believed to have caused any person to violate any sanctions or the Blocking Statute (as defined below). Nor are they expected to result in the Bank and/or any member of the Group themselves becoming subject to such sanctions. However, following the unilateral decision of the United States to exit the Joint Comprehensive Plan of Action ("**JCPOA**"), the agreement originally entered into between, amongst others, Iran, the US and EU, and following the imposition of renewed extraterritorial US sanctions which were suspended pursuant to the JCPOA, there may be prejudicial effects on these operations as well as on the reputation of the Issuer and/or the Group. In particular, to mitigate against the impact of the renewed US sanctions on Iran, the European Commission updated Council Regulation (EC) No 2271/96 of 22 November 1996 (the "**Blocking Statute**"). The Blocking Statute prohibits EU entities from complying with the extraterritorial US sanctions on Iran and Cuba. Actual or alleged violations of existing or future European, US or other international sanctions (including the Blocking Statute) could result in negative impacts on the capital, financial and economic situation of the Issuer and/or the Group.

1. RISKS RELATED TO COVERED BONDS

The risks below have been classified into the following categories:

A. *Risks related to Covered Bonds generally*;

B. *Risks related to the Guarantor*;

C. *Risks related to the underlying*; and

D. *Risks related to the market generally*.

(A) Risks related to Covered Bonds generally

Issuer liable to make payments when due on the Covered Bonds

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

The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Guarantee until the occurrence of an Issuer Event of Default, after the service by the Representative of the Bondholders on the Issuer and on the Guarantor of a Guarantee Enforcement Notice. The occurrence of an Issuer Event of Default does not constitute a Guarantor Event of Default.

However, failure by the Guarantor to pay amounts due under the Guarantee would constitute a Guarantor Event of Default which would entitle the Representative of the Bondholders to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the Guarantor under the Guarantee. Although certain of the Assets included in the Cover Pool are originated by the Issuer, they are transferred to the Guarantor on a true sale basis and an insolvency of the Issuer would not automatically result in the insolvency of the Guarantor.

Obligations under the Covered Bonds

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

Extendible obligations under the Guarantee

The Guarantor's obligations under the Guarantee to pay the Guaranteed Amounts of the relevant Series of Covered Bonds on their Maturity Date may be deferred pursuant to the Conditions until the Extended Maturity Date. Such deferral will occur automatically:

(a) in respect of a Series of Covered Bonds (each such Series, a Pass Through Series) if (i) a Guarantee Enforcement Notice has been served on the Issuer and the Guarantor as a result of the Issuer having failed to pay, in whole or in part, the Guaranteed Amounts on the Maturity Date for such Series of Covered Bonds and, on the relevant Extension Determination Date, the Guarantor has insufficient funds to pay, in accordance with the Guarantee Priority of Payments, the Guaranteed Amounts in respect of such Series of Covered Bonds, or (ii) a Guarantee Enforcement Notice has been served on the Issuer and the Guarantor following the occurrence of an Issuer Event of Default (other than the Issuer Event of Default referred to in paragraph (i) above) and, on the Maturity Date for such Series of Covered Bonds, the Guarantor has insufficient funds to pay, in accordance with the Guarantee Priority of Payments, the Guaranteed Amounts in respect of such Series of Covered Bonds; and

(b) in respect of all Series of Covered Bonds, which all become Pass Through Series, if, on any Test Calculation Date following the service of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as a result of an Article 74 Event, prior to the service of an Article 74 Event Cure Notice), the Calculation Agent notifies, through the Test Performance Report, the Issuer, the Sellers, any Additional Seller and the Guarantor that the Amortisation Test is not met.

To the extent that the Guarantor has received a Guarantee Enforcement Notice in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series or Tranche of Covered Bonds, the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Guarantee Priority of Payments and as described in Condition 9 (*Redemption and Purchase*) and payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, **provided that** any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date or the

Maturity Date (as the case may be) may be paid by the Guarantor on any Guarantor Payment Date thereafter, up to (and including) the relevant Extended Maturity Date, in accordance with the applicable Priority of Payments. The Extended Maturity Date will fall 38 years after the Maturity Date.

Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 9 (*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.

Bondholders are bound by Extraordinary Resolutions and Programme Resolution

A meeting of Bondholders may be called to consider matters which affect the rights and interests of Bondholders. These include (but are not limited to): instructing the Representative of the Bondholders to take enforcement action against the Issuer and/or the Guarantor; waiving an Issuer Event of Default or a Guarantor Event of Default; cancelling, reducing or otherwise varying interest payments or repayment of principal or rescheduling payment dates; extending the Test Remedy Period; altering the priority of payments of interest and principal on the Covered Bonds; and any other amendments to the Programme Documents. Certain resolutions are required to be passed as Programme Resolutions, passed at a single meeting of all holders of Covered Bonds, regardless of Series. A Programme Resolution will bind all Bondholders, irrespective of whether they attended the Meeting or voted in favour of the Programme Resolution. No Resolution, other than a Programme Resolution, passed by the holders of one Series of Covered Bonds will be effective in respect of another Series unless it is sanctioned by an Ordinary Resolution or an Extraordinary Resolution, as the case may require, of the holders of that other Series. Any Resolution passed at a Meeting of the holders of the Covered Bonds of a Series shall bind all other holders of that Series, irrespective of whether they attended the Meeting and whether they voted in favour of the relevant Resolution.

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

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

meeting of the Bondholders the power to determine in accordance with the Rules of Organisation of the Bondholders, whether any Bondholder may commence any such individual actions.

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

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

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

Priority of Payments

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

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

This is an aspect of cross border insolvency law which remains untested. Whilst the priority issue is considered largely resolved in England and Wales, concerns still remain that the English

and the U.S. courts may diverge in their approach which, in the case of an unfavourable decision in the U.S. may adversely affect the Issuer's ability to make payments on the Covered Bonds.

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

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

Ratings of the Covered Bonds

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds.

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

The expected ratings of the Covered Bonds are set out in the relevant Final Terms for each Series of Covered Bonds. Whether or not a rating in relation to any Covered Bonds will be treated as having been issued or endorsed by a credit rating agency established in the European Union or in the UK and registered or certified under the EU CRA Regulation or the UK CRA Regulation will be disclosed in the relevant Final Terms.

Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is suspended, lowered or withdrawn for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Covered Bonds. As a result, the market value of the Covered Bonds may reduce.

In general, European regulated investors are restricted from using credit ratings for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the EU CRA Regulation, unless (1) the rating is provided by a credit rating agency not established in the European Union but endorsed by a credit rating agency established in the European Union and registered under the EU CRA Regulation; or (2) the rating is provided by a credit rating agency not established in the European Union which is certified under the EU CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established

in the UK and registered under the UK CRA Regulation, unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

Covered Bonds issued under the Programme

Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds (in which case one or more Tranche of Covered Bonds will form part of such Series) or have different terms to an existing Series of Covered Bonds (in which case they will constitute a new Series).

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

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

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

(b) the Issuer must always ensure that (i) prior to delivery of a Guarantee Enforcement Notice, the Mandatory Tests and the Asset Coverage Test, and (ii) following the delivery of a Guarantee Enforcement Notice, the Mandatory Tests and the Amortisation Test are satisfied on each Test Calculation Date or, as applicable, Quarterly Test Calculation Date (when required by Programme Documents) in order to ensure that the Guarantor can meet its obligations under the Guarantee; and

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

Controls over the transaction

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

Changes of law

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on Italian law and, in the case of the Swap Agreements and the English Account Bank Agreement, English law in effect as at the date of this Base 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 or that any such change will not negatively impact the structure of the Programme and the treatment of the Covered Bonds.

Law 130

Law 130 was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. Law 130 was further amended during the following years, including on 30 November 2021 by way of the Legislative Decree no. 190 of 5 November 2021 (the "**Decree 190/2021**") implementing Directive (EU) 2019/2162, which aims at amending article 7-*bis* of Law 130. Decree 190/2021 designates the Bank of Italy as the competent authority for the public supervision of the covered bonds, which is entrusted with the issuing of the implementing regulations. Pursuant to article 3, paragraph 2, of the Decree 190 such implementing measures of Title I-bis of the Law 130, as amended, will be adopted by 8 July 2022. In this respect, the provisions of Law 130, as amended by Decree 190, will be applied to covered bonds issued as of the date of entry into force of the implementing measures as referred to under article 3, paragraph 2, of Decree 190. On the other hand, on the basis of the current interpretation of Decree 190, articles 7-bis, 7-ter and 7-quarter of Law 130 (before being amended by Decree 190), and the relevant implementing measures, will continue to apply to any series or tranche of covered bonds issued before the earlier of (i) 8 July 2022 or (ii) the entry into force of the implementing measures of Decree 190. Consequently, it is possible that the issuance of such further regulations relating to Law 130, or the interpretation thereof, may have an impact which cannot be predicted by the Issuer as at the date of this Base Prospectus.

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 of these features:

(a) Covered Bonds subject to optional redemption by the Issuer

If in the case of any particular Tranche of Covered Bonds the relevant Final Terms specifies that the Covered Bonds are redeemable at the Issuer's option pursuant to Condition 9(d) (*Redemption at the option of the Issuer*), the Issuer may choose to redeem the Covered Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Covered Bonds.

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. Further, during any period in which there is an actual or perceived increase in the likelihood that the Issuer may redeem the Covered Bonds, the price of the Covered Bonds may also be adversely impacted. 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.

(b) 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. A holder of a zero coupon covered bond may experience price volatility in response to changes in the market interest rate. Prices of zero coupon Covered Bonds tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining terms of such Covered Bonds, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

(c) Amortising Covered Bonds

The Issuer may issue amortising Covered Bonds with a predefined, prescheduled amortisation schedule where, alongside interest, the Issuer will pay, at each Interest Payment Date specified in the relevant Final Terms, a portion of principal until maturity.

(d) 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.

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Covered Bonds due to any withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any taxing jurisdiction (as referred to in Condition 11 (*Taxation*)), as a result of any change in, or amendment to, the laws or regulations of any taxing jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Series of the Covered Bonds and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all outstanding Covered Bonds in accordance with the Terms and Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant 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.

In respect of any Covered Bonds issued with a specific use of proceeds, such as a 'Green Bond', "Social Bond" and "Sustainable Bond", there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor

The applicable Final Terms relating to any specific Series (or Tranche) of Covered Bonds may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Covered Bonds specifically for projects and activities that promote climate-friendly and other environmental purposes ("**Green Eligible Projects**") and or that promote access to labour market and accomplishment of general interest initiatives ("**Social Eligible Projects**"). Prospective investors should have regard to the information in the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Covered Bonds together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or the Dealer(s) that the use of such proceeds for any Green Eligible Projects and for any Social Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Green Eligible Projects or the relevant Social Eligible Projects). It should be noted that the definition (legal, regulatory or otherwise) of, and market consensus as to what constitutes or may be classified as, a "sustainable", "green" or equivalently-labelled project or a loan that may finance such activity, and the requirements of any such label are currently under development. On 18 June 2019, the Commission Technical Expert Group on sustainable finance published its final report on a future European standard for green bonds (the "**EU Green Bond Standard**"). In the context of the public consultation on the renewed sustainable finance strategy, the European Commission launched a targeted consultation on the establishment of an EU Green Bond standard, that builds and consults on the work of the Commission Technical Expert Group and has run between 12 June and 2 October 2020. On 19 October 2020, the European Commission published the Commission Work Programme 2021 in which expressed the intention to deliver a legislative proposal by the end of the second quarter of 2021. On 6 July 2021, the European Commission officially adopted a legislative proposal for a EU Green Bond Standard setting out

four main requirements: (i) allocation of the funds raised by the green bond should be made in compliance with the EU Taxonomy (as defined below); (ii) full transparency on the allocation of the green bond proceeds; (iii) monitoring and compliance activities to be carried out by an external reviewer; and (iv) registration of external reviewers with the ESMA and subject to its supervision.

On 18 December 2019, the Council and the European Parliament reached a political agreement on a regulation to establish a framework to facilitate sustainable development (the "**EU Taxonomy**"). On 15 April 2020, the Council adopted by written procedure its position at first reading with respect to the Taxonomy Regulation. The European Parliament approved the text pursuant to the "early second reading agreement" procedure on 18 June 2020. On 22 June 2020, the Taxonomy Regulation was published in the Official Journal of the European Union and entered into force on 12 July 2020. The Taxonomy Regulation tasks the European Commission with establishing the actual list of environmentally sustainable activities by defining technical screening criteria for each of the six environmental objectives through delegated acts. A first delegated act on sustainable activities for the first two objectives (i.e., climate change mitigation and climate change adaptation) was published on 21 April 2021 and formally adopted on 4 June 2021 for scrutiny by the colegislators, after a political agreement reached within the European Commission. On 9 December 2021, the Commission Delegated Regulation (EU) 2021/2139 concerning the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation was published in the Official Journal of the European Union. With respect to the remaining environmental objectives, a second delegated act is expected to be published in 2022. On 6 July 2021 the European Commission adopted the Commission Delegated Regulation (EU) 2021/2178 supplementing Article 8 of the EU Taxonomy Regulation which was published on 10 December 2021 in the Official Journal of the European Union. This delegated act specifies the content, methodology and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities. These texts are still to be implemented and the final texts may vary from the current recommendations, which may have an impact on the Covered Bonds that cannot be predicted at this stage. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Eligible Projects or any Social Eligible Projects will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Eligible Projects and any Social Eligible Projects. Any such consequences could have an adverse effect on the liquidity and value of and return on any such Covered Bonds. As at the date of this Base Prospectus, the Issuer has not published a framework relating to an investment in Green Eligible Projects and in Social Eligible Projects although the Issuer intends to publish such framework prior to the issuance of any Covered Bonds which specify that the relevant proceeds will be used for Green Eligible Projects and for Social Eligible Projects.

As at the date of this Base Prospectus, the Issuer has not published a framework relating to an investment in Green Eligible Projects and Social Eligible Projects (the "**Sustainability Bond Framework**") although the Issuer intends to publish such Sustainability Bond Framework prior to the issuance of any Covered Bonds which specify that the relevant proceeds will be used for Green Eligible Projects and Social Eligible Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Covered

Bonds and in particular with any Green Eligible Projects or Social Eligible Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealer(s) or any other person to buy, sell or hold any such Covered Bonds. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Covered Bonds. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Covered Bonds are listed or admitted to trading on any dedicated "green", "social", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealer(s) or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Eligible Projects and to any Social Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealer(s) or any other person that any such listing or admission to trading will be obtained in respect of any such Covered Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of the Covered Bonds.

While it is the intention of the Issuer to apply an amount equivalent to the proceeds of any Covered Bonds so specified for Green Eligible Projects and/or Social Eligible Projects in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Eligible Projects and any Social Eligible Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally applied for the specified Green Eligible Projects and for the specified Social Eligible Projects. Nor can there be any assurance that such Green Eligible Projects or such Social Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure by the Issuer will not constitute an Issuer Event of Default under the Covered Bonds. Any such event or failure to apply the proceeds of any issue of Covered Bonds for any Green Eligible Projects and for any Social Eligible Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Covered Bonds no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Covered Bonds and also potentially the value of any other Covered Bonds which are intended to finance Green Eligible Projects and to finance Social Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Reform of EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index "benchmarks"

The Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds linked to a "benchmark".

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmarks Regulation**").

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation applies from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Covered Bonds), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Covered Bonds linked to a "benchmark" index, including in any of the following circumstances:

(i) an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such

event, depending on the particular "benchmark" and the applicable terms of the Covered Bonds, the Covered Bonds could be delisted (if listed), adjusted, redeemed or otherwise impacted;

(ii) the methodology or other terms of the "benchmark" related to a series of Covered Bonds could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing, increasing or affecting the volatility of the published rate or level of the relevant "benchmark", and could lead to adjustments to the terms of the Covered Bonds, including determination by the Calculation Agent of the rate or level in its discretion.

Any of the international, national or other reforms or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

Separate workstreams are also underway in Europe to provide a fallback by reference to a euro riskfree rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro shortterm rate ("**€STR**") as the new risk free rate for the area euro. The €STR was published for the first time on 2 October 2019. The euro risk free-rate working group for the euro area has also published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. Actually, although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to system how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark. It is not possible to predict with certainty whether, and to what extent, EURIBOR will continue to be supported going forwards. This may cause EURIBOR to perform differently than it has done in the past and may have other consequences which cannot be predicted.

Furthermore, in order to address systemic risk, on 2 February 2021 the Council of the European Union approved the final text of the Regulation (EU) 2021/168 amending the Regulation (EU) 2016/1011 as regards the exemption of certain third-country spot foreign exchange benchmarks and the designation of replacements for certain benchmarks in cessation, and amending Regulation (EU) No 648/2012. The new framework delegates the Commission to designate a replacement for benchmarks qualified as critical under the Regulation 2016/2011, where the cessation or wind-down of such a benchmark might significantly disrupt the functioning of financial markets within the European Union. In particular, the designation of a replacement for a benchmark should apply to any contract and any financial instrument as defined in Directive 2014/65/EU that is subject to the law of a Member State. In addition, with respect to supervised entities, Regulation (EU) 2021/168 extends the transitional period for the use of third-country benchmarks until 2023 and the Commission may further extend this period until 2025 by a delegated act to be passed before 15 July 2023. On 10 February 2021 the Council of the European Union adopted the Regulation (EU) 2021/168 that was published in the Official Journal on 12 February 2021 and entered into force on the following day.

The potential elimination of any "benchmark", or changes in the manner of administration of any "benchmark", could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Covered Bonds referencing such "benchmark". The Benchmarks Regulation could have a material impact on any Covered Bonds linked EURIBOR

or another benchmark rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmarks Regulation and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level of the "benchmark". More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or participate in certain "benchmarks", (ii) triggering changes in the rules or methodologies used in certain "benchmarks", and/or (iii) leading to the discontinuance, unavailability or disappearance of certain "benchmarks".

Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any such Covered Bonds linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The terms and conditions of the Covered Bonds provide that, if a Benchmark Event (as defined in the Conditions) has occurred (including, but not limited to, an Original Reference Rate (as defined in the Conditions) ceasing to be provided or upon a material change of an Original Reference Rate), if applicable, then the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the purposes of determining a Successor Rate or an Alternative Reference Rate (as further described in Condition 7 (*Benchmark Replacement*) of the Terms and Conditions of the Covered Bonds and, if applicable, an Adjustment Spread. If the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser fails to determine the Successor Rate or Alternative Rate, the Issuer may determine the replacement rate, provided that if the Issuer is unable or unwilling to determine the Successor Rate or Alternative Rate, the further fallbacks described in the Terms and Conditions of the Covered Bonds shall apply. In certain circumstances, including but not limited to where the Issuer is unable or unwilling to determine an Alternative Rate, the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest of the last preceding Interest Period being used. This may result in effective application of a fixed rate of interest for Covered Bonds initially designated to be Floating Rate Covered Bonds. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time. The use of a Successor Rate or an Alternative Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Covered Bonds if the relevant benchmark remained available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser fails to determine a Successor Rate or an Alternative Reference Rate or Adjustment Spread, if applicable with the Independent Adviser, the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Rate or Adjustment Spread, if applicable in a situation in which it is presented with a conflict of interest. In addition, while any Adjustment Spread may be expected to be designed to eliminate or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Covered Bonds may not do so and may result in the Covered Bonds performing differently (which may include payment of a lower interest rate) than they would do if the Original Reference Rate were to continue to apply in its current form.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national

reforms and the possible application of the benchmark replacement provisions of the Covered Bonds, investigations and licensing issues in making any investment decision with respect to any Covered Bonds linked to or referencing a "benchmark".

(B) **Risks related to the Guarantor**

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

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

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

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

Limited resources available to the Guarantor

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

If a Guarantor Event of Default occurs and the Guarantee is enforced, the proceeds of enforcement may not be sufficient to meet the claims of all the secured creditors, including the Bondholders. If, following enforcement and realization of the assets in the Cover Pool, creditors have not received the full amount due to them pursuant to the terms of the Programme

Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

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

Reliance of the Guarantor on third parties

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

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

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

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

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

Change of counterparties

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

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

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

Reliance on Swap Providers

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

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

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

If a Swap Agreement terminates, then the Guarantor may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the Guarantor will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the Guarantor will be able to enter into a replacement swap

agreement with an adequately rated counterparty, or if one is entered into, that the credit rating of such replacement swap provider will remain sufficiently high to prevent a downgrade by the Rating Agencies of the then current ratings of the Covered Bonds. In addition, the Swap Agreements may provide that notwithstanding the downgrading of a Swap Provider and the failure by such Swap Provider to take the remedial action set out in the relevant Swap Agreement, the Guarantor may not terminate the Swap Agreement until a replacement swap provider has been found.

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

Differences in timings of obligations under the Covered Bond Swaps

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

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

No gross up on withholding tax

In respect of payments made by the Guarantor under the Guarantee, to the extent that the Guarantor is required by law to withhold or deduct any present or future taxes, duties, assessments or charges 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.

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

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

VAT Group

Italian Law No. 232 of 11 December 2016 (the "**2017 Budget Law**") has introduced new VAT rules allowing groups to act as a single taxable person for value added tax purposes (articles from 70-*bis* to 70-*duodecies* of Presidential Decree No. 633 of 26 October 1972) and which, if so elected by the group head, applies from 1 January 2019. Pursuant to such rules, all entities included in the relevant VAT group are jointly and severally liable to the Italian Tax Authority for any VAT payments due by all members of the VAT group.

On 31 October 2018, the Italian Tax Authority issued circular No. 19/E ("**Circular letter No. 19/2018**") specifying that funds, as pools of segregated assets, would be liable only for the VAT payment obligations specifically relating to their assets. Although reasonable, it is unclear whether the same limitation would apply also to the assets held by a covered bond guarantor in the case of non-payment of VAT by any other member of its VAT group.

The Group has opted into the new VAT regime introduced by the 2017 Budget Law in respect of the Issuer's group (including the Guarantor) with effect from 1 January 2019. Pending further clarifications on the scope of application of the new rules, the Issuer has submitted a ruling application to the Italian Tax Authority with the effect of excluding the Guarantor from the VAT group regime.

However, on 15 November 2019, the Italian Tax Authority issued an official answer to the ruling request No. 487 specifying that interpretation expressed with regard to the funds in the Circular Letter No. 19/2018 applies also with respect to covered bond guarantors, being also their pools of assets segregated by law with the sole aim of servicing payments due to the covered bondholders.

As a consequence, segregated pools of assets of covered bond guarantors included in an Italian VAT group are deemed to be liable only for the portion of VAT, interest and penalties – due in case of audit or assessment – which arise in connection with the management of such pools of assets.

(C) **Risks related to the underlying**

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

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

- default by Borrowers in the payment of amounts due on their Mortgage Loans;
- sale of the Eligible Assets and the Top-Up Assets;
- changes to the lending criteria of the Issuer;
- set-off risks in relation to some types of Mortgage Loans in the Cover Pool;
- usury Law;
- compounding interest;

- an insolvency event or another event contractually indicated as event of default has occurred in respect to the issuer of any Asset Backed Securities comprised in the Cover Pool pursuant to the relevant terms and conditions;

- regulations in Italy that could lead to some terms of the Mortgage Loans being unenforceable;

- possible regulatory changes by the Bank of Italy, CONSOB and other regulatory authorities;

- *status* of real estate market in the areas of operation of the Issuer; and

- limited recourse to the Guarantor.

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

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.

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

Following a Guarantee Enforcement Notice, the Guarantor shall use its best effort to sell the Eligible Assets and/or Top-Up Assets (selected on a random basis) included in the Cover Pool (the "**Selected Assets**") 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 Selected Assets at the times required and there can be no guarantee or assurance as to the price which may be obtained for such Selected Assets, which may affect payments under the Guarantee.

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

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

If, on any Test Calculation Date following the service of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as a result of an Article 74 Event, prior to the service of an Article 74 Event Cure Notice), the Calculation Agent notifies, through the Test Performance Report, the Issuer, the Sellers, any Additional Seller and the Guarantor that the Amortisation Test is not met, the Guarantor shall use its best effort (but shall not be obliged) to sell all Eligible Assets and Top-Up Assets included in the Cover Pool, on a semi-annual basis starting from the date falling 30 calendar days after the date of the relevant Test Performance Report, **provided that** the proceeds of the sale (net of any costs connected thereto), together with any amount standing to the credit of the Accounts, are sufficient to redeem in full the Pass Through Series. For further details, see section headed "*Disposal of the Assets included in the Cover Pool following the delivery of a Guarantee Enforcement Notice and the breach of the Amortisation Test*".

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

If a Guarantor Event of Default occurs and a Guarantor Default Notice is served on the Guarantor, then the Representative of the Bondholders will be entitled to enforce the Guarantee

and use the proceeds from the liquidation of the Cover Pool towards payment of all secured obligations in accordance with the "*Post-Enforcement Priority of Payments*" described in the section entitled "*Cashflows*" below.

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

Changes to the lending criteria of the relevant Seller

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

Set-off risks

The assignment of receivables under the Securitisation and Covered Bond Law is governed by article 58, paragraph 2, 3 and 4, of the Consolidated Banking Act. According to the prevailing interpretation of 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, and (ii) the date of registration of the notice of assignment in the local Companies' Registry. Consequently, the rights of the Guarantor may be subject to the direct rights of the Debtors against the Seller or, as applicable the relevant Originator, including rights of set-off on claims arising existing prior to notification in the Official Gazette and registration at the local Companies' Registry, having a negative impact on its recoveries and, therefore, its ability to make payments under the Covered Bond Guarantee. In addition, the exercise of set-off rights by Debtors may adversely affect any sale proceeds of the Cover Pool and, ultimately, the ability of the Guarantor to make payments under the Covered Bond Guarantee.

Moreover, further to certain amendments to article 4 of the Securitisation and Covered Bond Law, it is now expressly provided by the Securitisation and Covered Bond Law that the Debtors cannot exercise rights of set-off against the Guarantor on claims arising *vis-à-vis* the Sellers after the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

Usury Law

Pursuant to the Usury Law, lenders are prevented from applying interest rates higher than those deemed to be usurious (the "**Usury Rates**"). Usury Rates are set on a quarterly basis by a decree issued by the Italian Treasury. With a view to limiting the impact of the application of the Usury Law to Italian loans executed prior to the entering into force of the Usury Law, Italian Law No. 24 of 28 February 2001 ("**Law 24/2001**") provides (by means of interpreting the provisions of the Usury Law) that an interest rate is usurious if it is higher than the relevant limit in force at the time at which such interest rate is promised or agreed, regardless of the time at which interest is repaid by the borrower. A few commentators and debatable lower court decisions have held that, irrespective of the principle set out in Law 24/2001, if interest originally agreed at a rate falling below the then applicable usury limit (and thus, not usurious) were, at a later date, to exceed the usury limit from time to time in force, such interest should nonetheless be reduced to the then applicable usury limit. The Italian Supreme Court (*Corte di Cassazione*), under decision No. 24675 of 19 October 2017, rejected such interpretation and it clarified that only the moment of execution of the agreement is relevant to verify if the interest rate is usurious in the mortgage loans with fixed interest rate. In the last years, a number of objection have been raised on the basis of the excess of the usury limit from the sum of the default interest and the compensatory rate, based on the erroneous interpretation under decision of the Italian Supreme Court (*Corte di Cassazione*) no. 350 of 2013 that the default interest is relevant for the purposes of determining if an interest rate is usurious. Such interpretation has been constantly rejected by the Italian Courts. Other objections raised in the last years are based on the violation of the Usury Law by, for example, the sole default interest exceeding the usury limit or making reference to additional components (such as penalties and insurance policies). In this respect, the Italian Courts have not reached an unanimous position.

In addition to the above and according to recent court precedents of the Italian Supreme Court (*Corte di Cassazione*), the remuneration of any given financing must be below the applicable Usury Rate from time to time applicable. Based on this recent evolution of case law on the matter, it will constitute a breach of the Usury Law if the remuneration of a financing is lower than the applicable Usury Rate at the time the terms of the financing were agreed but becomes higher than the applicable Usury Rate at any point in time thereafter.

Finally, the Italian Supreme Court (*Corte di Cassazione*) joint sections (*Sezioni Unite*) (n. 19597 dated 18 September 2020) stated that, in order to assess whether a loan complies with the Usury Law, also default interest rates shall be included in the calculation of the remuneration to be compared with the Usury Rates. In this respect, should that remuneration be higher than the Usury Rates, only the 'type' of rate which determined the breach shall be deemed as null and void. As a consequence, the entire amount referable to the rate which determined the breach of said threshold shall be deemed as unenforceable according to the last interpretation of the Supreme Court.

Compounding 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 quarterly 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 Debtors 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. Therefore, potential investors should be aware of the potential negative impact of application by the merits courts of such interpretation of the Italian Civil Code on the recoveries and cash flows of the Issuer.

In this respect, it should be noted that Article 25, paragraph 3, of Legislative Decree No. 342 of 4 August 1999 ("**Decree No. 342**"), enacted by the Italian Government under a delegation granted pursuant to law No. 142 of 19 February 1992, has considered the capitalisation of accrued interest (*anatocismo*) made by banks prior to the date on which it came into force (19 October 1999) to be valid. After such date, the capitalisation of accrued interest is no longer possible upon the terms established by a resolution of the CICR issued on 22 February 2000. Law No. 342 has been challenged and decision No. 425 of 17 October 2000 of the Italian Constitutional Court has declared as unconstitutional under the provisions of Law No. 342 regarding the validity of the capitalisation of accrued interest made by banks prior to the date on which Law No. 342 came into force.

Recently, article 17 bis of law decree 18 of 14 February 2016 as converted into Law no. 49 of 8 April 2016 amended article 120, paragraph 2, of the Consolidated Banking Act, providing that the accrued interest shall not produce further interests, except for default interests, and are calculated exclusively on the principal amount. On 8 August 2016, the decree no. 343 of 3 August 2016 issued by the Minister of Economy and Finance, in his quality of President of the CICR, implementing article 120, paragraph 2, of the Banking Law, has been published. Given the absence of any jurisprudential interpretation, the impact of such new legislation may not be predicted as at the date of this Base Prospectus, and may have a potential negative impact on the Portfolio. Indeed, if Debtors 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. The occurrence of such event shall reduce the amount of collections and recoveries of the Guarantor with a negative impact of its ability to fulfil its obligations under the Covered Bond Guarantee.

Value of the Cover Pool

The Guarantee granted by the Guarantor in respect of the Covered Bonds will be backed by the Cover Pool and the recourse against the Guarantor will be limited to such assets. Since the economic value of the Cover Pool may increase or decrease, the value of the Guarantor's assets may decrease (for example if there is a general decline in property values). The Issuer makes no representation, warranty or guarantee that the value of a Real Estate Asset will remain at the same level as it was on the date of the origination of the related Mortgage Loan or at any other time. If the residential property market in Italy experiences an overall decline in property values, the value of the Mortgage Loan could be significantly reduced and, ultimately, may result in losses to the Bondholders if such security is required to be enforced.

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 modalities, and subject to the limits, set out in the Bank of Italy Regulations (see "*Description of Certain Relevant Legislation in Italy - Substitution of Assets*").

More specifically, under the Bank of Italy Regulations, integration is allowed exclusively for the purpose of (a) complying with the Mandatory Tests; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant Programme Documents

or (c) complying with the limit of 15 per cent. in relation to certain Top-Up Asset including in the Cover Pool.

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

Mortgage borrower protection

Certain legislation enacted in Italy has given new rights and certain benefits to mortgage debtors and/or reinforced existing rights, including, *inter alia*, and as better regulated under the relevant applicable laws and regulations, (i) the right of prepayment of the principal amount of the mortgage loan, without incurring a penalty or, as applicable, at a reduced penalty rate, (ii) the right to the substitution (*portabilità*) of a mortgage loan with another mortgage loan, (iii) the right of first home-owners to suspend instalment payments under mortgage loans up to a maximum of two times and for a maximum aggregate period of 18 months, (iv) the right to suspend the payment of principal instalments relating to mortgage loans for a 12 months period, (v) the automatic suspension of instalment payments of mortgages and loans, up to certain periods, to residents, both individuals and businesses, in certain municipalities affected by environmental disasters and listed in the relevant laws and regulations.

In addition to the above, following the COVID-19 outbreak in Italy, further measures have been adopted, aimed at sustaining income of employees, the self-employed, self-employed professionals, micro and small/medium enterprises, including suspension of instalments payment.

The legislations as described above may have an adverse effect on the Cover Pool and, in particular, on any cash flow projections concerning the Cover Pool as well as on the over-collateralisation required in order to maintain the then current ratings of the Covered Bonds. However, the Asset Coverage Test has been structured in such a way to attribute different weight to Mortgage Receivable as better described in the Cover Pool Management Agreement. To the extent any underweight in respect of the Mortgage Receivables included in the Cover Pool could lead to a breach of Tests, the Issuer will be required to sell to the Guarantor subsequent portfolios of Eligible Asset and/or Top-Up Assets in accordance with the Cover Pool Management Agreement and the Master Assets Purchase Agreement in order to remedy such breach, see "*Description of Certain Relevant Legislation in Italy*". However upon occurrence of an Issuer Event of Default a massive adhesion to such Payment Holidays may adversely affect the cashflows deriving from the Cover Pool and as a consequence the repayment of the Covered Bonds.

Maintenance of the Cover Pool

Pursuant to the terms of the Master Assets Purchase Agreement, the Principal Seller has agreed (and the Additional Seller(s) upon their accession to the Master Assets Purchase Agreement) to transfer New Portfolios to the Guarantor and the Guarantor has agreed to purchase New Portfolios in order to ensure that the Cover Pool is in compliance with (i) prior to delivery of a Guarantee Enforcement Notice, the Mandatory Tests and the Asset Coverage Test, and (ii) following the delivery of a Guarantee Enforcement Notice, the Mandatory Tests and the Amortisation Test. The Initial Portfolio Purchase Price was funded through the proceeds of the Term Loan granted under the Subordinated Loan Agreement between the Guarantor and BMPS and the New Portfolio Purchase Price will be funded through (A) (i) any Guarantor Available Funds available in accordance with the Pre-Issuer Default Principal Priority of Payments; (ii) to the extent the Guarantor Available Funds are not sufficient to pay the relevant New Portfolio Purchase Price, the proceeds of a Term Loan granted under the Subordinated Loan Agreements,

for an amount equal to the portion of the New Portfolio Purchase Price not paid in accordance with item (i); (B) in certain circumstances, entirely by means of a Term Loan granted under the Subordinated Loan Agreements.

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

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

Subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in the Asset Monitor Engagement Letter entered into with the Issuer on 18 June 2010, as subsequently amended on 22 April 2015, relating, *inter alia*, to (i) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the calculation performed by the Issuer in respect of the Mandatory Tests; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme. In addition, the Asset Monitor will, pursuant to the terms of the Asset Monitor Agreement, (i) prior to delivery of a Guarantee Enforcement Notice, verify, on behalf of the Issuer, the calculations performed by the Pre-Issuer Default Test Calculation Agent in respect of the Mandatory Tests and the Asset Coverage Test, and (ii) following the delivery of a Guarantee Enforcement Notice, verify, on behalf of the Guarantor, the calculations performed by the Post-Issuer Default Test Calculation Agent in respect of the Amortisation Test. See further "*Description of the Programme Documents – Asset Monitor Agreement*".

Limited description of the Cover Pool

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

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

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

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

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

No due diligence on the Cover Pool

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

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

After the service of a Guarantee Enforcement Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor shall, if necessary in order to effect timely payments

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

Claw-back of the sales of the Receivables

assignments executed under Law 130 are subject to revocation on bankruptcy under article 67 of the Bankruptcy Law but only in the event that the declaration of bankruptcy of the relevant Seller is made within three months of the covered bonds transaction (or of the purchase of the Cover Pool) or, in cases where paragraph 1 of article 67 applies (i.e. 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).

(D) **Risks related to the market generally**

Limited secondary market

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

Exchange Rate Risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's

Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease; (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds, and (3) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the following documents, which have been previously published, or are published simultaneously with this Base Prospectus or filed with the CSSF, together, in each case, with the audit reports (if any) thereon:

(a) the consolidated audited annual financial statements of the Issuer for the financial year ended on 31 December 2020, contained in the 2020 audited consolidated annual report (https://www.gruppomps.it/static/upload/_con/consolidated-financial-statement_gmps_2020.pdf);

(b) the separate audited annual financial statements of the Issuer for the financial year ended 31 December 2020 , contained in the 2020 audited separate annual report (https://www.gruppomps.it/static/upload/sep/separate-financial-statement-bmps_2020.pdf);

(c) the consolidated audited annual financial statements of the Issuer for the financial year ended on 31 December 2019, contained in the 2019 audited consolidated annual report (https://www.gruppomps.it/static/upload/ann/annual-report-gmps-2019.pdf);

(d) the separate audited annual financial statements of the Issuer for the financial year ended 31 December 2019, contained in the 2019 audited separate annual report (https://www.gruppomps.it/static/upload/sep/separate-financial-report_bmps_2019_web.pdf);

(e) the unaudited consolidated interim financial statements of the Issuer as at 30 June 2021 (https://www.gruppomps.it/static/upload/_con/consolidated-half-yearly-report-2021_gmps.pdf);

(f) the unaudited consolidated interim financial statements of the Issuer as at 30 September 2021 (consolidated-interim-report-as-at-30092021.pdf (gruppomps.it));

(g) the financial statements of the Guarantor as at and for the year ended on 31 December 2020 (https://gruppomps.it/static/upload/mps/mps-cb-ni-31-12-2020_en.pdf);

(h) the auditors' report for the Guarantor for financial statements as at and for the year ended on 31 December 2020 (https://gruppomps.it/static/upload/mps/mps-cb_opinion-31-12-2020-eng--1-.pdf);

(i) the financial statements of the Guarantor as at and for the year ended on 31 December 2019 (https://www.gruppomps.it/static/upload/mps/mps-cb-ni-31-12-2019_per-ass_clean-_en_def.pdf);

(j) the auditors' report for the Guarantor for financial statements as at and for the year ended on 31 December 2019 (https://www.gruppomps.it/static/upload/mps/mps-covered-bond-19-eng-rep.pdf);

(k) the press release of the Issuer headed "*Banca Monte dei Paschi di Siena Board of Directors approves the 2022-2026 Strategic Plan*" and published on 17 December 2021, which is available at the following link:

https://www.gruppomps.it/static/upload/17_/17_12_2021_piano_eng.pdf

Such documents shall be incorporated by reference into, and form part of, this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference into this Base Prospectus may be obtained from the registered office of the Issuer and the Issuer's website (https://www.gruppomps.it/en/). This Base Prospectus and the documents incorporated by reference will also be available on the Luxembourg Stock Exchange's web site (http://www.bourse.lu).

The Issuer declares that only the English language versions, which represent a direct translation from the Italian language documents (including the audit reports), are incorporated by reference in this Base Prospectus.

Cross-reference List

The following tables show, inter alia, the information required under Annex 7 of the Prospectus Regulation (in respect of the Issuer and the Guarantor) that can be found in the above-mentioned financial statements incorporated by reference into this Base Prospectus.

Issuer's Reports and Accounts	**2019**		**2020**
Issuer's Audited Consolidated Annual Financial Statements			
Consolidated Balance Sheet	Pages	127-128	Pages 157-158
Consolidated Income Statement	Page	129	Page 159
Consolidated statement of comprehensive income	Page	130	Page 160
Consolidated Statement of Changes in Equity	Pages	131-134	Pages 161-164
Consolidated Statement of Cash Flows	Pages	135-136	Page 165-166
Notes to the Consolidated Financial Statements	Pages	137-486	Pages 167-538
Independent Auditors' Report	Pages	491-498	Pages 543-555

Issuer's Audited Non-Consolidated Annual Financial Statements		**2019**	**2020**
Balance Sheet	Pages	31-32	Pages 35-36
Income Statement	Page	32	Page 37

Statement of Comprehensive Income	Page	33	Page 38
Statement of Changes in Equity	Pages	34-37	Pages 39-42
Statement of Cash Flows	Pages	38-39	Pages 43-44
Independent Auditors' Report	Pages	339-345	Pages 342-354
Notes to the Separate Financial Statements	Pages	40-337	Pages 45-340

Pursuant to Article 19(1) of Regulation (EU) 2017/1129, the information not listed in the cross-reference lists above are not incorporated by reference and are either not relevant for investors or covered elsewhere in this Base Prospectus.

Issuer's Unaudited Consolidated Interim Financial Report at 30 June 2021

Consolidated Balance Sheet	Pages	28-29
Consolidated Income Statement	Page	30
Consolidated statement of comprehensive income	Page	31
Consolidated Statement of Changes in Equity	Pages	32-35
Consolidated Cash Flow Statement	Pages	36-37
Explanatory Notes	Pages	38-148
Independent Auditors' Report	Pages	152-153 of 159[7]

Issuer's Unaudited Consolidated Interim Financial Report at 30 September 2021

Introduction	Page 3
Results in brief	Pages 4-6
Executive summary	Pages 7-9
Reference context	Pages 10-12
Covid-19	Page 13
Shareholders	Page 14
Information on the BMPS share	Pages 14-15
Significant events in the first nine months of 2021	Page 16

[7] Pages make reference to the pdf format of the document.

Significant events after 30 September 2021	Pages 16-17
2017-2021 Restructuring Plan	Page 17
2021- 2025 Group Strategic Plan	Pages 18-24
Explanatory Notes	Pages 25-37
Income statement and balance sheet reclassification principles	Pages 38-41
Reclassified income statements	Pages 42-50
Reclassified balance sheet	Pages 51-65
Disclosure on risks	Pages 66-73
Results by Operating Segment	Pages 74-84
Prospects and outlook on operations	Pages 85-86
Declaration of the Financial Reporting Officer	Page 87

Guarantor Annual Financial Statements		**2019**	**2020**
Directors' Report on Operations	Pages	3-9	Pages 3-9
Balance Sheet	Pages	10-11	Pages 10-11
Income Statement	Page	12	Page 12
Statement of Comprehensive Income	Page	13	Page 13
Statement of Changes in Equity	Page	14	Page 14
Statement of Cash Flows	Pages	15-16	Page 15
Notes to the Separate Financial Statements	Pages	17-44	Pages 16-43

Pursuant to Article 19(1) of Regulation (EU) 2017/1129, the information not listed in the cross-reference lists above are not incorporated by reference and are either not relevant for investors or covered elsewhere in this Base Prospectus.

Guarantor Independent Auditors' Report as at 31 December 2020	Entire Document
Guarantor Independent Auditors' Report as at 31 December 2019	Entire Document

Press release of the Issuer headed " ***Banca Monte dei Paschi di Siena Board of Directors approves the 2022-2026 Strategic Plan*****"**

Cover page	Page 1[8]
The Three Pillars	Page 2[9]
Enabling Factors	Page 2[10]
Plan Assumptions	Page 2[11]

Pursuant to Article 19(1) of Regulation (EU) 2017/1129, the information not listed in the cross-reference list above are not incorporated by reference and are either not relevant for investors or covered elsewhere in this Base Prospectus.

Terms and Conditions the Rules of the Organisation of the Bondholders set out under the Prospectus approved on 22 July 2020

The following table shows, *inter alia*, the information that can be found in the above-mentioned documents incorporated by reference into this Base Prospectus.

Prospectus approved on 22 July 2020	
Terms and Conditions of Covered Bonds	Pages 98 - 160
Rules of the Organisation of the Bondholders	Pages 161 - 188

The terms and conditions and the rules of the organisation of the bondholders set out under the base prospectus approved on 22 July 2020 are available at the following link: https://gruppomps.it/static/upload/bmp/bmps-cb1---prospectus--update-22-july-2020--final-version.pdf

Pursuant to Article 19(1) of Regulation (EU) 2017/1129, the information not listed in the cross-reference list above are not incorporated by reference and are either not relevant for investors or covered elsewhere in this Base Prospectus.

Any document which is incorporated by reference into any of the documents incorporated in, and form part of, the Prospectus, shall not constitute a part of the Prospectus.

SUPPLEMENT TO THE PROSPECTUS

The Issuer has undertaken, in connection with the listing of the Covered Bonds on the official list of the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuer or any change in the information set out under "Terms and Conditions of the Covered Bonds", that is material in the context of issuance of Covered Bonds under the Programme, the Issuer will prepare or procure the preparation of a

[8] Pages make reference to the pdf format of the document.

[9] Pages make reference to the pdf format of the document.

[10] Pages make reference to the pdf format of the document.

[11] Pages make reference to the pdf format of the document.

supplement to this Base Prospectus or, as the case may be, publish a new Prospectus, for use in connection with any subsequent issue by the Issuer of Covered Bonds to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.

TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions of the Covered Bonds (the "**Conditions**" and, each of them, a "**Condition**"). In these Conditions, references to the "holder" of Covered Bonds and to the "Bondholders" are to the ultimate owners of the Covered Bonds, bearer and dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of (i) article 83-bis of the Financial Laws Consolidation Act and (ii) the joint regulation of CONSOB and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, as subsequently amended and supplemented from time to time.*

The Bondholders are deemed to have notice of and are bound by, and shall have the benefit of, inter alia, the terms of the Rules of the Organisation of the Bondholders attached to, and forming part of, these Conditions. In addition, the applicable Final Terms in relation to any Series or Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, complete the Conditions for the purpose of such Series or Tranche.

1. INTRODUCTION

(a) *Programme*: Banca Monte dei Paschi di Siena S.p.A. (the "**Issuer**") has established a covered bond programme (the "**Programme**") for the issuance of up to €20,000,000,000 in aggregate principal amount of covered bonds (*Obbligazioni Bancarie Garantite*) (the "**Covered Bonds**") guaranteed by MPS Covered Bond S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to article 7-*bis* of Law No. 130 of 30 April 1999 (as amended, the "**Law 130**"), Ministerial Decree No. 310 of the Ministry for the Economy and Finance of 14 December 2006 (the "**Decree No. 310**") and the regulation of the Bank of Italy of 17 May 2007 (the "**Bank of Italy Regulations**").

(b) *Final Terms*: Covered Bonds are issued in series or tranches (each, respectively, a "**Series**" or "**Tranche**"). Each Series or Tranche is the subject of final terms (the "**Final Terms**") which complete these Conditions. The terms and conditions applicable to any particular Series or Tranche of Covered Bonds are these Conditions as completed by the relevant Final Terms.

(c) *Guarantee*: Each Series or Tranche of Covered Bonds is the subject of a guarantee dated 18 June 2010 (the "**Guarantee**") entered into between the Guarantor and the Representative of the Bondholders for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series or Tranches issued under the Programme. The Guarantee will be backed by the Cover Pool (as defined below). The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments.

(d) *Programme Agreement and Subscription Agreements*: The Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series or Tranche which may from time to time be agreed between the Issuer and the Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of a programme agreement (the "**Programme**

Agreement") entered into, on 18 June 2010, between the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s). In addition, in relation to each Series or Tranche of Covered Bonds the Issuer, and the relevant Dealer(s) will enter into a subscription agreement on or about the date of the relevant Final Terms (the "**Subscription Agreement**"). According to the terms of the Programme Agreement, the Issuer has the faculty to nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular Series or Tranche of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

(e) *Monte Titoli Mandate Agreement*: In a mandate agreement with Monte Titoli S.p.A. ("**Monte Titoli**") (the "**Monte Titoli Mandate Agreement**"), Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds issued in bearer and dematerialised form.

(f) *Master Definitions Agreement*: In a master definitions agreement (the "**Master Definitions Agreement**") between, *inter alios*, the Issuer, the Guarantor, the Representative of the Bondholders and the Other Guarantor Creditors (as defined below), the definitions of certain terms used in the Programme Documents have been agreed.

(g) *The Covered Bonds*: Except where stated otherwise, all subsequent references in these Conditions to "**Covered Bonds**" are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to "**each Series or Tranche of Covered Bonds**" are to (i) the Covered Bonds which are the subject of the relevant Final Terms and (ii) each other Series or Tranche of Covered Bonds issued under the Programme which remains outstanding from time to time.

(h) *Rules of the Organisation of the Bondholders*: The rules of the organisation of bondholders (the "**Rules**") are attached to, and form an integral part of, these Conditions. References in these Conditions to the Rules include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.

(i) *Summaries*: Certain provisions of these Conditions are summaries of the Programme Documents and are subject to their detailed provisions. Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Programme Documents applicable to them. Copies of the Programme Documents are available for inspection by Bondholders during normal business hours at the registered office of the Representative of the Bondholders from time to time and, where applicable, at the Specified Office(s) of the Paying Agents.

2. INTERPRETATION

(a) *Definitions:*

In these Conditions the following expressions have the following meanings:

"**15% Limit**" means the limit of 15 per cent. (of the aggregate outstanding principal amount of the Cover Pool) of Top-Up Assets that may be included in the Cover Pool unless otherwise permitted by law or applicable regulation.

"**Accrual Yield**" has the meaning given in the relevant Final Terms.

"**Accrued Interest**" means, as of any Valuation Date and in relation to any Eligible Asset to be assigned as at that date, the portion of the Interest Instalment accrued, but not yet due, as at such date.

"**Additional Seller**" means any entity being part of the Montepaschi Group that may transfer one or more New Portfolios to the Guarantor following the accession to the Programme pursuant to the Programme Documents.

"**Additional Servicer**" means each Additional Seller which has been appointed as servicer in relation to the Assets transferred to the Guarantor, following the accession to the Programme and to the Master Servicing Agreement, pursuant to the Programme Documents.

"**Additional Subordinated Lender**" means each Additional Seller in its capacity as additional subordinated lender, pursuant to the relevant Subordinated Loan Agreement.

"**Adjustment Purchase Price**" means the purchase price adjusted on the basis of calculations carried out pursuant to clause 7 of the Master Assets Purchase Agreement.

"**Amortisation Test**" means the Test as indicated in clause 4 of the Cover Pool Management Agreement.

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

"**Asset Backed Securities**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310 the asset backed securities for which a risk weight not exceeding 20 per cent. is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach - **provided that** at least 95 per cent. of the relevant securitised assets are:

(i) Residential Mortgage Loans;

(ii) Commercial Mortgage Loans;

(iii) Public Entity Receivables or Public Entity Securities,

and, in any case, complying with the requirements of the ECB Guidelines.

"**Asset Coverage Test**" has the meaning as indicated pursuant to clause 3 of the Cover Pool Management Agreement.

"**Asset Monitor**" means Deloitte & Touche S.p.A. in its capacity as asset monitor pursuant to the Asset Monitor Engagement Letter and the Asset Monitor Agreement.

"**Asset Monitor Agreement**" means the agreement entered on 18 June 2010 between, *inter alios*, the Asset Monitor, the Issuer and the Guarantor, as amended from time to time.

"**Asset Monitor Engagement Letter**" means the engagement letter entered into, on 18 June 2010, as subsequently amended on 22 April 2015, 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 No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iii) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

"**Asset Swap Agreement**" means any asset swap agreement which may be entered into between an Asset Swap Provider and the Guarantor.

"**Asset Swap Provider**" means any entity acting as swap counterparty under an Asset Swap Agreement.

"**Back-Up Account Bank**" means any of the Italian Back-Up Account Bank and the English Back-Up Account Bank.

"**Back-Up Servicer**" means Banca Finanziaria Internazionale S.p.A. or any other entity that will be appointed in such capacity by the Guarantor, together with the Representative of the Bondholders, pursuant to clause 10.1 of the Master Servicing Agreement.

"**Bank of Italy Regulations**" means the regulations No. 285 issued by the Bank of Italy on 17 December 2013, as supplemented from time to time.

"**Bankruptcy Law**" means Royal Decree No. 267 of 16 March 1942, as subsequently amended and supplemented.

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

"**English Back-Up Account Bank**" means The Bank of New York Mellon, London Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payments Agreement.

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

"**Bondholders**" means the holders from time to time of the Covered Bonds included in each Series or Tranche of Covered Bonds.

"**Breach of Tests Cure Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement.

"**Breach of Test Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement following the infringement of one of the Tests prior to an Issuer Event of Default and/or a Guarantor Event of Default.

"**Business Day**" means any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Luxembourg and London and on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET 2) (or any successor thereto) is open.

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

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

"**Calculation Amount**" is the amount used for the calculation of interest amounts and redemption amounts for the relevant covered bonds as specified in the relevant Final Terms.

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

"**Call Option**" has the meaning given in the relevant Final Terms.

"**Cash Allocation, Management and Payments Agreement**" means the cash allocation, management and payments agreement entered on 18 June 2010 between,

inter alios, the Guarantor, the Representative of the Bondholders, the Paying Agent(s), the Italian Account Bank and the English Account Bank, as amended from time to time.

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

"**Cash Manager Report**" means the report produced by the Cash Manager pursuant to the Cash Allocation, Management and Payments Agreement.

"**Cessation of Business**" means, with respect to the Issuer, the loss of the banking licence.

"**Civil Code**" means the Italian civil code, enacted by Royal Decree No. 262 of 16 March 1942, as subsequently amended and supplemented.

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

"**Collateral Account(s)**" means any other cash and/or securities account (different from the Guarantor's Accounts) opened by the Guarantor pursuant to clause 7.4 of the Intercreditor Agreement.

"**Collateral Security**" means any security (including any loan mortgage insurance and excluding Mortgages) granted to the Principal Seller (or any Additional Seller(s), if any) by any Debtor in order to guarantee the payment and/or redemption of any amounts due under the relevant Mortgages Loan Agreement.

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

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

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

"**Commercial Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310 a commercial mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property does not exceed 60 per cent. and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

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

"**Consolidated Banking Act**" means Legislative Decree No. 385 of 1 September 1993, as subsequently amended and supplemented.

"**Corporate Services Agreement**" means the corporate services agreement entered on 18 June 2010 between, *inter alios*, the Guarantor and the Guarantor Corporate Servicer.

"**Corresponding Interest**" has the meaning given to the term "Interesse Collegato" in the Subordinated Loan Agreement.

"**Corresponding Series or Tranche of Covered Bonds**" means, in respect of a Fixed Interest Term Loan or a Floating Interest Term Loan, the Series or Tranche of Covered Bonds issued or to be issued pursuant to the Programme and notified by the Subordinated Lender to the Guarantor in the relevant Term Loan Proposal.

"**Cover Pool**" means the cover pool constituted by (i) Receivables; (ii) any other Eligible Assets; and (iii) any Top-Up Assets.

"**Cover Pool Management Agreement**" means the Cover Pool management agreement entered on 18 June 2010 between, *inter alios*, the Issuer, the Guarantor, the Principal Seller, the Pre-Issuer Default Test Calculation Agent, the Post-Issuer Default Test Calculation Agent, the Guarantor Calculation Agent and the Representative of the Bondholders, as amended from time to time.

"**Covered Bond Swap Agreement**" means each International Swaps and Derivatives Association ("**ISDA**") 1992 Master Agreement (Multicurrency Cross Border) (together with the Schedule and credit support annex thereto and the confirmations evidencing interest rate swap transactions thereunder) entered into from time to time between the Guarantor and a Covered Bond Swap Provider, as amended from time to time.

"**Covered Bond Swap Provider**" means any entity acting as covered bond swap provider under a Covered Bond Swap Agreement to the Guarantor and "Covered Bond Swap Providers" means more than one of them.

"**Covered Bonds**" means the Covered Bonds (*Obbligazioni Bancarie Garantite*) of each Series or Tranche issued or to be issued by the Issuer in the context of the Programme.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in the Terms and Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;

(ii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

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

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

where:

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

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

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

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

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30";

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

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

where:

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

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

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

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

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

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

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

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 GmbH.

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

DBRS	Moody's	S&P	Fitch
AAA	Aaa	AAA	AAA

AA(high)	Aa1	AA+	AA+
AA	Aa2	AA	AA
AA(low)	Aa3	AA-	AA-
A(high)	A1	A+	A+
A	A2	A	A
A(low)	A3	A-	A-
BBB(high)	Baa1	BBB+	BBB+
BBB	Baa2	BBB	BBB
BBB(low)	Baa3	BBB-	BBB-
BB(high)	Ba1	BB+	BB+
BB	Ba2	BB	BB
BB(low)	Ba3	BB-	BB-
B(high)	B1	B+	B+
B	B2	B	B
B(low)	B3	B-	B-
CCC(high)	Caa1	CCC+	CCC+
CCC	Caa2	CCC	CCC
CCC(low)	Caa3	CCC-	CCC-
CC	Ca	CC	CC
C	C	D	D

"**DBRS Rating**" is any of the following:

- Public rating
- Private rating
- Internal assessment

(a) if a Fitch public rating, a Moody's public rating and an S&P public rating in respect of the Eligible Investment or the Eligible Institution (each, a "**Public Long Term Rating**") are all available at such date, the DBRS Rating will be the DBRS Equivalent Rating of such Public Long Term Rating remaining after disregarding the highest and lowest of such Public Long Term Ratings from such rating agencies (**provided that** if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below). For this purpose, if more than one Public Long Term Rating has the same highest DBRS Equivalent Rating or the same lowest DBRS Equivalent Rating, then in each case one of such Public Long Term Ratings shall be so disregarded;

(b) if the DBRS Rating cannot be determined under (a) above, but Public Long Term Ratings of the Eligible Investment by any two of Fitch, Moody's and S&P are available at such date, the DBRS Equivalent Rating of the lower such Public Long Term Rating (**provided that** if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below); and

(c) if the DBRS Rating cannot be determined under (a) and (b) above, but Public Long Term Ratings by any one of Fitch, Moody's and S&P are available at such date, then the DBRS Equivalent Rating will be such Public Long Term Rating

(**provided that** if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below).

If at any time the DBRS Rating cannot be determined under subparagraphs (a) to (c) above, the DBRS Rating will be deemed to be of "C" at such time.

"**Dealers**" means Barclays Bank Ireland PLC, MPS Capital Services Banca per le Imprese S.p.A. and NatWest Markets N.V., and any other entity that will be appointed as such by the Issuer by means of the subscription of a letter under the terms or substantially under the terms provided in schedule 6 of the Programme Agreement.

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

"**Decree No. 239**" means the Italian Legislative Decree No. 239 of 1 April 1996, as subsequently amended and supplemented.

"**Decree No. 310**" means the ministerial decree No. 310 of 14 December 2006 issued by the Ministry of the Economy and Finance, as subsequently amended and supplemented.

"**Deed of Pledge**" means the Italian law deed of pledge entered on 18 June 2010.

"**Drawdown Date**" means the date indicated in each Term Loan Proposal on which a Term Loan is granted pursuant to the Subordinated Loan Agreement (or, in respect of any Additional Subordinated Lenders, pursuant to the relevant Subordinated Loan Agreement) during the Subordinated Loan Availability Period.

"**Due for Payment**" means the requirement for the Guarantor to pay any Guaranteed Amounts following the delivery of a Guarantee Enforcement Notice after the occurrence of certain Issuer 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 (being the relevant Maturity Date or Extended Maturity Date, as the case may be); and (ii) following the occurrence of a Guarantor Event of Default, the date on which the Guarantor Default Notice is served on the Guarantor.

"**Earliest Maturing Covered Bonds**" means, at any time, the Series or Tranche of Covered Bonds that has or have the earliest Maturity Date (if the relevant Series or Tranche of Covered Bonds is not subject to an Extended Maturity Date) or Extended Maturity Date (if the relevant Series or Tranche of Covered Bonds is subject to an Extended Maturity Date) as specified in the relevant Final Terms.

"**Early Redemption Amount (Tax)**" means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

"**Early Termination Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series or Tranche or such other amount as may be specified in, or determined in accordance with, the Terms and Conditions or the relevant Final Terms.

"**ECB Guidelines**" means the Guideline of the European Central Bank of 20 September 2011 (ECB/2011/14), published on the Official Gazette of the European Union No. 331 of 14 December 2011, as amended by the Guideline of the European Central Bank on 26 November 2012 (ECB/2012/25) published on the Official Gazette of the European Union No. 348 on 18 December 2012, both relating to monetary policy instruments and procedures of the Eurosystem, and the decisions of the European Central Bank dated, respectively, 20 March 2013 (ECB/2013/6), on the rules concerning the use as collateral for Eurosystem monetary policy operations of own-use uncovered government-guaranteed bank bonds, and 26 September 2013 on additional measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2013/35), as subsequently amended and supplemented.

"**Eligible Assets**" means the following assets contemplated under article 2, sub-paragraph 1, of Decree No. 310:

(i) Residential Mortgage Loans;

(ii) Asset Backed Securities.

"**Eligible Institution**" means any credit institution incorporated under the laws of any state which is a member of the EEA or of the United States, whose short-term unsecured and unsubordinated debt obligations with respect to DBRS have a DBRS Rating or DBRS Equivalent Rating equal to the Minimum DBRS Rating, at least "F-1" by Fitch, and at least "P-1" by Moody's and whose long-term unsecured and unsubordinated debt obligations are rated at least "A" by Fitch and at least "P-1" by Moody's no long term Moody's rating, (**provided that**, if any of the above credit institutions is on rating watch negative, it shall be treated as one notch below its current Fitch rating) or any other rating level from time to time provided for in the Rating Agencies' criteria.

"**Eligible Investment**" means any investment denominated in Euro (unless a suitable hedging is in place) that has a maturity date falling, and which is redeemable at par together with accrued unpaid interest, no later than the next following Eligible Investment Liquidation Date and that is an obligation of a company incorporated in, or a sovereign issuer of, a Qualifying Country (as defined below), **provided that** in case of downgrade below such rating level the securities will be sold, if it could be achieved without a loss, otherwise the securities shall be allowed to mature, and is one or more of the following obligations or securities (including, without limitation, any obligations or securities for which the Cash Manager or the Representative of the Bondholders or an affiliate of any of them provides services):

(i) direct obligations of any agency or instrumentality of a sovereign of a Qualifying Country, the obligations of which agency or instrumentality are unconditionally and irrevocably guaranteed in full by a Qualifying Country, a "Qualifying Country" being a country rated at the time of such investment or contractual commitment providing for such investment in such obligations, at least "AA-" or "F1+" by Fitch "Aa3" and "P-1" by Moody's and AA (low) or R-1 (middle) by DBRS;

(ii) demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any depositary institution or trust company (including, without limitation, the English Account Bank and the Italian Account Bank) incorporated under the laws of a Qualifying Country with, in each case, a maturity of no more than 30 days (and in any case falling prior to the immediately following Eligible Investment Liquidation Date) and subject to supervision and examination by governmental banking authorities, **provided that** the commercial paper and/or the debt obligations of such depositary institution or trust company (or, in the case of the principal depositary institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of at least "A" and "F1" by Fitch, "A2" and "P-1" by Moody's and with respect to DBRS rated according to the "DBRS A" table;

(iii) any security rated at least (A) "P-1" by Moody's, "A" and "F1" by Fitch and with respect to DBRS according to the DBRS A, if the relevant maturity is up to 30 calendar days, (B) "P-1" by Moody's "AA-" or "F1+" by Fitch and with respect to DBRS according DBRS B table, if the relevant maturity is up to 365 calendar days **provided that**, in all cases, the maximum aggregate total exposures in general to classes of assets with certain ratings by the Ratings Agencies will, if requested by any Rating Agencies, be limited to the maximum percentages specified by any such Rating Agencies;

(iv) any Top-Up Asset and/or Public Entity Securities and/or Asset Backed Securities, **provided that**, in all cases, such investments shall from time to time comply with Rating Agencies' criteria;

(v) subject to the rating of the Covered Bonds not being affected, unleveraged repurchase obligations with respect to: (1) commercial paper or other short-term obligations having, at the time of such investment, a credit rating of at least "AA-" or "F1+" by Fitch, "Aa3" and "P-1" by Moody's and a maturity of not more than 180 days from their date of issuance and with respect to DBRS, a credit rating of the counterparty according to the DBRS A and DBRS B tables; (2) off-shore money market funds rated, at all times, "AAA/V-1" by Fitch and "Aaa/MR1+" by Moody's and with respect to DBRS, a credit rating of the counterparty according to the tables DBRS A and DBRS B; and (3) any other investment similar to those described in paragraphs (1) and (2) above: (a) **provided that** any such other investment will not affect the rating of the Covered Bonds; and (b) which has the same rating as the investment described in paragraphs (1) and (2) above, **provided that**, (x) in any event, none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in any such instruments at any time and (y) title to the securities underlying such repurchase transactions (in the period between the execution of the relevant repurchase transactions and their respective maturity) effectively passes (as confirmed by a non qualified legal opinion by a primary standing law firm) to the Issuer and the obligations of the relevant counterparty are not related to the performance of the underlying securities.

DBRS A Table:

Eligible Investments with a maturity up to 30 days: CB Rating	Eligible Investment Rating
AAA	A or R-1(middle)
AA (high)	A or R-1(middle)
AA	A or R-1(middle)
AA (low)	A or R-1(middle)
A (high)	BBB (high) or R-2 (high)
A	BBB or R-2 (middle)
A (low)	BBB (low) or R-2 (low)
BBB (high)	BBB (low) or R-2 (low)
BBB	BBB (low) or R-2 (low)
BBB (low)	BBB (low) or R-2 (low)
BB (high)	BB (high) or R-3
BB	BB or R-4
BB (low)	BB (low) or R-4

DBRS B Table

Maximum maturity	CB rated at least AA (low)	CB rated between A (high) and A (low)	CB rated BBB (high) and below
90 days	AA (low) or R-1 (middle)	A (low) or R-1 (low)	BBB (low) or R-2 (middle)
180 days	AA or R-1 (high)	A or R-1 (low)	BBB or R-2 (high)
365 days	AAA or R-1 (high)	A (high) or R-1 (middle)	BBB or R-2 (high)

"**Eligible Investment Date**" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, any Business Day immediately after a Guarantor Payment Date.

"**Eligible Investment Liquidation Date**" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, two Business Days before the Guarantor Calculation Date immediately following the relevant Eligible Investment Date.

"**Eligible Investments Securities Account**" means the securities account number 284175,31 opened in the name of the Guarantor with the Italian Account Bank or any other substitutive account that may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**English Account Bank**" means Banca Monte dei Paschi di Siena S.p.A..

"**English Account**" means each of the Main Programme Account and the Reserve Account, and "English Accounts" means all of them.

"**English Account Bank Agreement**" means the English Account Bank agreement entered on 18 June 2010 between, *inter alios*, the Issuer, the Guarantor, the Italian

Account Bank, the English Account Bank and the Representative of the Bondholders, as amended from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

"**Extended Maturity Date**" means, in relation to a specific Series or Tranche of Covered Bonds, the date falling 38 years after the relevant Maturity Date.

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

"**Final Redemption Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series.

"**Final Terms**" means, in relation to any issue of any Series or Tranche of Covered Bonds, the relevant terms contained in the applicable Programme Documents and, in case of any Series or Tranche of Covered Bonds to be admitted to listing, the final terms submitted to the appropriate listing authority on or before the Issue Date of the applicable Series or Tranche of Covered Bonds.

"**Financial Laws Consolidation Act**" means Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented from time to time.

"**First Interest Payment Date**" means the date specified in the relevant Final Terms.

"**First Issue Date**" means the Issue Date of the first Covered Bonds issued under the Programme.

"**First Loan Interest Period**" means, in relation to any Term Loan, the period starting on the relevant Drawdown Date (exclusive) and ending on the first following Guarantor Payment Date (inclusive).

"**First Series of Covered Bonds**" means the first Series of Covered Bonds issued by the Issuer in the context of the Programme.

"**First Tranche of Covered Bonds**" means if applicable the first Tranche of Covered Bonds issued by the Issuer in the context of the issuance of the First Series of Covered Bonds.

"**Fitch**" means Fitch Ratings Ireland Limited.

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

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

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

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

"**Floating Rate Provisions**" has the meaning given in the relevant Final Terms.

"**FSMA**" means the Financial Services and Markets Act 2000, as amended from time to time.

"**Guarantee**" means the guarantee granted by the Guarantor for the purpose of guaranteeing the payments owed by the Issuer to the Bondholders and to the Other Guarantor Creditors pursuant to Law 130, Decree No. 310 and the Bank of Italy Regulations.

"**Guarantee Enforcement Notice**" means the notice to be served by the Representative of the Bondholders upon occurrence of certain Issuer Event of Default as better specified in Condition 12.2 (*Issuer Event of Default*).

"**Guaranteed Amounts**" means the Redemption Amount, the Interest Amount and any other amounts due from time to time by the Issuer to the Bondholders with respect to each Series or Tranche of Covered Bonds, including, for avoidance of doubt and without double counting, any amount that have been already paid timely by (or on behalf of) the Issuer to the Bondholders, to the extent it was clawed-back thereafter by a bankruptcy receiver, liquidator or other duly appointed officer upon opening of any bankruptcy proceedings or other similar insolvency proceedings of the Issuer.

"**Guaranteed Obligations**" means the payment obligations with respect to the Guaranteed Amounts.

"**Guarantee Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied on each Guarantor Payment Date, following the delivery of a Guarantee Enforcement Notice and prior to the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

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

"**Guarantor's Accounts**" means, collectively, the Italian Collection Account, the Italian Securities Collection Account, the Main Programme Account, the Expenses Account, the Eligible Investments Securities Account and any other account opened in the context of the Programme with the exception of any Collateral Account(s) as defined pursuant to clause 7.4 of the Intercreditor Agreement.

"**Guarantor Available Funds**" means, collectively, the Interest Available Funds and the Principal Available Funds.

"**Guarantor Calculation Agent**" means Banca Finanziaria Internazionale S.p.A. or any other entity acting in such capacity pursuant to the terms of the Cover Pool Management Agreement.

"**Guarantor Calculation Date**" means the date falling on the 22nd calendar day of March, June, September and December, or, if such day is not a Business Day, the immediately succeeding Business Day.

"**Guarantor Corporate Servicer**" means Banca Finanziaria Internazionale S.p.A. or any other entity acting in such capacity pursuant to the terms of the Corporate Services Agreement.

"**Guarantor Default Notice**" means the notice to be served by the Representative of the Bondholders in case of a Guarantor Event of Default.

"**Guarantor Event of Default**" has the meaning given to it in the Terms and Conditions of the Covered Bonds.

"**Guarantor Payment Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling 5 Business Days after the Guarantor Calculation Date of March, June, September and December or, if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

"**IFRS**" means international financial reporting and accounting standards issued by the International Accounting Standards Board (IASB).

"**Individual Purchase Price**" means:

(i) with respect to each Receivable transferred pursuant to the Master Assets Purchase Agreements, the most recent book value (*ultimo valore di iscrizione in bilancio*) of the relevant Receivable:

(A) *minus* the aggregate amount of (1) the accrued interest obtained at the date of the last financial statement with reference to such Receivable and included in such book value; and (2) any collections with respect to principal received by the relevant Seller with respect to such Receivable, starting from the date of the most recent financial statement (*ultimo bilancio*) until the relevant Valuation Date (included); and

(B) increased of the aggregate amount of the Accrued Interest with respect to such Receivable obtained at the relevant Valuation Date;

(ii) such other value, pursuant to article 7-*bis*, sub-paragraph 7, of Law 130, as indicated by the Principal Seller (or each Additional Seller, if any) in the relevant Transfer Proposal (also with respect to any further Eligible Assets different from the Receivables or any Top-Up Assets).

"**Initial Portfolio**" means the first portfolio of Receivables and related Security Interests purchased by the Guarantor pursuant to the Master Assets Purchase Agreement.

"**Initial Portfolio Purchase Price**" means the consideration paid by the Guarantor to the Principal Seller for the transfer of the Initial Portfolio, calculated in accordance with clause 5.1 of the Master Assets Purchase Agreement.

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

(i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*" and "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company, entity or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Programme Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to Article 74 of the Consolidated Banking Act); or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2484 of the Civil Code occurs with respect to

such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or

(v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business; or

(vi) such company, entity or corporation becomes subject to any proceedings resulting from the implementation of directive 2014/59/UE of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**").

"**Instalment**" means with respect to each Mortgage Loan Agreement, each instalment due from the relevant Debtor thereunder and which consists of an Interest Instalment and a Principal Instalment.

"**Instalment Amount**" has the meaning set out in Condition 9(h) (*Redemption and Purchase - Redemption by instalments)*.

"**Insurance Policies**" means (i) each insurance policy taken out with the insurance companies in relation to each Real Estate Asset and each Mortgage Loan or (ii) any possible "umbrella" insurance policy in relation to the Real Estate Assets which have lost their previous relevant insurance coverage.

"**Intercreditor Agreement**" means the intercreditor agreement entered on 18 June 2010 between, *inter alios*, the Guarantor and the Other Guarantor Creditors, as amended from time to time.

"**Interest Amount**" means, in relation to any Series or Tranche of Covered Bonds and an Interest Period, the amount of interest payable in respect of that Series or Tranche for that Interest Period.

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

(i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Main Programme Account during the immediately preceding Collection Period;

(ii) all recoveries in the nature of interest received by the Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Programme Accounts during the immediately preceding Collection Period;

(iv) any amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount, and following the service of a Guarantee

Enforcement Notice, on the Guarantor, any amounts standing to the credit of the Reserve Account;

(v) any interest amounts standing to the credit of the Programme Accounts;

(vi) all interest amounts received from the Eligible Investments;

(vii) subject to item (ix) below, any amounts received under the Asset Swap Agreement and the Covered Bond Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Guarantor Calculation Date, (i) to make payments in respect of interest due and payable, *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and *pro rata* in respect of each relevant Series or Tranche of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Guarantor Calculation Agent may reasonably determine, or otherwise;

(viii) subject to item (ix) below, any amounts received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts;

(ix) any swap termination payments received from a Swap Provider under any Swap Agreement;

provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will be, to the extent permitted by the relevant Swap Agreement, net of any cost necessary to replace the swap provider and find an eligible swap counterparty to enter into a replacement swap agreement;

(x) all interest amounts received from the Principal Seller (or any Additional Seller, if any) by the Guarantor pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

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

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

"**Interest Commencement Date**" means the Issue Date of the relevant Series or Tranche of Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

"**Interest Coverage Test**" has the meaning as indicated pursuant to clause 2.4 of the Cover Pool Management Agreement.

"**Interest Determination Date**" has the meaning given in the relevant Final Terms.

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

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"**Interest Shortfall Amount**" means, on any Guarantor Payment Date, an amount equal to the difference, if positive, between (a) the aggregate amounts payable (but for the operation of clause 13 (*Enforcement of Security, Non Petition and Limited Recourse*) of the Intercreditor Agreement) under items First to Fifth of the Pre-Issuer Default Interest Priority of Payments; and (b) the Interest Available Funds (net of such Interest Shortfall Amount) on such Guarantor Payment Date.

"**ISDA Definitions**" has the meaning given in the relevant Final Terms.

"**ISDA Determination**" has the meaning given in the relevant Final Terms.

"**Issue Date**" means each date on which a Series or Tranche of Covered Bonds is issued.

"**Issuer**" means BMPS.

"**Issuer Event of Default**" has the meaning given to it in the Terms and Conditions of the Covered Bonds.

"**Issuer Default Notice**" means the notice to be served by the Representative of the Bondholders to upon occurrence of certain Issuer Event of Default as better specified in Condition 12.2 (*Issuer Event of Default*).

"**Istruzioni di Vigilanza**" means the regulations for banks issued by the Bank of Italy on 21 April 1999 with Circular No. 229, as subsequently amended and supplemented.

"**Istruzioni di Vigilanza per gli Intermediari Finanziari**" means the regulations for financial intermediaries issued by the Bank of Italy on 5 August 1996 with circular number 216, as subsequently amended and supplemented.

"**Italian Account Bank**" means BMPS in its capacity as Italian account bank pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Account Bank Report**" means the report produced by the Italian Account Bank pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Account**" means each of the Italian Collection Account, the Italian Securities Collection Account, the Payments Account, the Expenses Account and the Eligible Investments Securities Account, and "Italian Accounts" means all of them.

"**Italian Back-Up Account Bank**" means The Bank of New York Mellon (Luxembourg) S.A., Italian Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Collection Account**" means any of the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of any amount of the Collections of the Portfolios number 000008417530 (IBAN: IT 27 S 01030 14200 000008417530) and any other account which may be opened by the Guarantor if a bank part of the Montepaschi Group will accede the Programme in its capacity as Additional Seller and Additional Servicer, for the deposit of the collections of the Portfolios transferred by such bank, in its capacity as Additional Seller, to the Guarantor, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Securities Collection Account**" means any of the securities account opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of the Asset Backed Securities number 184175,79 and any other account which may be opened by the Guarantor if a bank part of the Montepaschi Group will accede the Programme in its capacity as Additional Seller and Additional Servicer, for the deposit of the Asset Backed Securities transferred by such bank, in its capacity as Additional Seller, to the Guarantor, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Joint-Arrangers**" means, collectively, Barclays Bank Ireland PLC, BMPS, and NatWest Markets N.V..

"**Joint Regulation**" means the joint regulation of CONSOB and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, as subsequently amended and supplemented from time to time.

"**Law 130**" means Italian Law No. 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

"**Loan Interest**" means any of the Base Interest or the Corresponding Interest, as calculated in the Subordinated Loan Agreement.

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

"**Main Programme Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the English Account Bank, number 50456002 (IBAN GB58 PASC 4051 6850 4560 02), or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Mandate Agreement**" means the mandate agreement entered on 18 June 2010 between the Guarantor and the Representative of the Bondholders.

"**Mandatory Tests**" means the tests provided for under article 3 of Decree No. 310 as calculated pursuant to the Cover Pool Management Agreement.

"**Margin**" has the meaning set out to the term "**Margine**" in the Subordinated Loan Agreement.

"**Master Assets Purchase Agreement**" means the master assets purchase agreement entered on 25 May 2010 between the Guarantor, the Principal Seller and, following accession to the Programme, each Additional Seller, as amended from time to time.

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

"**Master Servicing Agreement**" means the master servicing agreement entered on 25 May 2010 between the Guarantor, the Principal Servicer and, following accession to the Programme, each Additional Servicer, as amended from time to time.

"**Maturity Date**" means each date on which final redemption payments for a Series or Tranche of Covered Bonds become due in accordance with the Final Terms but subject to it being extended to the Extended Maturity Date.

"**Maximum Rate of Interest**" means has the meaning given in the relevant Final Terms.

"**Maximum Redemption Amount**" means has the meaning given in the relevant Final Terms.

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

"**Minimum DBRS Rating**":

Highest Rating Assigned to Rated Securities	Minimum Instruction Rating
AAA (sf)	"A"
AA (high) (sf)	"A"
AA (sf)	"A"
AA (low) (sf)	"A"
A (high) (sf)	BBB (high)
A (sf)	BBB
A (low) (sf)	BBB (low)
BBB (high) (sf)	BBB (low)
BBB (sf)	BBB (low)
BBB (low) (sf)	BBB (low)

"**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms.

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms.

"**Montepaschi Group**" means, together, the banks and other companies belonging from time to time to the banking group "Gruppo Montepaschi", enrolled with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

"**Monte Titoli**" means Monte Titoli S.p.A..

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-*quater* of the Financial Laws Consolidation Act.

"**Monthly Collection Period**" means (a) each period commencing on (and including) a Collection Date and ending on (but excluding) the following Collection Date; and (b) in the case of the first Monthly Collection Period, the period commencing on (and including) the Valuation Date and ending on (and including) the last calendar day of the month immediately preceding the first Guarantor Payment Date.

"**Monthly Servicer's Report**" means, with reference to the Principal Servicer the monthly report prepared by the Principal Servicer and with reference to any Additional Servicer, the monthly report prepared by any Additional Servicer pursuant to the Master Servicing Agreement.

"**Monthly Servicer's Report Date**" means (i) prior to the delivery of a Guarantor Default Notice, the date falling on the 15th calendar day of each month or, if such day is not a Business Day, the immediately preceding Business Day and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Bondholders.

"**Moody's**" means Moody's Deutschland GmbH.

"**Mortgage**" means the mortgage security interests (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Receivables.

"**Mortgage Loan**" means a Residential Mortgage Loan, the claims in respect of which have been and/or will be transferred by the Seller to the Guarantor pursuant to the Master Assets Purchase Agreement.

"**Mortgage Loan Agreement**" means any residential mortgage loan agreement out of which the Receivables arise.

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of the relevant Seller to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

"**Negative Carry Factor**" is a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, be not less than 0.5 per cent.

"**Net Present Value Test**" has the meaning as indicated pursuant to clause 2.3 of the Cover Pool Management Agreement.

"**New Portfolio**" means any portfolio of Assets (other than the Initial Portfolio) which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**New Portfolio Purchase Price**" means the consideration which the Guarantor shall pay to the relevant Seller for the transfer of each New Portfolio in accordance with the Master Assets Purchase Agreement and equal to the aggregate amount of the Individual Purchase Price of all the relevant Assets included in the relevant New Portfolio.

"**Nominal Value Test**" has the meaning as indicated pursuant to clause 2.2 of the Cover Pool Management Agreement.

"**Non-Performing Asset**" means, collectively, the Defaulted Receivables, the Delinquent Receivables and any Defaulted Asset Backed Securities.

"**Notice**" means any notice delivered under or in connection with any Programme Document.

"**Obligations**" means all the obligations of the Guarantor created by or arising under the Programme Documents.

"**Optional Redemption Amount (Call)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Amount (Put)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms.

"**Organisation of the Bondholders**" means the association of the Bondholders, organised pursuant to the Rules of the Organisation of the Bondholders.

"**Other Guarantor Creditors**" means the Principal Seller and each Additional Seller, if any, the Principal Servicer and each Additional Servicer, if any, the Back-up Servicer, the Principal Subordinated Lender and each Additional Subordinated Lender, if any, the Guarantor Calculation Agent, the Pre-Issuer Default Test Calculation Agent, the Post-Issuer Default Test Calculation Agent, the Representative of the Bondholders, the Asset Monitor, the Asset Swap Provider, the Covered Bond Swap Providers, the Italian Account Bank, the Back-Up Account Bank, the English Account Bank, the Principal Paying Agent, the Paying Agent(s), the Luxembourg Listing and Paying Agent, the Guarantor Corporate Servicer and the Portfolio Manager (if any).

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

"**Pass Through Series**" means:

(a) any Series of Covered Bonds in respect of which:

(i) the Issuer has failed to repay in whole or in part the relevant Final Redemption Amount on the applicable Maturity Date and a Guarantee Enforcement Notice has been served on the Guarantor; and

(ii) the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of Covered Bonds on the relevant Extension Determination Date;

(b) all Series of Covered Bonds if a Guarantee Enforcement Notice has been delivered (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice) and a breach of the Amortisation Test has occurred.

"**Paying Agent**" means the Principal Paying Agent and each other paying agent appointed from time to time under the terms of the Cash Allocation, Management and Payments Agreement.

"**Payment Business Day**" means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

(i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"**Payments Account**" means the account denominated in Euro that will be opened in the name of the Guarantor and held with the Payments Account Bank or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"**Payments Report**" means the report to be prepared and delivered by the Guarantor Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement.

"**Place of Payment**" means, in respect of any Bondholders, the place at which such Bondholder receives payment of interest or principal on the Covered Bonds.

"**Portfolio**" means collectively the Initial Portfolio and any other New Portfolios which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Assets Purchase Agreement.

"**Portfolio Manager**" means the subject appointed as portfolio manager pursuant to the Cover Pool Management Agreement or any other entity acting in such capacity pursuant to the Cover Pool Management Agreement.

"**Post-enforcement Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied on each Guarantor Payment Date,

following the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

"**Post-Issuer Default Test Calculation Agent**" means Banca Finanziaria Internazionale S.p.A..

"**Post-Issuer Default Test Performance Report**" means, on each Test Calculation Date and Quarterly Test Calculation Date during the period after the service of a Guarantee Enforcement Notice, the relevant report prepared by the Post-Issuer Default Test Calculation Agent setting out the calculations carried out by it with respect of the relevant Tests and specifying whether any of such Tests was not met.

"**Pre-Issuer Default Test Calculation Agent**" means BMPS.

"**Pre-Issuer Default Interest Priority of Payments**" means the order of priority pursuant to which the Interest Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Guarantee Enforcement Notice, in accordance with the Intercreditor Agreement.

"**Pre-Issuer Default Principal Priority of Payments**" means the order of priority pursuant to which the Principal Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Guarantee Enforcement Notice, in accordance with the Intercreditor Agreement.

"**Pre-Issuer Default Test Performance Report**" means, on each Test Calculation Date and Quarterly Test Calculation Date prior to the service of a Guarantee Enforcement Notice, the relevant report prepared by the Post-Issuer Default Test Calculation Agent setting out the calculations carried out by it with respect of the relevant Tests and specifying whether any of such Tests was not met.

"**Premium**" means, on each Guarantor Payment Date, an amount payable by the Guarantor on each Programme Term Loan in accordance with the relevant Priority of Payments and equal to the Guarantor Available Funds as at such date, after all amounts payable in priority thereto have been made in accordance with the relevant Priority of Payments.

"**Principal Amount Outstanding**" means, on any day: (a) in relation to a Covered Bond, the principal amount of that Covered Bond upon issue less the aggregate amount of any principal payments in respect of that Covered Bond which have become due and payable (and been paid) on or prior to that day; and (b) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount in (a) in respect of all Covered Bonds outstanding.

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

(i) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(ii) all other recoveries in respect of principal received by the Principal Servicer (and any Additional Seller, if any) and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(iii) all principal amounts received by the Guarantor from the Seller pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

(iv) the proceeds of any disposal of Assets and any disinvestment of Assets or Eligible Investments;

(v) any amounts granted by the Seller under the Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Top-Up Asset;

(vi) all amounts in respect of principal (if any) received under any Swap Agreements other than any Swap Collateral Excluded Amounts;

(vii) any amounts paid out of item Ninth of the Pre-Issuer Default Interest Priority of Payments; and

(viii) any principal amounts standing to the credit of the Programme Accounts.

"**Principal Balance**" means:

(i) for any Mortgage Loan as at any given date, the aggregate of: (a) the original principal amount advanced to the relevant Debtor and any further amount advanced on or before the given date to the relevant Debtor secured or intended to be secured by the related Security Interest; and (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Loan or with the relevant Debtor's consent and added to the amounts secured or intended to be secured by that Mortgage Loan; and (c) any other amount (including, for the avoidance of doubt, Accrued Interest and interest in arrears) which is due or accrued (whether or not due) and which has not been paid by the relevant Debtor and has not been capitalised, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date;

(ii) for any Asset Backed Security as at any given date, the principal amount outstanding of that Asset Backed Security (plus any accrued but unpaid interest thereon).

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

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that in relation to Euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee.

"**Principal Paying Agent**" means The Bank of New York Mellon in its capacity as Paying Agent pursuant to the Cash Allocation, Management and Payments Agreement or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement.

"**Principal Seller**" means BMPS.

"**Principal Servicer**" means BMPS.

"**Principal Subordinated Lender**" means BMPS in its capacity as Subordinated Lender pursuant to the relevant Subordinated Loan Agreement.

"**Priority of Payments**" means each of the orders in which the Guarantor Available Funds shall be applied on each Guarantor Payment Date in accordance with the Intercreditor Agreement.

"**Privacy Law**" means Italia Law number 675 of 1996, as subsequently amended and supplemented.

"**Programme**" means the programme for the issuance of each series of Covered Bonds (*Obbligazioni Bancarie Garantite*) by the Issuer in accordance with article 7-*bis* of Law 130.

"**Programme Accounts**" means, collectively, the Italian Accounts and the English Accounts and any other account opened from time to time in connection with the Programme.

"**Programme Agreement**" means the programme agreement entered on 18 June 2010 between, *inter alios*, the Guarantor, the Principal Seller, the Issuer, the Representative of the Bondholders and the Dealers, as amended from time to time.

"**Programme Documents**" means the Master Assets Purchase Agreement, the Master Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, each Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the English Account Bank Agreement, the Quotaholders' Agreement, the Prospectus, the Terms and Conditions, the Deed of Pledge, the Master Definitions Agreement, any Final Terms agreed in the context of the issuance of each Series or Tranche of Covered Bonds and any other agreement entered into in connection with the Programme.

"**Programme Limit**" means €20,000,000,000.

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

"**Prospectus**" means the base prospectus prepared in the context of the issuance of the Covered Bonds.

"**Prospectus Regulation**" means Regulation EU 2017/1129, as subsequently amended and supplemented.

"**Prudential Regulations**" means the prudential regulations for banks issued by the Bank of Italy on 27 December 2006 with Circular No. 263, as subsequently amended and supplemented.

"**Public Entity Receivables**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, any receivables owned by or receivables which have been benefit of a guarantee eligible for credit risk mitigation granted by public entities.

"**Public Entity Securities**" means pursuant to article 2, sub-paragraph 1, of Decree No. 310, any securities issued by or which have benefit of a guarantee eligible for credit risk mitigation granted by public entities.

"**Purchase Price**" means, as applicable, the consideration for the Initial Portfolio Purchase Price or the consideration for the New Portfolio Purchase Price pursuant to the Master Assets Purchase Agreement.

"**Put Option**" has the meaning given in the relevant Final Terms.

"**Put Option Notice**" means a notice in the form obtainable from the Principal Paying Agent which must be delivered to the Principal Paying Agent by any Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Bondholders.

"**Put Option Receipt**" means a receipt issued by the Principal Paying Agent to a Bondholder having deposited a Put Option Notice.

"**Quarterly Collection Period**" means (a) prior to the service of a Guarantor Default Notice, each period commencing on (and including) the Collection Dates in December, March, June and September and ending on (but excluding), respectively, the Collection Dates in March, June, September and December; (b) following the service of a Guarantor Default Notice, each period commencing on (and including) the last day of the preceding Quarterly Collection Period and ending on (but excluding) the date falling 10 calendar days prior to the next following quarterly Collection Date.

"**Quarterly Servicer's Report**" with reference to the Principal Servicer the quarterly report prepared by the Principal Servicer and with reference to any Additional Servicer, the quarterly report prepared by any Additional Servicer pursuant to the Master Servicing Agreement.

"**Quarterly Servicer's Report Date**" means (a) prior to the delivery of a Guarantor Default Notice, the Monthly Servicer's Report Date falling in March, June, September and December of each year or, if such day is not a Business Day, the immediately preceding Business Day; and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Bondholders.

"**Quarterly Test Calculation Date**" means the Test Calculation Date falling in March, June, September and December, of each year or, if such day is not a Business Day, the immediately preceding Business Day.

"**Quota Capital**" means the quota capital of the Guarantor.

"**Quota Capital Account**" means the account denominated in Euro opened in the name of the Guarantor with Banca Antonveneta, Conegliano, Agenzia 1, IBAN IT 32 I 05040 61621 000001228269 for the deposit of the Quota Capital.

"**Quotaholder**" means BMPS and any other quotaholder of the Guarantor.

"**Quotaholders' Agreement**" means the Quotaholders' agreement entered on 18 June 2010 between, *inter alios*, the Guarantor and the Quotaholders.

"**Rate of Exchange**" has the meaning set out in the relevant Final Terms.

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Series or Tranche of Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms.

"**Rating Agencies**" means Fitch, Moody's and DBRS.

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

"**Receivables**" means specifically each and every right arising under the Mortgage Loans pursuant to the law and the Mortgage Loan Agreements, including but not limited to:

(i) all rights and claims in respect of the repayment of the Principal Instalments due and not paid at the Valuation Date (excluded);

(ii) all rights and claims in respect of the payment of interest (including the default interest) accruing on the Mortgage Loans, which are due from (but excluding) the Valuation Date;

(iii) the Accrued Interest;

(iv) all rights and claims in respect of each Mortgage and any Collateral Security relating to the relevant Mortgage Loan Agreement;

(v) all rights and claims under and in respect of the Insurance Policies; and

(vi) any privileges and priority rights (*diritti di prelazione*) transferable pursuant to the law, as well as any other right, claim or action (including any legal proceeding for the recovery of suffered damages, the remedy of termination (*risoluzione per inadempimento*) and the declaration of acceleration of the debt (*decadenza dal beneficio del termine*) with respect to the Debtors) and any substantial and procedural action and defence, including the remedy of termination (*risoluzione per inadempimento*) and the declaration of acceleration of the debt (*decadenza dal beneficio del termine*) with respect to the Debtors, inherent in or ancillary to the aforesaid rights and claims;

excluding any expenses for the correspondence and any expenses connected to the ancillary services requested by the relevant Debtor.

"**Recoveries**" means any amounts received or recovered by the Servicer in relation to any Defaulted Receivables and any Delinquent Receivables.

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount (as any such terms are defined in the Conditions) or such other amount in the nature of a redemption

amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms.

"**Reference Banks**" (A) with respect to the Covered Bonds, has the meaning ascribed to it in the relevant Final Terms or, if none, four major banks selected by the Principal Paying Agent in the market that is most closely connected with the Reference Rate; and, (B) with respect to the Subordinated Loan Agreement, means four financial institutions of the greatest importance, acting on the interbank market of the member states of the EEA, as selected by the Principal Subordinated Lender and communicated to the Guarantor Calculation Agent.

"**Reference Price**" has the meaning given in the relevant Final Terms.

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

"**Regular Period**" means:

(i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Clearing System**" means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made.

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms.

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Relevant Time**" has the meaning given in the relevant Final Terms.

"**Representative of the Bondholders**" means BNY Mellon Corporate Trustee Services Limited or any other entity acting in such capacity pursuant to the Programme Documents.

"**Required Redemption Amount**" means (i) to the extent that no Series of Covered Bonds have become Pass Through Series, the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by (1 + Negative Carry Factor x (days to maturity of the relevant Series or Tranche of Covered Bonds/365)) and thereafter (ii) zero.

"**Required Reserve Amount**" means the aggregate of the amounts calculated by the Guarantor Calculation Agent on each Guarantor Calculation Date, in accordance with the following formula:

- **A plus B**, if BMPS is the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, or if no Covered Bond Swap Agreement has been entered into with respect to the relevant Series of Covered Bonds; and

- **A plus C**, if BMPS is not the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, where

  "**A**" is the sum of all the amounts to be paid by the Guarantor on the next following Guarantor Payment Date (i) under item First of the Pre-Issuer Default Interest Priority of Payments and (ii) as compensation for the activity of any of the Principal Servicer or the Additional Servicer under the terms of the Master Servicing Agreement.

  "**B**" is the aggregate amount of all interest payable with respect of each Series of Covered Bonds during the six months period following the relevant Guarantor Calculation Date; and

  "**C**" the sum of the Floating Amount (as defined in the Swap Agreement related to the relevant Series of Covered Bond) due by the Guarantor during the six months period following the relevant Guarantor Calculation Date.

"**Reserve Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the English Account Bank, number 50456001 (IBAN: GB85 PASC 4051 6850 4560 01) or any other substitutive account which may be opened pursuant to the English Account Bank Agreement.

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

"**Residential Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, a residential mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent. of the value of the property.

"**Residential Real Estate Assets**" means the Real Estate Assets relating to Residential Mortgage Loans.

"**Retention Amount**" means an amount equal to €50,000.00.

"**Rules of the Organisation of the Bondholders**" means the rules of the organisation of the Bondholders attached as Exhibit 1 to these Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Screen Rate Determination**" has the meaning given in the relevant Final Terms.

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

"**Security**" means the security created pursuant to the Deed of Pledge.

"**Security Interest**" means:

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

(ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

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

"**Segregation Event**" has the meaning given to the definition "Segregation Event" pursuant to the Terms and Conditions.

"**Selected Assets**" means the Eligible Assets and Top-Up Assets from time to time sold by the Guarantor in accordance with the provisions of the Cover Pool Management Agreement.

"**Seller**" means the Principal Seller pursuant to the Master Assets Purchase Agreement and each Additional Seller (if any).

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

"**Servicer**" means any of BMPS in its capacity as Principal Servicer pursuant to the Master Servicing Agreement and any Additional Servicer pursuant to the terms and conditions provided therein.

"**Servicer's Report Date**" means any of the Monthly Servicer's Report Date or any of the Quarterly Servicer's Report Date.

"**Servicer's Reports**" means any of the Monthly Servicer's Report and the Quarterly Servicer's Report.

"**Servicer Termination Event**" means any event as indicated in clause 11.1 of the Master Servicing Agreement.

"**Specified Currency**" means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms).

"**Specified Denomination**" has the meaning given in the relevant Final Terms.

"**Specified Office(s)**" means, in relation to any Paying Agent, the office currently specified in the Cash Management Payments and Allocation Agreement or as further specified by notice to the Issuer and the other parties to the Cash Management Payments and Allocation Agreement in the manner provided therein or in the relevant Final Terms, as the case may be.

"**Specified Period**" has the meaning set out in the relevant Final Terms.

"**Stock Exchange**" means the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*).

"**Subordinated Lender**" means any of the Principal Subordinated Lender and any Additional Subordinated Lender(s), if any.

"**Subordinated Loan Agreement**" means each subordinated loan agreement entered between a Subordinated Lender and the Guarantor, as amended from time to time.

"**Subordinated Loan Availability Period**" means the period starting from the date of execution of the Subordinated Loan Agreement (or, in respect of any Additional Seller, the relevant Subordinated Loan Agreement) and ending on the date on which all the Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full pursuant to the relevant Final Terms, in which the Subordinated Lender has the right to grant to the Guarantor, on each Drawdown Date, a Term Loan.

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

"**Substitute Servicer**" means the substitute of the Servicer which will take over the servicing activities in the event of a Servicer Termination Event pursuant to clause 12 of the Master Servicing Agreement.

"**Swap Agreements**" means, collectively, the Covered Bond Swap Agreement(s), the Asset Swap Agreement and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

"**Swap Collateral Excluded Amounts**" means at any time, the amounts of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor or, as the case may be, the Issuer including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.

"**Swap Providers**" means, as applicable, the Asset Swap Provider(s), the Covered Bond Swap Providers and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"**TARGET Settlement Day**" means any day on which the TARGET2 is open for the settlement of payments in Euro.

"**Tax**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein.

"**Term Loan**" means any term loan in the form of a Programme Term Loan or Fixed Interest Term Loan or Floating Interest Term Loan, made or to be made available to the Guarantor on each Drawdown Date under the Subordinated Loan Agreement or the principal amount outstanding for the time being of that loan.

"**Term Loan Proposal**" means an "*Offerta di Finanziamento Subordinato*" as such term is defined in the relevant Subordinated Loan Agreement.

"**Terms and Conditions**" means the Terms and Conditions of the Covered Bonds.

"**Test Calculation Agent**" means any of the Pre-Issuer Default Test Calculation Agent and the Post-Issuer Default Test Calculation Agent.

"**Test Calculation Date**" means the date on which the calculation of the Tests is performed, being a date falling on or before the Test Performance Report Date, **provided that** following the delivery of a Guarantee Enforcement Notice the first Test Calculation Date will fall 7 Business Days after the delivery of such Guarantee Enforcement Notice.

"**Test Grace Period**" means the period starting on the date on which the breach of any of the Mandatory Tests or of the Asset Coverage Test is notified by the Pre-Issuer Default Test Calculation Agent and ending on the immediately following Test Performance Report Date.

"**Test Performance Report**" means, respectively (i) the Pre-Issuer Default Test Performance Report to be issued by the Pre-Issuer Default Test Calculation Agent and (ii) the Post-Issuer Default Test Performance Report to be issued by the Post-Issuer Default Test Calculation Agent, each setting out the calculations carried out by it with respect to the relevant Tests.

"**Test Performance Report Date**" means the date falling the 22nd calendar day of each month.

"**Test Remedy Period**" means the period starting from the date on which a Breach of Test Notice is delivered and ending on the Test Performance Report Date falling 5 months thereafter.

"**Tests**" means, as appropriate, the Mandatory Tests, the Asset Coverage Test, the Amortisation Test.

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

(i) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0 per cent. risk weight

is applicable in accordance with the Bank of Italy's Prudential Regulations for banks - standardised approach; and

(ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

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

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

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

"**Treaty**" means the treaty establishing the European Community.

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

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

"**Warranty and Indemnity Agreement**" means the warranty and indemnity agreement entered on 25 May 2010 between the Principal Seller and the Guarantor, as amended from time to time.

"**Zero Coupon Provisions**" has the meaning set out in Condition 8 (*Zero Coupon Provisions*).

(b) *Interpretation:*

In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Series or Tranche of Covered Bonds and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) if an expression is stated in Condition 2 (a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms give no such meaning or specify that such expression is "not applicable" then such expression is not applicable to the relevant Covered Bonds;

(iv) any reference to a Programme Document shall be construed as a reference to such Programme Document, as amended and/or supplemented up to and including the Issue Date of the relevant Covered Bonds;

(v) any reference to a party to a Programme Document (other than the Issuer and the Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Programme Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a single Series or Tranche only; and

(vi) any reference in any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

3. DENOMINATION, FORM AND TITLE

The Covered Bonds are in the Specified Denomination or Specified Denominations which may include a minimum denomination of €100,000 (or, where the Specified Currency is a currency other than euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, all as specified in the relevant Final Terms and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency). The Covered Bonds will be issued in bearer and dematerialised form or in any other form as set out in the relevant Final Terms. The Covered Bonds issued in bearer and dematerialised form will be held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli Account Holders and title thereto will be evidenced by book entries in accordance with the provisions of the Financial Laws Consolidation Act and the Joint Regulation, as amended and supplemented from time to time. The Covered Bonds issued in bearer and dematerialised form will be held by Monte Titoli on behalf of the Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical document of title will be issued in respect of the Covered Bonds issued in bearer and dematerialised form. The rights and powers of the Bondholders may only be exercised in accordance with these Conditions and the Rules.

4. STATUS AND GUARANTEE

(a) *Status of the Covered Bonds*: The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Bondholders will be collected by the Guarantor on their behalf.

(b) *Status of the Guarantee*: The payment of Guaranteed Amounts in respect of each Series or Tranche of Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor in the Guarantee. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

5. FIXED RATE PROVISIONS

(a) *Application*: This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*: The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment). If payment of the Final Redemption Amount on the Maturity Date is deferred in whole or in part pursuant to Condition 9(b) (*Extension of maturity*), the Floating Rate Provision will apply (as specified in the Final Terms).

(c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount*: The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6. FLOATING RATE PROVISIONS

(a) *Application*: This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*: The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Principal Paying Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Principal Paying Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Principal Paying Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Principal Paying Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Principal Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period.

(d) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Principal Paying Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is as specified in the relevant Final Terms.

(e) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount*: The Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) *Publication*: The Principal Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agent(s) and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation

as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Bondholders. The Principal Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

(h) *Notifications etc*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Principal Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agent(s), the Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7. BENCHMARK REPLACEMENT

Notwithstanding the provisions in Condition 6 (*Floating Rate Provisions*), if the Issuer determines that the relevant Reference Rate specified in the relevant Final Terms has ceased to be published on the relevant Screen Page, or a Benchmark Disruption Event occurs (even if the rate continues to be published), when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(a) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner), no later than 5 Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Covered Bonds;

(b) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(c) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in this Condition 7.); provided, however, that if paragraph (b) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the

next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Covered Bonds in respect of the preceding Interest Period (subject to the subsequent operation of, and to adjustment as provided in this Condition 7.); for the avoidance of doubt, the provision in this sub-paragraph shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in this Condition 7.);

(d) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date, and/or the definition of Reference Rate applicable to the Covered Bonds, and the method for determining the fallback rate in relation to the Covered Bonds, in order to follow the prevailing market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines that an Adjustment Spread (as defined below) is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Representative of the Bondholders shall, at the direction and expense of the Issuer, authorise such consequential amendments to the Transaction Documents and these Conditions as may be required in order to give effect to this Condition 7.

(e) Bondholders' consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps (if required); and

(f) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give written notice thereof to the Principal Paying Agent, the Representative of the Bondholders and the Bondholders specifying (i) which of the Benchmark Disruption Event occurred, (ii) the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and (iii) any consequential changes made to these Conditions, **provided that** a prior written notice has been sent to the Rating Agencies within an appropriate period of time.

For the purposes of this Condition 7:

"**Adjustment Spread**" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order

to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Bondholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body (as defined below); or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary and prevailing market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or if no such customary and prevailing market usage can be determined or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary and prevailing market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Reference Rate;

"**Benchmark Disruption Event**" means any event which could have a material impact on the Reference Rate, including but not limited to:

(i) a material disruption to the Reference Rate, a material change in the methodology of calculating the Reference Rate or the Reference Rate ceasing to exist or be published, or the administrator of the Reference Rate having used a fallback methodology for calculating the Reference Rate for a period of at least 30 calendar days; or

(ii) the insolvency or cessation of business of the administrator of the Reference Rate (in circumstances where no successor administrator has been appointed); or

(iii) a public statement by the administrator of the Reference Rate that it will cease publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate) with effect from a date no later than 6 months after the proposed effective date of such benchmark replacement; or

(iv) a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate has been or will be permanently or indefinitely discontinued or there will be a material change in the methodology of calculating

the Reference Rate with effect from a date no later than 6 months after the proposed effective date of such benchmark replacement; or

(v) a public statement by the supervisor of the administrator of the Reference Rate that means the Reference Rate will be prohibited from being used or that its use is subject to restrictions or adverse consequences with effect from a date no later than 6 months after the proposed effective date of such benchmark replacement; or

(vi) a change in the generally accepted market practice in the market to refer to a Reference Rate endorsed in a public statement by the prudential regulation authority or any relevant committee or other body established, sponsored or approved by any of the foregoing, despite the continued existence of the Reference Rate; or

(vii) it having become unlawful and/or impossible and/or impracticable for the Principal Paying Agent or the Issuer to calculate any payments due to be made to any Bondholders using the Reference Rate.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense;

"**Relevant Nominating Body**" means, in respect of a reference rate or mid-swap benchmark rate:

(i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate or mid-swap benchmark rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid-swap benchmark rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

8. ZERO COUPON PROVISIONS

(a) *Application*: This Condition 8 is applicable to the Covered Bonds only if the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Covered Bonds*: If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

9. REDEMPTION AND PURCHASE

(a) *Scheduled redemption*: Unless previously redeemed or cancelled, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 9(b) (*Extension of maturity*) and Condition 10 (*Payments*).

(b) *Extension of maturity*: Without prejudice to Condition 12 (*Segregation Event and Events of Default*), the Guarantor's obligations under the Guarantee to pay the Guaranteed Amounts of the relevant Series of Covered Bonds on their Maturity Date may be deferred pursuant to the Conditions until the Extended Maturity Date. Such deferral will occur automatically:

(i) in respect of a Series of Covered Bonds (each such Series, a Pass Through Series) if (A) a Guarantee Enforcement Notice has been served on the Issuer and the Guarantor as a result of the Issuer having failed to pay, in whole or in part, the Guaranteed Amounts on the Maturity Date for such Series of Covered Bonds and, on the relevant Extension Determination Date, the Guarantor has insufficient funds to pay, in accordance with the Guarantee Priority of Payments, the Guaranteed Amounts in respect of such Series of Covered Bonds, or (B) a Guarantee Enforcement Notice has been served on the Issuer and the Guarantor following the occurrence of an Issuer Event of Default (other than the Issuer Event of Default referred to in paragraph (A) above) and, on the Maturity Date for such Series of Covered Bonds, the Guarantor has insufficient funds to pay, in accordance with the Guarantee Priority of Payments, the Guaranteed Amounts in respect of such Series of Covered Bonds; and

(ii) in respect of all Series of Covered Bonds, which all become Pass Through Series, if, on any Test Calculation Date following the service of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as a result of an Article 74 Event, prior to the service of an Article 74 Event Cure Notice), the Calculation Agent notifies, through the Test Performance Report, the Issuer, the Sellers, any Additional Seller and the Guarantor that the Amortisation Test is not met.

The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least four Business Days prior to the Maturity Date as to whether payment will or will not be made in full of the Final Redemption Amount in respect of the Covered Bonds on that Maturity Date.

Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The Guarantor shall notify the relevant holders of the Covered Bonds (in accordance with Condition 18 (*Notices*)), any relevant Swap Provider(s), the Rating Agencies, the Representative of the Bondholders and the Principal Paying Agent immediately after the Extension Determination Date or the Maturity Date (as the case may be) of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the Covered Bonds pursuant to the Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on the Extension Determination Date or the Maturity Date (as the case may be), pursuant to the Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priority of Payments) *pro rata* as payment of an amount equal to the Final Redemption Amount in respect of the Covered Bonds which become due and payable and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on each Guarantor Payment Date up to (and including) the Extended Maturity Date.

(c) *Redemption for tax reasons*: The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

(iii) on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their Early Termination Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Series of the Covered Bonds; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(A) where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or

(B) where the Covered Bonds may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(c) (*Redemption for tax reason*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 9(c) (*Redemption for tax reason*).

(d) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) *Redemption at the option of Bondholders*: If the Put Option is specified in the relevant Final Terms as being applicable, prior to an Issuer Event of Default, the Issuer shall, at the option of any Bondholder redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(e) (*Redemption at the option of the Bondholders*), the Bondholder must, not less than 30 nor more than 45 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the deposit in

Bondholder. Once deposited in accordance with this Condition 9(e) (*Redemption at the option of the Bondholders*), no duly completed Put Option Notice may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall mail notification thereof to the Bondholder at such address as may have been given by such Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 9(e) (*Redemption at the option of the Bondholders*), the Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(f) *Partial redemption*: If the Covered Bonds are to be redeemed in part only, on any date in accordance with Condition 9(d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Bondholders referred to in Condition 9(d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Early redemption of Zero Coupon Covered Bonds*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Covered Bonds at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bonds become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(g) (*Early redemption of Zero Coupon Covered Bonds*) or, if none is so specified, a Day Count Fraction of 30E/360.

(h) *Redemption by instalments*: If the Covered Bonds are specified in the relevant Final Terms as being amortising and redeemable in instalments they will be redeemed in such number of instalments, in such amounts ("**Instalment**

Amounts") and on such dates as may be specified in or determined in accordance with the relevant Final Terms and upon each partial redemption as provided by this Condition 9(h) (*Redemption and Purchase - Redemption by instalments)* the outstanding principal amount of each such Covered Bonds shall be reduced by the relevant Instalment Amount for all purposes.

(i) *No other redemption*: The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 9(a) (*Scheduled redemption*) to (h) (*Redemption by instalments*) above.

(j) *Purchase*: The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price. The Guarantor shall not purchase any Covered Bonds at any time.

(k) *Cancellation*: All Covered Bonds so redeemed shall be cancelled (or may be cancelled in case of Covered Bonds repurchase by the Issuer) and thereafter may not be reissued.

10. PAYMENTS

(a) *Payments through clearing systems*: Payment of interest and repayment of principal in respect of the Covered Bonds will be credited, in accordance with the instructions of Monte Titoli, by the Principal Paying Agent on behalf of the Issuer or the Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.

(b) *Payments subject to fiscal laws*: All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to Bondholders in respect of such payments.

(c) *Payments on Business Days*: If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

11. TAXATION

(a) *Gross up by Issuer*: All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having

power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

(i) in respect of any payment or deduction on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Decree No. 239 with respect to any Covered Bonds and in all circumstances in which the procedures set forth in Decree No. 239 have not been met or complied with, except where such procedures have not been met or complied with, due to the actions or omissions of the Issuer or its agents; or

(ii) held by or on behalf of a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Covered Bonds by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Covered Bonds; or

(iii) 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; or

(iv) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or any other amount is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or

(v) in respect of Covered Bonds classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of September 30, 1983, as amended and supplemented from time to time; or

For the avoidance of doubt, if an amount were to be deducted or withheld from interest, principal or other payments on the Covered Bonds as a result of an agreement described in Section 1471 (b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto ("**FATCA**") none of the Issuer, the Guarantor, any paying agent or any other persons would, pursuant to the terms and conditions of the Covered Bonds, be required to pay additional amounts as a result of deduction or the withholding.

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

12. SEGREGATION EVENT AND EVENTS OF DEFAULT

12.1 Segregation Event

The occurrence of any of the following events:

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

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

which the Pre-Issuer Default Test Calculation Agent notifies has not been remedied within the applicable Test Grace Period, constitutes a "**Segregation Event**".

Upon the occurrence of a Segregation Event the Representative of the Bondholders will promptly serve notice and in any case within 5 calendar days (the "**Breach of Tests Notice**") on, *inter alios*, the Issuer and the Guarantor and the Rating Agencies that a Segregation Event has occurred.

In such case:

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

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

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

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

If the relevant Mandatory Tests and Asset Coverage Test is/are met within the Test Remedy Period, the Representative of the Bondholders will promptly and in any case within 5 calendar days deliver to the Issuer, the Guarantor, the Asset Monitor and the Rating Agencies a notice informing such parties that the Breach of Tests Notice then outstanding has been revoked (the "**Breach of Tests Cure Notice**").

12.2 Issuer Event of Default

The occurrence of any of the following events constitutes an "**Issuer Event of Default**":

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

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

(c) *Insolvency*: an Insolvency Event occurs with respect to the Issuer; or

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

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

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

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

Upon the service of a Guarantee Enforcement Notice:

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

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

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

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

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

(vi) *Disposal of Assets*: the Guarantor shall use its best effort to sell the Eligible Assets and/or Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement,

provided that, in case of the Issuer Event of Default determined by a resolution issued in respect of the Issuer pursuant to article 74 of the Consolidated Banking Act (referred to under item (d) (*Article 74 Event*) above) (the "**Article 74 Event**"), the effects listed in items (i) (*Application of the Segregation Event provisions*), (ii) (*Guarantee*) and (iv) (*Disposal of Assets*) above will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect (the "**Suspension Period**"). Accordingly (A) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds).

For the avoidance of doubt, (i) in case of delivery of a Guarantee Enforcement Notice further to a non- payment of interest on a Series of Covered Bonds the relevant Series becomes a Pass-Though Series if and only to the extent that, on the relevant Extension Determination Date, the Guarantor does not have sufficient funds to redeem the Final Redemption Amount of such Series and (ii) in case of delivery of a Guarantee Enforcement Notice further to an Insolvency Event of the Issuer - consisting in a procedure of *liquidazione coatta amministrativa* - or further to an Article 74 Event, if the Guarantor does not have sufficient funds pay the Final Redemption Amount due on a Series of Covered Bond on the relevant Maturity Date, such Series becomes a Pass-Though Series on such Maturity Date.

If any of the events set out in points from (b), (c) other than in case of Insolvency Event consisting in a procedure of *liquidazione coatta amministrativa* of the Issuer, or (e) above occurs and is continuing, then the Representative of the Bondholders shall serve a notice to the Issuer, the Guarantor, the Principal Seller and any Additional Seller (if any), the Principal Servicer and any Additional Servicer (if any), the Asset Monitor, the Rating Agencies, the Guarantor Calculation Agent, the Swap Counterparties, the Post-Issuer Default Test Calculation Agent and the Rating Agencies (an "**Issuer Default Notice**").

Upon the service of an Issuer Default Notice the provisions governing the Segregation Event from item (i) to (iv) shall apply.

12.3 **Guarantor Event of Default**

Following the occurrence of an Issuer Event of Default and delivery of the relevant Guarantee Enforcement Notice (to the extent not revoked), the occurrence of any of the following events constitutes a "**Guarantor Event of Default**":

(a) *Non-payment*: the Guarantor fails to pay any interest and/or principal due and payable under the Guarantee and such breach is not remedied within the next following 7 Business Days; or

(b) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; or

(c) *Breach of other obligation*: a material breach of any obligation under the Programme Documents by the Guarantor occurs (other than payment obligations referred to in item (a) (*Non-payment*) above) which is not remedied within 30 days after the Representative of the Bondholders has given written notice thereof to the Guarantor.

If any of the events set out in points from (a) to (c) above occurs and is continuing then the Representative of the Bondholders shall serve to the Issuer, the Guarantor, the Principal Seller and any Additional Seller (if any), the Principal Servicer and any Additional Servicer (if any), the Asset Monitor, the Guarantor Calculation Agent, the Principal Paying Agent, the Guarantor Corporate Servicer, the Italian Account Bank, the Italian Back-Up Account Bank, the English Account Bank, the English Back-up Account Bank and the Rating Agencies a Guarantor Default Notice, unless the Representative of the Bondholders, having exercised its discretion, resolves otherwise or a resolution of the Bondholders is passed resolving otherwise.

Upon the delivery of a Guarantor Default Notice, unless a Programme Resolution is passed resolving otherwise:

(i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Termination Amount together, if appropriate, with any accrued interest and will rank *pari passu* among themselves in accordance with the Post-enforcement Priority of Payments;

(ii) subject to and in accordance with the terms of the Guarantee, the Representative of the Bondholders, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Termination Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 11(a) (*Gross up by Issuer*)) in accordance with the Priority of Payments;

(iii) *Disposal of Assets*: the Guarantor shall immediately sell all Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement; and

(iv) *Enforcement*: the Representative of the Bondholders may, at its discretion and without further notice, subject to adequate satisfaction before doing so, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a resolution of the Bondholders.

12.4 **Amortisation Test and relevant breach**

Starting from the date on which a Guarantee Enforcement Notice is delivered and until the earlier of:

(a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and

(b) the date on which a Guarantor Default Notice is delivered,

the Guarantor shall procure that on any Test Calculation Date, the Amortisation Test is met with respect to the Cover Pool, **provided that**, in case the Issuer Event of Default consists of an Article 74 Event, no Article 74 Event Cure Notice has been served.

If a breach of the Amortisation Test occurs:

(i) *Pass Through Series*: any and all Series of Covered Bonds will become immediately Pass Through Series in accordance with Condition 8(b); and

(ii) *Disposal of Assets*: the Guarantor shall use its best effort to sell the Eligible Assets and/or Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement.

12.5 Determinations, etc: all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 12 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.

13. LIMITED RECOURSE AND NON PETITION

13.1 Limited recourse

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

13.2 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:

(a) 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;

(b) 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;

(c) until the date falling two years and one day after the date on which all Series and Tranches of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Conditions and the relevant final Terms no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

(d) 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.

14. 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.

15. REPRESENTATIVE OF THE BONDHOLDERS

(a) *Organisation of the Bondholders*: The Organisation of the Bondholders shall be established upon, and by virtue of, the issue of the first Series of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of all the Covered Bonds of whatever Series or Tranche. Pursuant to the Rules, for as long as any Covered Bonds of any Series or Tranche are outstanding, there shall at all times be a Representative of the Bondholders. The appointment of the Representative of the Bondholders as legal representative of the Organisation of the Bondholders is made by the Bondholders subject to and in accordance with the Rules.

(b) *Initial appointment*: In the Programme Agreement, the Dealers have appointed the Representative of the Bondholders to perform the activities described in the Mandate Agreement, in the Programme Agreement, in these Conditions (including the Rules), and in the other Programme Documents and the Representative of the Bondholders has accepted such appointment for the period commencing on the Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds of whatever Series and Tranche have been cancelled or redeemed in accordance with their respective terms and conditions.

(c) *Acknowledgment by Bondholders*: Each Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by the Programme Documents; and

(ii) acknowledges and accepts that the Dealers shall not be liable in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Bondholders as a result of the performance by the Representative of the Bondholders of its duties or the exercise of any of its rights under the Programme Documents.

16. AGENTS

In acting under the Cash Allocation, Management and Payments Agreement and in connection with the Covered Bonds, the Paying Agents act solely as agents of the Issuer and, following service of a Guarantee Enforcement Notice or a Guarantor Default Notice, as agents of the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Principal Paying Agent and its initial Specified Office is set out in these Conditions. Any additional Paying Agents and their Specified Offices are specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; **provided, however, that**:

(a) the Issuer and the Guarantor shall at all times maintain a principal paying agent; and

(b) the Issuer and the Guarantor shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and

(c) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

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

17. 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.

18. NOTICES

(a) *Notices given through Monte Titoli*: Any notice regarding the Covered Bonds issued in bearer and dematerialised form, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.

(b) *Notices in Luxembourg*: As long as the Covered Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice to Bondholders shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

(c) *Other publication*: The Representative of the Bondholders shall be at liberty to sanction any other method of giving notice to Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to listing, trading and/or quotation and **provided that** notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Bondholders shall require.

19. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. GOVERNING LAW AND JURISDICTION

(a) *Governing law*: The Covered Bonds will be governed by Italian law. These Conditions and the related Programme Documents will be governed by Italian law, except for the Swap Agreements and the English Account Bank Agreement, which will be governed by English law.

(b) *Jurisdiction*: The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.

(c) *Relevant legislation*: Anything not expressly provided for in these Conditions will be governed by the provisions of Law 130 and, if applicable, article 58 of the Consolidated Banking Act, the Bank of Italy Regulations and Decree No. 310.

RULES OF THE ORGANISATION OF THE BONDHOLDERS

TITLE I
GENERAL PROVISIONS

1. GENERAL

1.1 The Organisation of the Bondholders in respect of all Covered Bonds of whatever Series or Tranche issued under the Programme by Banca Monte dei Paschi di Siena S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series to be issued and is governed by these Rules of the Organisation of the Bondholders ("**Rules**").

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series or Tranche.

1.3 The contents of these Rules are deemed to be an integral part of the Conditions of the Covered Bonds of each Series or Tranche issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 **Definitions**

In these Rules, the terms below shall have the following meanings:

"**Block Voting Instruction**" means, in relation to a Meeting, a document issued by a Paying Agent:

(a) certifying that specified Covered Bonds are held to the order of a Paying Agent or under its control or have been blocked in an account with a clearing system and will not be released until a the earlier of:

(i) a specified date which falls after the conclusion of the Meeting; and

(ii) the surrender to the Paying Agent which issued the same not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by such Paying Agent to the Issuer and Representative of the Bondholders;

(b) certifying that the Holder of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the relevant Paying Agent that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;

(c) listing the aggregate principal amount of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and

(d) authorising a named individual to vote in accordance with such instructions;

"**Blocked Covered Bonds**" means Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of a Paying Agent for the purpose of obtaining from that Paying Agent a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in respect of which the Block Voting Instruction or Voting Certificate is required;

"**Chairman**" means, in relation to any Meeting, the person who takes the chair in accordance with Article 8 (*Chairman of the Meeting*).

"**Event of Default**" means an Issuer Event of Default or a Guarantor Event of Default;

"**Extraordinary Resolution**" means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast;

"**Fitch**" means Fitch Ratings Ireland Limited;

"**Holder**" or "**holder**" means in respect of Covered Bonds, the ultimate owner of such Covered Bonds;

"**Liabilities**": means all costs, charges, damages, expenses, liabilities and losses;

"**Meeting**" means a meeting of Bondholders (whether originally convened or resumed following an adjournment);

"**Monte Titoli Account Holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-*quater* of the Financial Laws Consolidation Act;

"**Moody's**" means Moody's Deutschland GmbH;

"**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 per cent. of the votes cast;

"**Programme Resolution**" means an Extraordinary Resolution passed at a single meeting of the Bondholders of all Series and or Tranches, duly convened and held in accordance with the provisions contained in these Rules (i) to direct the Representative of the Bondholders to take any action pursuant to Condition 12.2 (*Issuer Event of Default*), Condition 12.3 (*Guarantor Event of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (iii) to take any other action stipulated in the Conditions or Programme Documents as requiring a Programme Resolution;

"**Proxy**" means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

(a) any person whose appointment has been revoked and in relation to whom the relevant Paying Agent, or in the case of a proxy appointed under a Voting Certificate, the Issuer has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and

(b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed;

"**Rating Agencies**" means Fitch and Moody's and each of them is a "**Rating Agency**";

"**Resolutions**" means the Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolutions, collectively;

"**Swap Rate**" means, in relation to a Covered Bond, Series or Tranche of Covered Bonds, the exchange rate specified in any Swap Agreement relating to such Covered Bond, Series or Tranche of Covered Bonds or, if there is not exchange rate specified or if the Swap Agreements have terminated, the applicable spot rate;

"**Transaction Party**" means any person who is a party to a Programme Document;

"**Voter**" means, in relation to a Meeting, the Holder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by a Paying Agent or a Proxy named in a Block Voting Instruction;

"**Voting Certificate**" means, in relation to any Meeting:

(a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time; or

(b) a certificate issued by a Paying Agent stating:

(i) that Blocked Covered Bonds will not be released until the earlier of:

(A) a specified date which falls after the conclusion of the Meeting; and

(B) the surrender of such certificate to such Paying Agent; and

(ii) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

"**Written Resolution**" means a resolution in writing signed by or on behalf of one or more persons being or representing at least 75 per cent. of all the Bondholders who at any relevant time are entitled to participate in a Meeting in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Bondholders;

"**24 hours**" means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices; and

"**48 hours**" means two consecutive periods of 24 hours.

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

2.2 **Interpretation**

In these Rules:

2.2.1 any reference herein to an "**Article**" shall, except where expressly provided to the contrary, be a reference to an article of these Rules of the Organisation of the Bondholders;

2.2.2 a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Programme Document or to which, under such laws, such rights and obligations have been transferred; and

2.2.3 any reference to any Transaction Party shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 **Separate Series or Tranches**

Subject to the provisions of the next sentence, the Covered Bonds of each Series or Tranche shall form a separate Series or Tranche of Covered Bonds and accordingly, unless for any purpose the Representative of the Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series or Tranches*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*) shall apply mutatis mutandis separately and independently to the Covered Bonds of each Series or Tranche. However, for the purposes of this Article 2.3:

2.3.1 Articles 26 (*Appointment, removal and remuneration*) and 27 (*Resignation of the Representative of the Bondholders*); and

2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 24 (*Meetings and Separate Series or Tranches*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series or Tranche and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series or Tranche and, in such Articles, the expressions "Covered Bonds" and "Bondholders" shall be construed accordingly.

3. PURPOSE OF THE ORGANISATION

3.1 Each Bondholder, whatever Series or Tranche of Covered Bonds he holds, is a member of the Organisation of the Bondholders.

3.2 The purpose of the Organisation of the Bondholders is to co-ordinate the exercise of the rights of the Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Bondholders.

TITLE II
MEETINGS OF THE BONDHOLDERS

4. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

4.1 A Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time.

4.2 A Bondholder may also obtain a Voting Certificate from a Paying Agent or require a Paying Agent to issue a Block Voting Instruction by arranging for Covered Bonds to be (to the satisfaction of the Paying Agent) held to its order or under its control or blocked in an account in a clearing system (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.

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

4.4 So long as a Voting Certificate or Block Voting Instruction is valid, the person named therein as Holder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account Holder), the bearer thereof (in the case of a Voting Certificate issued by a Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by a Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

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

4.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

5. VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Bondholders so requires, a notarised (or otherwise acceptable) copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holders or Proxy named in a Voting Certificate issued by a Monte Titoli Account Holder shall be produced at the Meeting but the Representative of the Bondholders shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction.

6. CONVENING A MEETING

6.1 **Convening a Meeting**

The Representative of the Bondholders, the Guarantor or the Issuer may and (in relation to a meeting for the passing of a Programme Resolution) the Issuer shall upon a requisition in writing signed by the holders of not less than five per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding convene a meeting of the Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting requisitioned by the Bondholders the same may be convened by the Representative of the Bondholders or the requisitionists. The Representative of the Bondholders may convene a single meeting of the holders of Covered Bonds of more than one Series or Tranche if in the opinion of the Representative of the Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series or Tranche, in which event the provisions of this Schedule shall apply thereto mutatis mutandis.

6.2 **Meetings convened by Issuer**

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

6.3 **Time and place of Meetings**

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Bondholders.

7. NOTICE

7.1 **Notice of Meeting**

At least 21, or 5 in case of a Meeting convened in order to resolve to extend the Test Remedy Period pursuant to Condition 12.2 (*Issuer Event of Default*), days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Bondholders and the Paying Agents, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Bondholders, or with a copy to the Representative of the Bondholders, where the Meeting is convened by the Issuer, subject to Article 6.3.

7.2 **Content of notice**

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Voting Certificates for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time and that for the purpose of obtaining Voting Certificates from a Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bonds must (to the satisfaction of such Paying Agent) be held to the order of or placed under the control of such Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

7.3 **Validity notwithstanding lack of notice**

A Meeting is valid notwithstanding that the formalities required by this Article 7 are not complied with if the Holders of the Covered Bonds constituting all the Principal Amount Outstanding of the Covered Bonds, the Holders of which are entitled to attend and vote, are represented at such Meeting and the Issuer and the Representative of the Bondholders are present.

8. CHAIRMAN OF THE MEETING

8.1 Appointment of Chairman

An individual (who may, but need not be, a Bondholder), nominated by the Representative of the Bondholders may take the chair at any Meeting, but if:

8.1.1 the Representative of the Bondholders fails to make a nomination; or

8.1.2 the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

8.2 Duties of Chairman

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

8.3 Assistance to Chairman

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Bondholders.

9. QUORUM

The quorum at any Meeting will be:

9.1.1 in the case of an Ordinary Resolution, two or more persons holding or representing at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or, at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.2 in the case of an Extraordinary Resolution or a Programme Resolution, two or more persons holding or representing at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only

to Article 32.4 (*Obligation to act*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(b) alteration of the currency in which payments under the Covered Bonds are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Guarantee or the Deed of Pledge (except in a manner determined by the Representative of the Bondholders not to be materially prejudicial to the interests of the Bondholders of any Series or Tranche);

(e) except in accordance with Articles 31 (*Amendments and Modifications*) and 32 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and

(f) alteration of this Article 9.1.3;

(each a "**Series or Tranche Reserved Matter**"), the quorum shall be two or more persons being or representing holders of not less two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series or Tranche for the time being outstanding or, at any adjourned meeting, two or more persons being or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series or Tranche for the time being outstanding,

provided that, if in respect of any Covered Bonds the Paying Agent has received evidence that 90 per cent. Covered Bonds are held by a single Holder and the Voting Certificate or Block Voting Instruction so states then a single Voter appointed in relation thereto or being the Holder of the Covered Bonds thereby represented shall be deemed to be two Voters for the purpose of forming a quorum.

10. ADJOURNMENT FOR WANT OF QUORUM

If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

10.1 if such Meeting was requested by Bondholders, the Meeting shall be dissolved; and

10.2 in any other case, the Meeting (unless the Issuer and the Representative of the Bondholders otherwise agree) shall, subject to paragraphs 10.2.1 and 10.2.2 below, be

adjourned to a new date no earlier than 14 days and no later than 42 days after the original date of such Meeting, and to such place as the Chairman determines with the approval of the Representative of the Bondholders **provided that**:

10.2.1 no Meeting may be adjourned more than once for want of a quorum; and

10.2.2 the Meeting shall be dissolved if the Issuer and the Representative of the Bondholders together so decide.

11. ADJOURNED MEETING

Except as provided in Article 10 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

12. NOTICE FOLLOWING ADJOURNMENT

12.1 Notice required

Article 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

12.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

12.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

12.2 Notice not required

It shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 10 (*Adjournment for Want of Quorum*).

13. PARTICIPATION

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

13.1 Voters;

13.2 the directors and the auditors of the Issuer and the Guarantor;

13.3 representatives of the Issuer, the Guarantor and the Representative of the Bondholders;

13.4 financial advisers to the Issuer, the Guarantor and the Representative of the Bondholders;

13.5 legal advisers to the Issuer, the Guarantor and the Representative of the Bondholders; and

13.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Bondholders.

14. VOTING BY SHOW OF HANDS

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. VOTING BY POLL

15.1 Demand for a poll

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Bondholders or one or more Voters whatever the Principal Amount Outstanding of the Covered Bonds held or represented by such Voter(s). A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

15.2 The Chairman and a poll

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. VOTES

16.1 Voting

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every Vote who is so present shall have one vote in respect of each €1,000 or such other amount as the Representative of the Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Bondholders in its absolute discretion may stipulate) in the Principal Amount Outstanding of the Covered Bonds it holds or represents.

16.2 Block Voting Instruction

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 Voting tie

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. VOTING BY PROXY

17.1 Validity

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked **provided that** none of the Issuer, the Representative of the Bondholders or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 Adjournment

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

18. RESOLUTIONS

18.1 Ordinary Resolutions

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and

18.1.2 to authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 Extraordinary Resolutions

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Bondholders, the Bondholders or any of them;

18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Bondholders, the Issuer, the Guarantor, the Bondholders or any of them, whether such rights arise under the Programme Documents or otherwise, and (b) these Rules, the Conditions or of any Programme Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall

be proposed by the Issuer, the Representative of the Bondholders and/or any other party thereto;

18.2.3 assent to any modification of the provisions of this these Rules or the Programme Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Bondholders or of any Bondholder;

18.2.4 in accordance with Article 26 (*Appointment, Removal and Remuneration*), appoint and remove the Representative of the Bondholders;

18.2.5 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Bondholders from any liability in relation to any act or omission for which the Representative of the Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Programme Document;

18.2.6 waive any breach or authorise any proposed breach by the Issuer, the Guarantor or (if relevant) any other Transaction Party of its obligations under or in respect of these Rules, the Covered Bonds or any other Programme Document or any act or omission which might otherwise constitute an Event of Default;

18.2.7 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

18.2.8 authorise and ratify the actions of the Representative of the Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Programme Document;

18.2.9 to appoint any persons (whether Bondholders or not) as a committee to represent the interests of the Bondholders and to confer on any such committee any powers which the Bondholders could themselves exercise by Extraordinary Resolution; and

18.2.10 authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

18.3 Programme Resolutions

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Bondholders to take any action pursuant to Condition 12.2(b) (*Issuer Event of Default – Breach of other obligations*) and Condition 12.3(c) (*Guarantor Event of Default - Breach of other obligations*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) or to take any other action required by the Conditions or any Programme Document to be taken by Programme Resolution.

18.4 Other Series or Tranches of Covered Bonds

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series or Tranche of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series or Tranches.

19. EFFECT OF RESOLUTIONS

19.1 Binding nature

Subject to Article 18.4 (*Other Series or Tranches of Covered Bonds*), any resolution passed at a Meeting of the Bondholders duly convened and held in accordance with these Rules shall be binding upon all Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series and Tranches shall be binding on all holders of the Covered Bonds of all Series and Tranches, whether or not present at the meeting.

19.2 Notice of voting results

Notice of the results of every vote on a resolution duly considered by Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Paying Agents (with a copy to the Issuer, the Guarantor and the Representative of the Bondholders within 14 days of the conclusion of each Meeting).

20. CHALLENGE TO RESOLUTIONS

Any absent or dissenting Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. MINUTES

Minutes shall be made of all resolutions and proceedings of each Meeting. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed, or proceedings transacted shall be regarded as having been duly passed and transacted.

22. WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. INDIVIDUAL ACTIONS AND REMEDIES

Each Bondholder has accepted and is bound by the provisions of Condition 13 (*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 per cent. or more of the aggregate Principal Amount

Outstanding of the Covered Bonds then outstanding object to such prospective individual actions and remedies, then the Claiming Bondholder will be prevented from taking any individual action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted to the Representative of the Bondholders pursuant to the terms of this Article).

24. MEETINGS AND SEPARATE SERIES OR TRANCHES

24.1 Choice of Meeting

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series or Tranche the foregoing provisions of this Schedule shall have effect subject to the following modifications:

24.1.1 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of only one Series or Tranche shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series or Tranches;

24.1.2 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series or Tranche but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series or Tranche so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series or Tranches so affected;

24.1.3 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series or Tranche and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or Tranche or group of Series or Tranches so affected and the holders of the Covered Bonds of another Series or Tranche or group of Series or Tranches so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or Tranche or group of Series or Tranches so affected;

24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Bondholders of all Series or Tranches; and

24.1.5 to all such meetings all the preceding provisions of these Rules shall mutatis mutandis apply as though references therein to Covered Bonds and Bondholders were references to the Covered Bonds of the Series or Tranche or group of Series or Tranches in question or to the holders of such Covered Bonds, as the case may be.

24.2 Denominations other than euro

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of a meeting or any adjourned such meeting or any poll resulting therefrom or any such request or Written Resolution) the Principal Amount Outstanding of such Covered Bonds shall be the equivalent in euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each €1.00 (or such other euro amount as the

Representative of the Bondholders may in its absolute discretion stipulate) of the Principal Amount Outstanding of the Covered Bonds (converted as above) which he holds or represents.

25. FURTHER REGULATIONS

Subject to all other provisions contained in these Rules, the Representative of the Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Bondholders in its sole discretion may decide.

TITLE III
THE REPRESENTATIVE OF THE BONDHOLDERS

26. APPOINTMENT, REMOVAL AND REMUNERATION

26.1 Appointment

The appointment of the Representative of the Bondholders takes place by Programme Resolution in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Bondholders which will be BNY Mellon Corporate Trustee Services Limited.

26.2 Identity of Representative of the Bondholders

The Representative of the Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the EEA or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to article 106 of Italian Legislative Decree No. 385 of 1993; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in article 2399 of the Italian Civil Code cannot be appointed as Representative of the Bondholders and, if appointed as such, they shall be automatically removed.

26.3 Duration of appointment

Unless the Representative of the Bondholders is removed by Programme Resolution of the Bondholders pursuant to Article 18.3 (*Programme Resolution*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Bondholders*), it shall remain in office until full repayment or cancellation of all the Covered Bonds.

26.4 After termination

In the event of a termination of the appointment of the Representative of the Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Bondholders*), accepts its appointment,

and the powers and authority of the Representative of the Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 **Remuneration**

The Issuer, failing which the Guarantor, shall pay to the Representative of the Bondholders an annual fee for its services as Representative of the Bondholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series or Tranche shall have been repaid in full or cancelled in accordance with the Conditions.

27. RESIGNATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

The Representative of the Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Bondholders shall not become effective until a new Representative of the Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Bondholders has accepted its appointment. **Provided that** if Bondholders fail to select a new Representative of the Bondholders within three months of written notice of resignation delivered by the Representative of the Bondholders, the Representative of the Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Bondholders*).

28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE BONDHOLDERS

28.1 **Representative of the Bondholders as legal representative**

The Representative of the Bondholders is the legal representative of the Organisation of the Bondholders and has the power to exercise the rights conferred on it by the Programme Documents in order to protect the interests of the Bondholders.

28.2 **Meetings and resolutions**

Unless any Resolution provides to the contrary, the Representative of the Bondholders is responsible for implementing all resolutions of the Bondholders. The Representative of the Bondholders has the right to convene and attend Meetings (together with its adviser) to propose any course of action which it considers from time to time necessary or desirable.

28.3 **Delegation**

The Representative of the Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Programme Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

28.3.3 Any such delegation pursuant to Article 28.3.1 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Bondholders may think fit in the interest of the Bondholders. The Representative of the Bondholders shall not be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, **provided that** the Representative of the Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 Judicial proceedings

The Representative of the Bondholders is authorised to represent the Organisation of the Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 Consents given by Representative of Bondholders

Any consent or approval given by the Representative of the Bondholders under these Rules and any other Programme Document may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Programme Documents, such consent or approval may be given retrospectively.

28.6 Discretions

Save as expressly otherwise provided herein, the Representative of the Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Bondholders by these Rules or by operation of law.

28.7 Obtaining instructions

In connection with matters in respect of which the Representative of the Bondholders is entitled to exercise its discretion hereunder, the Representative of the Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Bondholders shall be entitled to request that the Bondholders

indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

28.8 **Remedy**

The Representative of the Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Programme Documents may be remedied, and if the Representative of the Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Bondholders, the other creditors of the Guarantor and any other party to the Programme Documents.

29. EXONERATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

29.1 **Limited obligations**

The Representative of the Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Programme Documents.

29.2 **Specific limitations**

Without limiting the generality of the Article 29.1, the Representative of the Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Event of Default, Segregation Event or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Bondholders hereunder or under any other Programme Document, has occurred and, until the Representative of the Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Segregation Event, Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Programme Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Programme Documents are duly observing and performing all their respective obligations;

29.2.3 except as expressly required in these Rules or any Programme Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Programme Document;

29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Programme Document, or of any other document or any obligation or right created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any

responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

(a) the nature, *status*, creditworthiness or solvency of the Issuer or the Guarantor;

(b) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection with the Programme;

(c) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;

(d) the failure by the Issuer to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and

(e) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Servicer and the Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;

29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Bondholders contained herein or in any Programme Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Programme Document;

29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Assets contained in the Cover Pool or any part thereof;

29.2.11 shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person, with the exception of the Test Performance Report for the purposes of delivery of the notice;

29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Programme Document;

29.2.14 shall not be under any obligation to insure the Cover Pool or any part thereof;

29.2.15 shall, when in these Rules or any Programme Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Bondholders, have regard to the overall interests of the Bondholders of each Series or Tranche as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;

29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series or Tranche would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Bondholders by Extraordinary Resolution or by a written resolution of such Bondholders of not less than 75 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series or Tranche then outstanding;

29.2.17 shall, with respect to the powers, trusts, authorities and discretions vested in it by the Programme Documents, except where expressly provided therein, have regard to the interests of both the Bondholders and the other creditors of the Issuer or the Guarantor but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interest of the Bondholders;

29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Programme Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all Liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Programme Documents shall require the Representative of the Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder; and

29.2.19 shall not have any liability for any loss, liability, damages claim or expense directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Bondholder, any Other Guarantor Creditor or any other person as a result of (a) the delivery by the Representative of the Bondholders of the certificate of incapability of remedy relating any material default of obligations pursuant to Condition 12.2 (*Issuer Event of Default*) and Condition 12.3 (*Guarantor Event*

of Default) on the basis of an opinion formed by it in good faith; or (b) any determination, any act, matter or thing that will not be materially prejudicial to the interests of the Bondholders as a whole or the interests of the Bondholders of any Series or Tranche.

29.3 **Covered Bonds held by Issuer**

The Representative of the Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer.

29.4 **Illegality**

No provision of these Rules shall require the Representative of the Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or liability which it may incur as a consequence of such action. The Representative of the Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. RELIANCE ON INFORMATION

30.1 **Advice**

The Representative of the Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic and, when in the opinion of the Representative of the Bondholders to obtain such advice on any other basis is not viable notwithstanding any limitation or cap on Liability in respect thereof.

30.2 **Certificates of Issuer and/or Guarantor**

The Representative of the Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter prima facie within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 **Resolution or direction of Bondholders**

The Representative of the Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Bondholders.

30.4 **Certificates of Monte Titoli Account Holders**

The Representative of the Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 **Clearing Systems**

The Representative of the Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 **Rating Agencies**

The Representative of the Bondholders in evaluating, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the Bondholders of any Series or Tranche or of all Series for the time being outstanding, is entitled to consider, *inter alia*, the circumstance that the then current rating of the Covered Bonds of any such Series or Tranche or all such Series (as the case may be) would not be adversely affected by such exercise. If the Representative of the Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agencies as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Bondholders or the Representative of the Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.7 **Certificates of Parties to Programme Document**

The Representative of the Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Programme Document,

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

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

30.7.3 as to such party's opinion with respect to any issue,

and the Representative of the Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any Liability incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.8 **Auditors**

The Representative of the Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. AMENDMENTS AND MODIFICATIONS

31.1 **Modifications**

The Representative of the Bondholders may at any time and from time to time and without the consent or sanction of the Bondholders of any Series or Tranche concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Bondholders may disregard whether any such modification relates to a Series or Tranche Reserved Matter) as follows:

31.1.1 to these Rules, the Conditions and/or the other Programme Documents which, in the opinion of the Representative of the Bondholders, it may be expedient to make **provided that** the Representative of the Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Bondholders of any Series or Tranche; and

31.1.2 to these Rules, the Conditions and/or the other Programme Documents which is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law; and

31.1.3 to these Rules, the Conditions and/or the other Programme Documents which, in the opinion of the Representative of the Bondholders, is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Bondholders.

31.2 **Binding Nature**

Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding upon the

Bondholders and, unless the Representative of the Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Bondholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

31.3 **Establishing an error**

In establishing whether an error is established as such, the Representative of the Bondholders may have regard to any evidence on which the Representative of the Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to a certificate from the Joint Arrangers:

(a) stating the intention of the parties to the relevant Programme Document;

(b) confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention; and

(c) stating the modification to the relevant Programme Document that is required to reflect such intention;

and may be entitled to consider, *inter alia*, the circumstance that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

31.4 **Obligation to act**

The Representative of the Bondholders shall be bound to concur with the Issuer and the Guarantor and any other party in making any modifications to these Rules, the Conditions and/or the other Programme Documents if it is so directed by an Extraordinary Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32. WAIVER

32.1 **Waiver of Breach**

The Representative of the Bondholders may at any time and from time to time without the consent or sanction of the Bondholders of any Series or Tranche and, without prejudice to its rights in respect of any subsequent breach, condition or event but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds of any Series or Tranche then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive any proposed breach or breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Guarantee, these Rules, the Conditions or the other Programme Documents; or

32.1.2 determine that any Event of Default shall not be treated as such for the purposes of the Programme Documents,

without any consent or sanction of the Bondholders.

32.2 **Binding Nature**

Any such authorisation or waiver or determination may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding on all Bondholders and, if the Representative of the Bondholders so requires, shall be notified to the Bondholders and the Other Guarantor Creditors by the Issuer or the Guarantor, as soon as practicable after it has been given or made in accordance with the provisions of the conditions relating to Notices and the relevant Programme Documents.

32.3 **Restriction on powers**

The Representative of the Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution, but so that no such direction shall affect any authorisation, waiver or determination previously given or made.

32.4 **Obligation to act**

The Representative of the Bondholders shall be bound to waive or authorise any breach or proposed breach by the Issuer or the Guarantor of any of the covenants or provisions contained in by Guarantee, these Rules or any of the other Programme Documents or determine that any Event of Default shall not be treated as such if it is so directed by a Programme Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

33. INDEMNITY

Pursuant to the Programme Agreement, all documented costs, expenses, liabilities and claims incurred by or made against the Representative of the Bondholders (or by any persons appointed by it to whom any power, authority or discretion may be delegated by it) in relation to the preparation and execution of this Agreement or the other Programme Documents, the exercise or purported exercise of, the Representative of the Bondholder's powers, authorities and discretions and performance of its duties under and in any other manner in relation to this Agreement or any other Programme Documents (including, but not limited to, legal and travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid by or due from the Representative of the Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Bondholders pursuant to the Programme Documents, against the Issuer or the Guarantor for enforcing any obligations under the Covered Bonds or the Programme Documents), except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Bondholders, shall be reimbursed, paid or discharged (on full indemnity basis), on demand, to the extent not already reimbursed, paid or discharged by the Bondholders, by the Guarantor and the Issuer on the Guarantor Payment Date immediately succeeding the date of request from funds available thereof in accordance with the relevant Priority of Payments.

34. LIABILITY

Notwithstanding any other provision of these Rules and save as otherwise provided in the Programme Documents the Representative of the Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Programme

Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

35. SECURITY DOCUMENTS

35.1 The Deed of Pledge

The Representative of the Bondholders shall have the right to exercise all the rights granted by the Guarantor to the Bondholders pursuant to the Deed of Pledge. The beneficiaries of the Deed of Pledge are referred to in this Article 35 as the "**Secured Bondholders**".

35.2 Rights of the Representative of the Bondholders

35.2.1 The Representative of the Bondholders, acting on behalf of the Secured Bondholders, shall be entitled to appoint and entrust the Guarantor to collect, in the Secured Bondholders' interest and on their behalf, any amounts deriving from the pledged claims and rights, and shall be entitled to give instructions, jointly with the Guarantor, to the respective debtors of the pledged claims to make the payments related to such claims to the Programme Accounts or to any other account opened in the name of the Guarantor and appropriate for such purpose;

35.2.2 The Secured Bondholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the pledged claims or credited to the Main Programme Account or to any other account opened in the name of the Guarantor and appropriate of such purpose which is not in accordance with the provisions of this Article 35. The Representative of the Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the pledged claims under the Deed of Pledge except in accordance with the provisions of this Article 35 and the Intercreditor Agreement.

TITLE IV
THE ORGANISATION OF THE BONDHOLDERS AFTER SERVICE OF AN NOTICE

36. POWERS TO ACT ON BEHALF OF THE GUARANTOR

It is hereby acknowledged that, upon service of a Guarantor Default Notice or, prior to service of a Guarantor Default Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Mandate Agreement the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, shall be entitled (also in the interests of the Other Guarantor Creditors) pursuant to articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's rights under certain Programme Documents, including the right to give directions and instructions to the relevant parties to the relevant Programme Documents.

TITLE V
GOVERNING LAW AND JURISDICTION

37. GOVERNING LAW

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

38. JURISDICTION

The Courts of Milan will have jurisdiction to hear and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[**PRIIPs / IMPORTANT – EEA RETAIL INVESTORS -** The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs / IMPORTANT – UK RETAIL INVESTORS - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][12]

[**MIFID II product governance / Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market

[12] Legend to be included on front of the Final Terms if the Tranche of Covered Bonds potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA and UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)][MiFID II]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MIFIR product governance / target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Final Terms dated [●]

Banca Monte dei Paschi di Siena S.p.A. (the "Issuer")

Issue of [Aggregate Nominal Amount of Tranche] **Covered Bonds** (***Obbligazioni Bancarie Garantite***) **due** [Maturity]

Guaranteed by

MPS Covered Bond 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 Conditions (the "**Conditions**") set forth in the base prospectus dated 19 January 2022 [and the supplement[s] to the base prospectus dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Regulation (EU) 2017/1129 (as amended from time to time, the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8.4 of the Prospectus Regulation. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction

with the Base Prospectus [as so supplemented] in order to obtain all the relevant information. These Final Terms are available for viewing on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus, [including the supplement[s]] [is/are] available for viewing on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and on the website of the Issuer at [https://gruppomps.it/].]

(The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.)

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the "**Conditions**") set forth in the prospectus dated 22 July 2020, which are incorporated by reference in the prospectus dated 19 January 2022. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8(1) of Regulation (EU) 2017/1129, as amended and superseded (the "**Prospectus Regulation**") and must be read in conjunction with the Base Prospectus dated 23 December 2021 [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation. These Final Terms are available for viewing on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus, [including the supplement[s]] [is/are] available for viewing on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and on the website of the Issuer at [https://gruppomps.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.)

1.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●] [The Covered Bonds will be consolidated, form a single Series and be interchangeable for trading purposes with the [Series [●] Tranche [●] Covered Bonds due [●] issued on [●], ISIN Code [●]] on the Issue Date]/[Not Applicable]]
	(iii)	Date on which the Covered Bonds will be consolidated and form a singles Series	
2.	**Specified Currency or Currencies:**		[●]
3.	**Aggregate Nominal Amount**		
	(i)	Series:	[●]

	(ii)	Tranche:	[●]
4.	**Issue Price:**		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
5.	(i)	Specified Denominations:	[●] [plus integral multiples of [●] (as referred to under Condition 3) (*Include the wording in square brackets where the Specified Denomination is €100,000 or equivalent plus multiples of a lower principal amount*.)
	(ii)	Calculation Amount:	[●]
	(iii)	Rounding:	[The provisions of Condition 19 apply/Not applicable]
6.	(i)	Issue Date	[●]
	(ii)	Interest Commencement Date	[*Specify*: Issue Date/Not applicable]
7.	**Maturity Date:**		[*Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*)
8.	**Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Guarantee:**		[*Not applicable for Series of Covered Bonds which shall become a Pass Through Series / Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	**Interest Basis:**		[[●] % Fixed Rate] [[*Specify reference rate*] +/- [*Margin*]% Floating Rate] [Zero Coupon] (*further particulars specified below in Sections 16, 17, or 18, as the case may be*)
10.	**Redemption/Payment Basis:**		Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at the Final Redemption Amount [Instalment]

11.	**Change of Interest:**	[●] / [Not applicable] [Change of interest rate may be applicable in case an Extended Maturity Date is specified as applicable, as provided for in Condition 9(b)]
12.	**Hedging through covered bond swaps**	[Applicable/Not applicable]
13.	**Put/Call Options:**	[Not Applicable] [Investor Put (as referred to in Condition 9(e))] [Issuer Call (as referred to in Condition 9(f))] [(*further particulars specified below in paragraph [19] / [20])*]
14.	**[Date of [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*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Provisions**		[Applicable / Not Applicable (as referred in Condition 5)] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[●] % per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention [Following Business Day Convention/ Modified Following Business Day Convention or Modified Business Day Convention/Preceding Business Day Convention/FRN Convention or Floating Rate Convention or Eurodollar Convention] [and any applicable Business Centre(s) for the definition of "Business Day"][This is not however referred to in the definition of "Business Day" contained in the Terms and*

			Conditions. Please check interaction between definition of "Business Day" and "Additional Business Centre(s)"]/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] [●] / [Not Applicable]
	(v)	Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/Actual (ISDA) Actual/365 (Fixed) Actual/360 30/360 30E/360 or Eurobond Basis 30E/360 (ISDA)]
	(vi)	[Determination Date(s):	[[●] in each year / Not Applicable]] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
16.	**Floating Rate Provisions**		[Applicable / Not Applicable (as referred to in Condition 6] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[●]
	(ii)	Specified Period:	[●] (*Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not applicable*")
	(iii)	Interest Payment Dates:	[●] (*Specified Period and Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating*

		Rate Convention or Eurodollar Convention, insert "Not applicable")
(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	(*Following Business Day Convention/Modified Following Business Day Convention or Modified Business Day Convention/Preceding Business Day Convention/FRN Convention or Floating Rate Convention or Eurodollar Convention*)
(vi)	Additional Business Centre(s)	[*Not applicable / TARGET / London/ Luxembourg / Milan*]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[(*Name*) shall be the Calculation Agent]
(ix)	Screen Rate Determination:	
	– Reference Rate:	Reference Rate: [•] month [EURIBOR]
	– Reference Banks:	[[●] / Not Applicable]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	(*For example, Reuters EURIBOR 01*)
	– Relevant Time:	(*For example, 11.00 a.m. Luxembourg time/Brussels time*)
	– Relevant Financial Centre:	(*For example, Luxembourg/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*)
(x)	ISDA Determination:	[Applicable/Not Applicable] (*If not applicable, delete the remaining items of this subparagraph*)

		− ISDA Definitions:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
		− Floating Rate Option:	[●] (*Ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions))*
		− Designated Maturity:	[●]/[Not Applicable] *(A Designated Maturity period is not relevant where the relevant Floating Rate Option is a riskfree rate)*
		− Reset Date:	[●][*the first day of the Interest Period*]
	(xi)	Margin(s):	[+/-][●] % per annum
	(xii)	Minimum Rate of Interest:	[●]% per annum
	(xiii)	Maximum Rate of Interest:	[●]% per annum
	(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/Actual (ISDA) Actual/365 (Fixed) Actual/360 30/360 30E/360 or Eurobond Basis 30E/360 (ISDA)]
17.	**Zero Coupon Provisions**		[The provisions of Condition 7 /Not applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	[Amortisation/Accrual] Yield:	[●] per cent- per annum
	(ii)	Reference Price:	[●]

PROVISIONS RELATING TO REDEMPTION

18.	**Call Option**		[The provisions of Conditions 8(d) apply/Not applicable][Applicable / Not Applicable] (as referred in Condition 9) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of Covered Bonds and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		Minimum Redemption Amount:	[[●] per Calculation Amount / not applicable]
		Maximum Redemption Amount:	[[●] per Calculation Amount / not applicable]
	(iv)	Notice period:	[●]
19.	**Put Option**		[Applicable / Not Applicable] (as referred in Condition 9) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Covered Bond:	[●] per Calculation Amount
	(iii)	Notice period:	[●]
20.	**Final Redemption Amount of Covered Bonds**		[●] per Calculation Amount (as referred in Condition 9(a) [*Note that the Final Redemption Amount shall be equal to the principal amount of the Series*])
	(i)	Minimum Final Redemption Amount:	[[●] per Calculation Amount / not applicable]
	(ii)	Maximum Final Redemption Amount:	[[●] per Calculation Amount / not applicable]

21.	**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:	[Not applicable / [•] per Calculation Amount](as referred in Condition 9)

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

22.	**Additional Financial Centre(s)** or other special provisions relating to payment dates:	[Not applicable / [•]] (*Note that this paragraph relates to the date and place of payment, and not interest period end dates*)

[THIRD PARTY INFORMATION]

[**THIRD PARTY INFORMATION** (*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 S.r.l.

By:

Duly authorised]

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing	[Official list of the Luxembourg Stock Exchange /Other] /[Not Applicable]
(ii)	Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted

	to trading on the regulated market of the [Luxembourg Stock Exchange/Other] with effect from [•]] / [Not Applicable].
Estimate of total expenses related to admission to trading:	[•]

2. RATINGS

Ratings:	The Covered Bonds *(Obbligazioni Bancarie Garantite)* to be issued [[have been rated]/[are expected to be]] rated: [DBRS: [•]] [Moody's: [•]] [Fitch: [•]] [[Other]: [•]] (*The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*.) *(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)* [DBRS] / [Moody's] / [Fitch] / [Others] *are established in the EEA and are* registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"). [DBRS] / [Moody's] / [Fitch] / [Others] appears on the latest update of the list of registered credit rating agencies on the ESMA website http://www.esma.europa.eu/page/List-registered-and-certified-CRAs. [The rating [•] has given to the Covered Bonds is endorsed by [•], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020 (the "**UK CRA Regulation")**.] [[•] has been certified under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union

(Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020 (the "**UK CRA Regulation** ").] / [[•] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]

[Not applicable *(if not rated)*]

3. **USE OF PROCEEDS**

(i)	Use of proceeds	[General funding purposes of the Group]] / [The net proceeds from the issue of the Covered Bonds will be used to finance or refinance Green Eligible Projects or Social Eligible Projects (as defined in the "*Use of Proceeds*" section)]. (*If the Covered Bonds are Green Covered Bonds, Social Covered Bonds or Sustainability Covered Bonds describe the relevant projects to which the net proceeds of the Covered Bonds will be applied or make reference to the relevant bond framework to which the net proceeds of the Covered Bonds will be applied*.) (*Applicable only in the case of securities to be classified as Green Covered Bonds, Social Covered Bonds or Sustainability Covered Bonds. If not applicable, delete this paragraph.*) [Further details on Green Eligible Projects and Social Eligible Projects are included in the [issuer Green Bond framework], made available on the Issuer's website in the investor relations section at [•]] (See "*Use of Proceeds*" wording in Base Prospectus)
(ii)	Estimated net amount of the proceeds	[•] / [Not Applicable]

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its] affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

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

Indication of yield:	[●] / [Not Applicable]

6. ***Floating Rate Covered Bonds only*** **- HISTORIC INTEREST RATES**

Details of historic [*EURIBOR* / *specify other Reference Rate*] rates can be obtained from [Reuters]/[●]/[Not Applicable]

7. **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
CFI:	[●], [as published on the website of the Association of National Numbering Agencies ("**ANNA**") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [*Not Applicable*]
FISN:	[●], [as published on the website of the Association of National Numbering Agencies ("**ANNA**") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [*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), address(es) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and Specified Offices of additional Paying Agent(s) (if any):	[[Not applicable]/[●]]
Deemed delivery of clearing system notices for the purposes of Condition 16 (*Notices*):	Any notice delivered to Bondholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day

	on which it was given to Euroclear and Clearstream.
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 held in a form which would allow Eurosystem eligibility (i.e. issued in dematerialised form (*emesse in forma dematerializzata*) and wholly and exclusively deposited with Monte Titoli in accordance with article 83-*bis* of Italian Legislative Decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in article 83-*quater* of such legislative decree) 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.]
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), address(es) and number(s)*]

8. **DISTRIBUTION**

(B)	Method of distribution:	[Syndicated/Non-syndicated]
(C)	If syndicated, names of Managers:	[Not Applicable/*give names and business address*] [Not Applicable/*give names and business address*]
(D)	Stabilising Manager(s) (if any):	

If non-syndicated, name of Arranger:	[Not Applicable/*give names and business address*]
U.S. Selling Restrictions:	[Not Applicable/ Compliant with Regulation S under the U.S. Securities Act of 1993]

Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Covered Bonds clearly does not constitute "packaged" products, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)
Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Covered Bonds clearly does not constitute "packaged" products, or the Covered Bonds do constitute "packaged" products and a KID will be prepared in the UK "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products, "Applicable" should be specified.*)

USE OF PROCEEDS

The net proceeds of the sale of each Tranche of Covered Bonds will be used by the Issuer, as indicated in the applicable Final Terms relating to the relevant Tranche of Covered Bonds, either:

a. for general funding purposes of the Group; or
b. to finance or refinance, in whole or in part, Green Eligible Projects and Social Eligible Projects (as defined below).

According to the definition criteria set out by the International Capital Market Association ("**ICMA**") Green Bond Principles, only Tranches of Covered Bonds financing or refinancing Green Eligible Projects (above mentioned at (b)) will be denominated "Green Covered Bonds". Only Tranches of Bonds financing or refinancing Green Eligible Projects (above mentioned at (b)) will be denominated "Green Bonds".

According to the definition criteria set out by the ICMA Social Bond Principles, only Tranches of Covered Bonds financing or refinancing Social Eligible Projects (above mentioned at (b)) will be denominated "Social Covered Bonds". Only Tranches of Bonds financing or refinancing Social Eligible Projects (above mentioned at (b)) will be denominated "Social Bonds".

According to the definition criteria set out by the ICMA Sustainability Bond Guidelines, only Tranches of Covered Bonds financing or refinancing Green Eligible Projects and Social Eligible Projects (above mentioned at (b)) will be denominated "Sustainable Covered Bonds". Only Tranches of Bonds financing or refinancing Green Eligible Projects and Social Eligible Projects (above mentioned at (b)) will be denominated "Sustainability Bonds".

In relation to any Green Eligible Projects and Social Eligible Projects the Issuer will make available under the investor relations section on its website (www.gruppomps.it/en) (i) a framework agreement (the "**Sustainability Bond Framework**"), as amended and supplement from time to time, which will set out the categories of Green Eligible Projects and Social Eligible Projects identified by the Issuer and (ii) a second party opinion assessing the alignment of the Sustainability Bond Framework with the GBP, SBP and/or SBG (the "**Second Party Opinion**"). For the avoidance of doubt, any such Sustainability Bond Framework or Second Party Opinion (once adopted) is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus.

Definitions:

"**Green Eligible Projects**" means financings of renewable energy, energy efficiency, sustainability mobility, sustainability water, circular economy and green buildings projects and assets which meet a set of environmental criteria.

"**Social Eligible Projects**" means small and medium-sized enterprises financing and financing of non-profit and civil economy to support access to essential services which meet a set of social criteria, including, but not limited to, access to labour market and social housing**.**

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

1. General

BMPS was incorporated on 14 August 1995 as a joint stock company (*Società per Azioni*) under Italian legislation and operates under the Italian law. On 23 August 1995 BMPS was registered with the Bank of Italy's Register (No. 5274) and with the Companies Register (No. 00884060526). BMPS has its registered office in Piazza Salimbeni 3, 53100, Siena, Italy (telephone number: +39 0577 294 111). BMPS' duration is currently limited to 31 December 2100 though this may be extended by shareholders' resolution. The LEI code of BMPS is J4CP7MHCXR8DAQMKIL78. BMPS' website is https://www.gruppomps.it/en/.

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

BMPS is the parent company of an Italian banking group operating throughout the Republic of Italy and in major international financial centres. BMPS 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); and asset management (through joint venture), brokerage services and corporate finance (project finance, merchant banking, financial consulting).

Pursuant to article 2497 and subsequent articles of the Italian Civil Code, the role of the parent company is carried out by BMPS which directs and coordinates the activities of its subsidiaries, including companies that, under current regulations, do not belong to the BMPS Group. On June 1999, BMPS was listed on the Italian stock exchange, marking a fundamental milestone in the process of strengthening the Group's size and competitiveness.

BMPS has been a member of FTSE Italia Mid Cap since June 2018 with a share capital of Euro 9,195,012,196.85 as at 30 September 2021. As at the date of this Base Prospectus, the Ministry of Economy and Finance is BMPS's majority shareholder.

2. History

BMPS, which is believed to be the oldest bank in the world, has been in continuous operation since 1472, when the General Council of the Republic of Siena approved its original charter. The Bank, then known as "Monte di Pietà", was originally established by the Republic of Siena for the purpose of providing a controlled source of lending for the local community and to fight usury. In 1624, the Bank changed its name to "Monte dei Paschi di Siena" after the paschi, the grazing fields owned by the Grand Duchy of Tuscany, which generated income that was pledged to support the Bank's capital. Following the unification of the Republic of Italy, the Bank extended its activities beyond the immediate outskirts of Siena. However, significant expansion of the Bank's activities occurred only after World War I, both geographically (with the opening of approximately 100 additional branches) and in terms of activities undertaken (with the commencement of various tax collection activities on behalf of national and regional governments). In 1936, the Bank was declared a public credit institution (*Istituto di Credito di Diritto Pubblico*) organised under a new charter, which, although modified during this period, remained in force until 1995.

In 1995, the Bank was reorganised in accordance with Law No. 218 of 30 July 1990 (the "**Amato Law**") and was incorporated as a *Società per Azioni* or joint stock company owned by Monte dei Paschi di Siena — Istituto di Diritto Pubblico (the "**Foundation**").

3. Major Events

a) Acquisition of Banca Antonveneta

On 30 May 2008, the Issuer completed the acquisition of Banca Antonveneta from Banco Santander S.A.. The acquisition of Banca Antonveneta was funded by way of:

- equity instruments (two capital increases, one of which offered in subscription to J.P. Morgan Securities Ltd (subsequently renamed J.P. Morgan Securities plc) ("**J.P. Morgan**");

- debt instruments (a public offer of the subordinated notes named "*Banca Monte dei Paschi di Siena S.p.A. Tasso Variabile Subordinato Upper Tier II 2008-2018*"); and

- a bridge loan entered into with a pool of banks which was redeemed in 2009 through the assignment of non-strategic assets.

At the same time, a business unit inclusive of, *inter alia*, more than 400 branches, was assigned to a newly established company named "Banca Antonveneta S.p.A.", fully controlled by BMPS.

b) FRESH 2008

In April 2008, the Bank increased its share capital by issuing 295,236,070 ordinary shares (the "**FRESH 2008 Shares**") subscribed by J.P. Morgan and establishing a 30-year usufruct right over the securities in favour of the Bank on the basis of which J.P. Morgan retained the bare ownership of the shares, while the Bank held the usufruct thereon; the Bank and J.P. Morgan also entered into a swap agreement with a term equal to the term of BMPS.

The main features of the FRESH 2008 securities are as follows:

– the term is set until the term of the Issuer (currently 31 December 2100);

– the securities are convertible into BMPS shares on the basis of a conversion ratio set at the time of the issuance;

– the conversion may take place, at any time, upon investor request, starting from 27 May 2008;

– the conversion is automatic in certain circumstances;

– the remuneration of the securities is substantially equal to the payments that J.P. Morgan receives as consideration for the usufruct.

The payment in favour of J.P. Morgan of the fee relating to the usufruct agreement – as amended – shall be made on the relevant payment dates (16 January, 16 April, 16 July and 16 October in each year) if, and to the extent that:

- on the basis of the individual financial statements approved prior to such date, the Bank

has realised distributable profits; and

- on the basis of such financial statements, cash dividends have been paid to the Shareholders.

Upon satisfaction of both the above conditions in relation to a financial year, the fee payable for all the four payment dates following the Shareholders' meeting which approved the relevant financial statements may be paid only in an amount equal to the difference between distributable profits resulting from such financial statements and the overall amount of cash dividends paid to the Shareholders.

Furthermore, on 14 April 2008, the Foundation entered into total return swaps (the so-called "**TROR**"), with the FRESH 2008 securities as underlying. In addition, on 23 June 2012, as a result of the termination of the "TROR" agreements, the Foundation received the FRESH 2008 securities which where assigned during the course of November 2013.

For more details also with respect to the legal and administrative proceedings arising out of such transaction, please see paragraph 10 "*Legal Proceedings*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus and paragraph "*Risks deriving from judicial and administrative proceedings*" of section Risk Factors of this Base Prospectus.

c) "Santorini" transaction

In December 2008, BMPS and Deutsche Bank AG ("**Deutsche Bank**") entered into three separate total return swap transactions on BTP for an overall nominal value of Euro 2,000 million, bearing a coupon value of 4.5 per cent. and with a maturity of 2018/2020; these transactions have been replaced with a BTP bearing a 6 per cent. coupon and having maturity in May 2031. Such transactions were restructured and amended several times between 2009 and 2011. On 19 December 2013, a settlement agreement was entered in respect of such transaction, providing for its early closure, and, as at that time, the agreements provided for the following obligations:

- BMPS to deliver as at the effective date to Deutsche Bank the BTPs and to receive, as consideration, the relevant market value as at the same date (Euro 2,195 million);

- as at each BTP ex-dividend date, BMPS to pay to Deutsche Bank a variable yield equal to the six-month EONIA Index Swap rate plus a spread of 2.8 per cent. and to receive as consideration from Deutsche Bank an amount equal to the BTP coupons, to the extent these have been actually collected from the Italian government (as issuer of the BTP) on the relevant maturities;

- as at the maturity date, Deutsche Bank to pay to BMPS an amount equal to the redemption amount of the BTPs (as effectively collected) and BMPS to pay to Deutsche Bank an amount equal to the nominal value of such BTPs; and

- upon the occurrence of a credit event relating to the Republic of Italy (i.e. events which would have entailed the default of the Republic of Italy), the agreement to be terminated early. In such event, Deutsche Bank shall be entitled to return to BMPS any security issued by the Republic of Italy (and not specifically the BTPs of the total return swaps), or the equivalent value in cash, and BMPS shall pay the nominal value of the security.

For the purpose of reducing the investment rate risk, in July 2009 the Bank negotiated a "forward start" interest rate swap (with a deferred value date) to 2011 for a notional amount of

Euro 2 billion which has a maturity date of 1 May 2031. Pursuant to such agreement, with effect from the deferred value date:

- BMPS shall pay to Deutsche Bank a 6 per cent. fixed rate interest; and
- Deutsche Bank shall pay to BMPS an amount calculated on the basis of the six-month EURIBOR rate plus a 1.485 per cent. spread.

Such transaction was subject to daily collateralisation or marginalisation obligation.

For the purpose of managing the overall rate risk of the banking book, the interest rate swap agreement was terminated early in part and, as at the date of the settlement agreement with Deutsche Bank (i.e. 19 December 2013), the outstanding nominal amount was equal to Euro 1.7 billion.

The economic impact of the settlement agreement for BMPS was negative for an amount of Euro 287 million (Euro 194 million (rounded) before taxes).

For more details and also with reference to the legal and administrative proceedings arising out of such transaction section, please see paragraph 10 *"Legal Proceedings"* of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

d) "Alexandria" transaction

In 2009, the Bank entered into a transaction called "Alexandria" with Nomura International Plc ("**Nomura**"), as counterparty.

Such transaction had the following contractual features:

- the securities were BTPs with a nominal value of Euro 3,050 million, bearing a 5 per cent. coupon and with maturity in 2034; the term of the agreement is equal to the maturity date of the securities;
- BMPS purchased the securities from Nomura by way of forward agreements that were entered into in the period from 3 August 2009 until 18 September 2009; the settlement date was on 28 September 2009;
- the securities purchased had been fully hedged for interest rate fluctuations by entering into asset swap agreements with Nomura. On the basis of these agreements, BMPS shall pay to the counterparty a 5 per cent. fixed interest rate (equal to the BTPs coupon rate) on a nominal amount of Euro 3,050 million, and shall receive a payment calculated on the basis of the three-month EURIBOR plus an average 98 basis points spread;
- BMPS entered into a long-term repo transaction with Nomura where the underlying asset was the BTP 5 per cent. 2034, having the same nominal amount and same maturity. On the basis of the agreement, BMPS had assigned the securities to Nomura on a spot basis and received as consideration an amount equal to Euro 3,102 million, inclusive of accrued interests. As at each ex-dividend date, BMPS received from Nomura a 5 per cent. coupon (calculated on the nominal value) and paid an amount determined on the basis of the three-month EURIBOR plus a 59.15 basis points spread on a quarterly basis, and calculated on the cash amount received;
- at maturity, provided that no default of the Republic of Italy has occurred, the

transaction had to be settled as a normal repo transaction and, accordingly, by way of delivery of the security versus payment of cash consideration;

- upon the occurrence of a credit event in relation to the Republic of Italy (i.e. failure to pay, a moratorium, a refusal to fulfil or restructuring of the Republic of Italy), the agreement would have been terminated early. In these circumstances, Nomura would have been entitled to return any security issued by the Republic of Italy to BMPS, (and not specifically the BTPs of the long-term repo), against payment by BMPS of the amount received;

- in addition, BMPS had granted to Nomura a repo facility with a maturity of 1 September 2040 (with an option for Nomura to extend the maturity until 1 September 2045), according to which Nomura was entitled to use a credit facility up to a maximum amount of Euro 3,050 million, by delivering to BMPS BTPs or similar securities for an equivalent amount. In the event of a drawdown under the credit facility, BMPS would have received payment of interest determined on the basis of the three month EURIBOR calculated on the amount of the facility granted. In addition, BMPS would receive a five-basis points fee calculated on the amount of the credit facility granted (Euro 3,050 million) regardless of the effective drawdowns.

Such transaction was subject to daily collateralisation or marginalisation obligation. The parties accordingly had to pay so-called guarantee margins to ensure the possibility to liquidate the transactions at any time, in case of early termination due to the other party's default.

Such transaction was settled and terminated early in September 2015 with a negative one-off economic impact for the Bank of Euro 88 million (rounded) before taxes.

For more details and further information relating to the legal and administrative proceedings arising out of the transaction, please see paragraph 10 *"Legal Proceedings"* of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

e) The EBA 2016 EU-wide stress test and the Bank's private capital raising attempt

On 29 July 2016, the EBA disclosed the outcome of the stress test for 2016 (the "**2016 Stress Test**") which, for BMPS, revealed a 2018 transitional CET1 of -2.2 percent (-2.4 percent fully-loaded), in the "adverse" scenario (12 percent transitional and 12.2 per. cent fully-loaded in the 2018 "baseline" scenario. On the same date, the Board of Directors, with the prior authorisation of the ECB, approved the guidelines of a composite transaction (the "**2016 Transaction**") which included:

- the derecognition of part of the MPS Group's non-performing loan portfolio by means of securitisation; and

- a capital increase of up to Euro 5 billion, with a share premium to be offered to shareholders on a pre-emptive basis (the "**Capital Increase**"), covered by a pre-guarantee agreement with selected international banks.

On 24 October 2016, the Board of Directors approved the new industrial plan which, *inter alia*, amended the 2013-2017 Restructuring Plan and called an extraordinary Shareholders' meeting of the Bank for the purpose of approving the 2016 Transaction.

The Capital Increase envisaged under the 2016 Transaction was not completed within the expected timing (31 December 2016) as the ECB rejected, on 13 December 2016, the Bank's

request to extend the deadline for its completion in light of modified market conditions and of the Italian government crisis.

f) Precautionary Recapitalisation, Capital Enhancement and relevant implementing measures, Public Offering for Exchange and Settlement

Having acknowledged that it was not possible to complete the 2016 Transaction, on 23 December 2016 the Bank submitted

(i) a request to the ECB for extraordinary and temporary financial support to access the so-called "precautionary recapitalisation" scheme (the "**Precautionary Recapitalisation**"). The ECB granted access to the scheme, having determined that the Bank met the necessary requirements (including solvency, as per minimum capital requirements set by article 92 of the CRR and Pillar II requirements on capital), and set the Bank's capital demand at Euro 8.8 billion (based on the -2.4 percent 2018 fully-loaded CET1 shortfall forecasted in the adverse scenario by the EBA 2016 Stress Test (please see letter e)"*The EBA 2016 EU-wide stress test and the Bank's private capital raising attempt*" of this paragraph 3 "*Major Events*" of this section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus),

(ii) an application to the Bank of Italy and the MEF, for admission to the State guarantee scheme provided for under article 7 of Law Decree No. 237 of 23 December 2017 (the "**Decree 237**"), in order to issue additional State-guaranteed liabilities. In January 2017 the Bank was granted admission to the State guarantee scheme and issued, during the course of 2017, three instruments, which were fully subscribed by the Bank and then partly sold on the market and partly used as collateral for financing transactions.

On 28 July 2017, pursuant to a ministerial decree (the "**Burden Sharing Decree**"), the MEF ordered the application of the Burden -Sharing measures set out by article 22, subsections 2 and 4 of Decree 237, and the strengthening of the Bank's capital for an amount equal to Euro 4,472,909,844.60 with issuance of 517,099,404 ordinary shares assigned to the holders of certain subordinated notes and other subordinated liabilities (the "**Burden Sharing Notes**"), which were converted into shares at the unitary price of Euro 8.65. The Burden-Sharing measures were extended to FRESH 2008 securities, and notice was given to Mitsubishi and J.P. Morgan, as holders of usufruct rights on these securities.

On the same date, another ministerial decree (the "**Recapitalisation Decree**") provided for the Bank's Capital Increase for an amount equal to Euro 3,854,215,456.30, to service the subscription of 593,869,870 shares by the MEF Shares reserved for the MEF were issued at the unitary price of Euro 6.49.

Further to the completion of the Burden Sharing exercise and of the Capital Increase reserved to the MEF, BMPS' share capital was equal to Euro 15,692,799,350.97, represented by 1,140,290,072 ordinary shares, of which 36,280,748 treasury shares were held by BMPS Group companies.

In addition to the above, the Bank also carried out a Public Offering for Exchange and Settlement (the "**Offer**") pursuant to Decree 237 and providing for the purchase by the Bank, in the name and on behalf of the MEF, of the new shares assigned to former holders of Burden Sharing Notes pursuant to the Burden Sharing Decree.

The Offer concerned all of the 237,691,869 ordinary shares of the Bank arising out of the conversion, of the *€2,160,558,000 Floating Rate Subordinated Upper Tier II 2008-2018*

subordinated bond issue (ISIN code IT0004352586) (respectively, the "**UT2 Shares**") and outstanding as at 3 October 2017, equivalent to 20.84 per cent. of the share capital of BMPS.

Upon completion of the Offer, on 23 November 2017, 198,521,533 UT2 Shares, equal to 83.520540 per cent. of the UT2 Shares to which the Offer related, had been validly tendered into the Offer. Accordingly, the final pro rata allocation ratio was equal to 92.275041 and therefore the Bank, in the name and on behalf of the MEF, acquired 92.275041 per cent. of the UT2 Shares tendered into the Offer from each tenderer and returned, in accordance with the Offer document, the remaining UT2 Shares. Upon completion of the Offer, MEF had purchased a number of UT2 Shares so as to hold a share capital in the Bank equal to 68.247 per cent.

g) Restructuring Plan 2017-2021

On 26 June 2017, the board of directors approved the Bank's 2017-2021 Restructuring Plan (the "**Restructuring Plan**"), prepared according to the European legislation on State aid applicable to banks' capital reinforcement measures in the context of the financial crisis.

The Restructuring Plan which set out the assumptions for the Precautionary Recapitalisation and Capital Enhancement, together with the relevant implementing measures, was notified to the European Commission, which in July 2017 issued a positive decision on the compatibility of the intervention with the EU legislative framework.

In summary, the Restructuring Plan provided for:

a) the Bank's return to an adequate profitability level following recent losses, with a target return on equity (ROE) exceeding 10 per cent in 2021, based on certain pillars; and

b) the disposal of almost the entire bad loan portfolio as at 31 December 2016, quantified in Euro 28.6 billion GBV, which was successfully completed in the first half of 2018.

The Restructuring Plan furthermore listed a number of Commitments made by the Italian State to DG Comp – as required by European legislation – with regard to several aspects of the Restructuring Plan, among which:

- cost reduction: annual constraints in terms of number of branches, employees, cost/income and total operating costs, additional cuts up to a maximum of Euro 100 million in case the operating result targets (gross of LLPs) were not met;
- disposals of non-strategic assets: disposal of foreign subsidiaries, disposal of a list of company stakes over the Restructuring Plan's horizon, provided that the disposal price resulted in a capital neutral impact, and disposal of part of the Bank's real-estate property;
- contingency risk: in addition to the mentioned bulk deconsolidation of the most of the bank's bad loan portfolio, strengthened risk control, limitations on trading activity in terms of value at risk and of the nature of the traded instruments;
- acquisition ban; and
- a remuneration cap equal to 10 times the average salary of BMPS employees.

A monitoring trustee, appointed by the Bank with the approval of DG Comp, was entrusted to verify the compliance with these Commitments on a quarterly basis.

h) Assignment of the NPL Portfolio and further transactions for the assignment of non-performing loans

As part of the implementation of the Restructuring Plan with respect to the derisking process

envisaged thereunder, the Bank realised a series of transactions for the disposal and assignment of various portfolios of non-performing loans and the relevant derocognition thereof. In particular, the following are the main disposal transactions completed by the Bank between 2017 and 2019:

(i) in June 2017, the Bank entered into an agreement with Quaestio Capital Management SGR S.p.A. ("**Quaestio SGR**") providing for the transfer of a portfolio of non-performing receivables having a GBV of Euro 24 billion (rounded) as of 31 December 2016 (the "**NPL Portfolio**"). The transaction envisaged (i) the realisation of a securitisation transaction of the non-performing receivables pursuant to Law 130/99 through the issuance of senior, mezzanine and junior asset backed notes and (ii) the transfer of the mezzanine notes and the junior notes to Quaestio SGR on behalf of the Italian Recovery Fund. Such transfer of the notes and the total outsourcing of portfolio recovery activities, entailed the concurrent derecognition of the NPL Portfolio, for a gross value of Euro 24.1 billion (rounded) (net value of Euro 4.3 billion);

(ii) in December 2018/January 2019, the Bank carried out the disposal of the following portfolios:

  (a) a portfolio of Euro 2.2 billion of unsecured small-ticket and consumer credit non-performing loans (so-called "Progetto Merlino") transferred to IFIS NPL S.p.A., Credito Fondiario S.p.A., (Artemide SPV) and Balbec Capital LP (Duomo SPV);

  (b) a portfolio of Euro 0.77 billion of leasing bad loans (so-called "Progetto Morgana") transferred to Bain Capital Credit; and

  (c) a portfolio of Euro 0.4 billion of Unlikely to Pay (so-called "Progetto Alfa 2").

(iii) in July 2019, the Bank entered into two agreements with Illimity Bank S.p.A. for the sale of almost Euro 700 million of non-performing exposures, originated both by BMPS and MPS Capital Services, with respect to (a) a portfolio including both secured and unsecured loans, originally backed by an ISMEA (*Istituto di Servizi per il Mercato Agricolo Alimentare*) guarantee, for a value of Euro 240 million (rounded) and (b) a portfolio of Unlikely to Pay exposures, with a value of Euro 450 million (rounded), mainly including unsecured loans to corporates.

(iv) in August 2019, BMPS and MPS Capital Services finalised, *inter alia*, the assignment: (a) of NPEs for Euro 0.5 billion (rounded), in part to a subsidiary of Cerberus Capital Management L.P. and in part to illimity Bank S.p.A., with respect to a portfolio of Unlikely to Pay exposures of BMPS and MPS Capital Services mainly including secured loans to corporates; and (b) of NPEs for Euro 0.1 billion (rounded) to Bank Of America with respect to a portfolio of Unlikely to Pay exposures of BMPS and MS Capital Services mainly including secured loans to corporates; (c) sale of NPLs for Euro 0.1 billion (rounded), mainly bad loans, to Credito Fondiario S.p.A. (Salaria SPV), exposures of BMPS and MPS Capital Services;

(v) in December 2019, inter alia, BMPS and MPS Capital Services completed three further transactions for the sale of NPLs for Euro 1.8 billion (rounded). In particular, such transactions involved (a) the assignment without recourse of a Portfolio of NPLs consisting primarily of unsecured NPLs of BMPS and MPS Capital Services for Euro 1.6 billion (rounded) of unsecured (so-called "Progetto RACE") to Illimity Bank S.p.A. (Aporti S.p.A.); and (b) two transactions (Project Cuvée – for further details please refer to letter i) "*Cuvée Transaction*" of this paragraph 3 "*Major Events*" of this section "*Banca*

Monte dei Paschi di Siena S.p.A." and Project Uniform2) with a total of Euro 0.2 billion (rounded) relating to the assignment without recourse of mainly secured Unlikely to Pay exposures of BMPS and MPS Capital Services to Nostos SPV and closed-end investment fund managed by Prelios SGR.

i) Cuvée Transaction

On 27 December 2019, BMPS and MPS Capital Services (together with UBI Banca and Banco BPM) signed an agreement with AMCO and Prelios Group for the creation of a multi-originator platform to manage Unlikely to Pay exposures related to real estate.

AMCO and the Prelios Group will manage a portfolio of small/medium Unlikely to Pay exposures deriving from loans from Euro 3 million to 30 million to real estate companies undergoing restructuring or financial difficulties conferred by the banks and by AMCO itself.

The project will be implemented through a securitisation of the receivables granted by banks and AMCO and the intervention of a closed-end investment fund managed by Prelios SGR. The fund shares will be held by banks and AMCO.

In the first phase of the project, the Group contributed to Unlikely to Pay exposures for an amount of Euro 111 million (rounded), which have been deconsolidated in 2019 Consolidated Financial Statements.

3.1 Recent Developments

a) Partial, non-proportional demerger with asymmetric option from BMPS in favour of AMCO

On 29 June 2020, the Board of Directors of BMPS and the Board of Directors of AMCO approved the project related to the Demerger Transaction relating to a compendium of NPEs, DTAs, other assets, financial debts, other liabilities and net equity, subject to certain conditions, first of all the positive scrutiny by the ECB. On 27 August 2020, the Bank's Board of Directors acknowledged receipt from the ECB of the draft decision regarding the Demerger Transaction and resolved to inform the ECB of the absence of comments on its part. The ECB draft decision set out the conditions to which the ECB's authorisation to carry out the Demerger Transaction is subject. On 2 September 2020 BMPS received the ECB final decision confirming the draft decision received by the Bank on 27 August 2020. On 4 October 2020, the Extraordinary Shareholders' meeting of BMPS resolved to (i) approve the partial proportional demerger project of MPS Capital Services in favour of BMPS which consists of a partial proportional demerger of MPS Capital Services in favour of the Bank to be implemented through the assignment by MPS Capital Services to the Bank of a portion of its assets and liabilities (including a portfolio of non-performing exposures) and which will be subsequently transferred to AMCO as a result of the Demerger Transaction; (ii) approve the Demerger Transaction with the granting of an asymmetric option to the shareholders of BMPS, other than the MEF; and (iii) amend the Bank's by-laws (with respect to the Bank's share capital) following the approval of the Demerger Transaction. On 25 November 2020 the deed for the partial non-proportional demerger from BMPS in *favour* of AMCO with the granting of an asymmetric option to BMPS' shareholders, other than the Ministry of Economy and Finance, was executed following the assessment, by the Board of Directors of BMPS, on the fulfilment of the conditions precedent which such demerger is subject to, including – in particular – the enrolment with the Companies' Register of Arezzo-Siena of the deed for the partial demerger of MPS Capital

Services in favour of the Bank which was executed on 19 November 2020, enrolled with such Companies' Register on 20 November 2020 and was effective as of 26 November 2020. The Demerger Transaction was effective (towards third parties) as of 1 December 2020. For more information in this respect, reference is made to the 2020 Consolidated Financial Statements.

b) BMPS approved the 2021-2025 Strategic Plan and the New Capital Plan

On 17 December 2020, the Board of Directors of BMPS approved the Strategic Plan. The Strategic Plan has been prepared taking into account, *inter alia*, the Commitments assumed by the Italian Government in 2017 pursuant to the Restructuring Plan and the October DPCM relating to the disposal of the investment held by the MEF in the share capital of BMPS to be carried out through the market and also through operations aimed at consolidating the banking system. In particular, the Strategic Plan has been designed assuming strategic initiatives that can be implemented while substantially retaining the Bank's current operating model and technological infrastructure. For financial resources, the Strategic Plan envisages maintaining capital and liquidity indicators well above the supervisor's indications, as at the date of drafting the Strategic Plan, in each year. The impacts of the new MREL framework are fully incorporated in the Strategic Plan. The Strategic Plan assumes the necessary dialogue with DG Comp with reference to the commitments undertaken in 2017 and with the ECB, also for the purpose of approving the planned capital strengthening hypotheses. On the basis of the initial discussions with DG Comp following the submittal of the Group's new Strategic Plan, the Bank was asked to identify additional compensatory measures for non-compliance with some commitments set in the Restructuring Plan. The additional measures were submitted to the Board of Directors on February 2021 and transmitted to DG Comp.

On 28 January 2021, the Board of Directors of BMPS approved the New Capital Plan, submitted to the ECB in accordance with the 2020 SREP Decision. The New Capital Plan is based on an ongoing focus on a potential structural solution for the Bank, including the merger with a partner of "primary standing", consistently with the Commitments and the October DPCM. Should a structural solution not be found in the short/medium term, the New Capital Plan foresees a capital strengthening of Euro 2.5 billion which, if implemented (subject to shareholders' approval), will be executed on market terms and with proportional subscription by the Italian State. In this context, the DG Comp, according to current legislation, should assess the Italian State's intervention on the basis of the Bank's stand-alone viability. For more information in this respect, reference is made to paragraph "*2021-2025 Group Strategic Plan*" of the section "*Consolidated Report on Operations*" of the 2020 Consolidated Financial Statements, to the section "*2021-2025 Group Strategic Plan*" of the 2021 Consolidated Half-Yearly Report and to the section "*2021-2025 Group Strategic Plan*" of the Consolidated Interim Report as at 30 September 2021that are incorporated by reference to this Base Prospectus.

Following the interruption of negotiations regarding the potential acquisition of a selected perimeter of BMPS between UniCredit and the MEF, the Bank acknowledged the current inability to find a Structural Solution and started a preliminary dialogue with the MEF, in order to re-open discussions with DG Comp to extend the MEF's participation in the BMPS' shareholding and determine the necessary measures that the Bank will have to take.

Given the above, the Bank has defined the New Strategic Plan. For more information with respect to the New Strategic Plan, please see letter f) "*BMPS approved the 2022-2026 Strategic Plan*" below.

c) EBA 2021 stress test

On 30 July 2021, the results of the EBA 2021 stress test were published. Such results are consistent with the New Capital Plan, which includes a capital strengthening of EUR 2.5 bn. For more information on the results of the EBA 2021 stress test, reference is made to paragraph "*Significant events after the end of the first half of the year*" of the section "*Half-Yearly Report on Operations*" of the 2021 Consolidated Half-Yearly Report and to the Consolidated Interim Report as at 30 September 2021 that is incorporated by reference to this Base Prospectus.

d) Disposal of the equity investment by the Ministry of Economy and Finance

The Commitments required by DG Comp provide, *inter alia*, for the MEF to dispose of its stake held in the Bank by the end of the Restructuring Plan. On 30 December 2019, the MEF communicated that, in agreement with the services of the European Commission, the presentation of the plan to sell the equity investment in MPS was postponed, pending the completion of the Demerger Transaction (in this respect please refer to letter a) "*Partial, non-proportional demerger with asymmetric option from BMPS in favour of AMCO*" above). The Demerger Transaction was designed and then planned also with the goal of creating the conditions for the sale of the equity investment. To that end, BMPS engaged Mediobanca and Credit Suisse as financial advisors in order to evaluate the alternative strategies available.

The October DPCM has authorised the disposal of the stake held by the MEF in BMPS: this may be carried out in one or more stages, with sale procedures and techniques used in the markets, through individual or joint recourse to a public offer to investors in Italy, including personnel of the Group, and/or Italian and international investors, through direct negotiations to be carried out with transparent and non-discriminatory competitive procedures and through one or more extraordinary transactions, including a merger.

BMPS has set up a virtual data room for the due diligence activities of potential investors and partners. In this regard, it should be noted that the Apollo fund, which had sent to BMPS a non-binding expression of interest, has had access to the virtual data room since March 2021. Moreover, on 29 July 2021, UniCredit issued a specific press release announcing that it had agreed with the MEF the conditions for a potential transaction involving the transfer of a selected scope of BMPS activities to UniCredit. To this end, UniCredit and MEF have conducted exclusive discussions to verify the feasibility of the transaction. BMPS and UniCredit have signed a confidentiality agreement, necessary to initiate the exchange of information through a data room, to which UniCredit has had access since 3 August 2021. BMPS has allowed Mediocredito Centrale S.p.A. to access a part of the data room, with information relating to a selection of bank branches, and a data room was also prepared focused on aspects relating to non-performing loans and loans classified as Stage 2, to which AMCO S.p.A. had access.

As regards the discussions between UniCredit and the MEF, on 24 October UniCredit and the MEF issued press releases to announce the interruption of negotiations regarding the potential acquisition of a selected perimeter of BMPS. The Bank, having acknowledged the current inability to find a Structural Solution, started a preliminary dialogue with the MEF in order to re-open discussions with DG Comp to extend the MEF's participation in the BMPS' shareholding and determine the necessary measures that the Bank will have to take.

As at the date of this Base Prospectus, only AMCO has access to the virtual data room.

Even if the Structural Solution has not materialised yet, it remains a possible scenario. The Bank will publish on a monthly basis information with regard to the possible Structural Solution, including any possible aggregation scenario, as required by CONSOB pursuant to article 114, paragraph 5, of the Consolidated Finance Act.

e) Sale of BMPS own shares

On 5 October 2021, BMPS announced the completion of the sale of no. 36,280,748 own shares (equal to approximately 3.62% of the share capital of BMPS) held by the Montepaschi Group, resulting from the capital strengthening interventions carried out in 2017 pursuant to Decree 237 and the Burden Sharing Decree. The sale of the own shares (held directly by BMPS for no. 21,511,753 shares and indirectly, through the subsidiary MPS Capital Services S.p.A., for 14,768,995 shares) was authorized by the Shareholders' Meeting of the Bank held on 18 May 2020. The sale of the shares began on 22 February 2021 and was concluded on 4 October 2021 and was carried out on the *Mercato Telematico Azionario* of Borsa Italiana S.p.A. for a total value of approximately Euro 43 million, with a positive impact on BMPS's CET1 in 2021 estimated at 10 bps.

f) BMPS approved the 2022-2026 Strategic Plan

On 17 December 2021, the Board of Directors of BMPS approved the New Strategic Plan. The New Strategic Plan fully replaces the previous Strategic Plan, approved by the Bank in December 2020, which have been drawn up underlining a Structural Solution to be carried out in the short term.

The New Strategic Plan will form part of the various information, approval and regulatory processes that the Bank has undertaken to present to the ECB, the Single Resolution Board and the DG Comp. Furthermore, the MEF is liaising with the DG Comp regarding its participation in the Bank. The positions of the aforementioned authorities constitute a prerequisite for the capital increase envisaged by the New Strategic Plan. The Bank is currently unable to provide a precise estimate of the time required for the competent authorities to complete the respective processes, but will provide the authorities with the utmost commitment to collaboration so that the aforementioned processes can be completed promptly and successfully. The New Strategic Plan, which constitutes the basis for the start of the above approval processes, may however have to incorporate any amendments and changes, even significant ones, to reflect the outcome of discussions with the competent authorities.

For more information with respect to the contents of the New Strategic Plan, reference is made to the New Strategic Plan – Press Release, which is incorporated by reference into this Base Prospectus.

3.2 SREP Decisions

The Issuer, to the extent it exercises the banking activity and provides investment services, is subject to complex regulation and to the specific supervision of, among others, the ECB and the Bank of Italy, each for the relevant aspects of competence. In exercising supervisory powers, the ECB and the Bank of Italy subject the Issuer, on a periodic basis, to various investigation and/or verification activities, both ordinary and extraordinary, for the purpose of fulfilling prudential supervision duties.

In particular, the ECB carries out the SREP at least once a year to verify that credit institutions have adequate capital and organisational control measures compared against the risks they take, ensuring effective risk management. Specifically, the SREP process is based on the following four pillars: (i) assessment of feasibility and sustainability of the business model; (ii) assessment of the adequacy of governance and risk management; (iii) assessment of capital risks; and (iv) assessment of liquidity risks. At the end of the annual SREP process, the supervisory authority expresses a decision (the "**SREP Decision**") on quantitative capital and/or liquidity requirements together with any other organisational and control recommendations that credit

institutions are required to comply with.

3.2.1 2020 SREP Decision

On 29 December 2020 the Bank has announced that it has received the ECB's final decision regarding own funds requirements to be met starting from 1 January 2021.

According to this decision, in 2021, MPS Group must fulfil a Total SREP Capital Requirement (TSCR) of 10.75% on a consolidated basis, which includes:

- a Pillar 1 minimum requirement (P1R) of 8% (of which 4.50% in terms of CET1) and
- an additional Pillar 2 requirement (P2R) of 2.75% (vs. 3% in the 2020 SREP Decision), of which at least 56.25% must be met in terms of CET1 and at least 75% must be composed of Tier 1

The reduction of the P2R by 25bps compared to 2020 reflects, among other things, the significant derisking implemented by the Bank.

The overall minimum requirement in terms of Total Capital Ratio is 13.44%, obtained by adding a 2.69% Combined Buffer Requirement (CBR) to the TSCR.

The overall minimum requirement in terms of CET1 ratio is 8.74%, the sum of P1R (4.50%), P2R (1.55%2) and CBR (2.69%); the overall minimum requirement in terms of Tier 1 is 10.75%, inclusive of P1R of 6%, P2R of 2.06%3 and CBR of 2.69%.

4. Ratings

In 2021, DBRS and Fitch completed their annual review resulting in the below decisions:

- on 7 June 2021, Fitch decided to maintain the "Rating Watch Negative" (RWN) on the Bank's stand-alone "Viability Rating" (VR), and on long-term ratings.
- on 16 June 2021, DBRS decided to confirm all BMPS ratings, including the Long-Term Issuer Rating of "B (high)", Long-Term Senior Debt Rating of "B (high)" and Long-Term Deposits Rating of "BB (low)". The trend on all ratings was confirmed stable.

Following the annual review, DBRS and Fitch announced the following decisions:

- on 9 August 2021 DBRS reviewed the BMPS' Subordinated Notes rating to "CCC" from "B (low)" maintaining the trend "stable". The decision also considered the announcement on 29 July 2021 of UniCredit that it had agreed with MEF the conditions for a potential transaction involving the transfer of a selected scope of MPS activities to UniCredit.
- on 1 December 2021, Fitch removed the "Rating Watch Negative" (RWN) on BMPS main ratings, confirming all Bank's ratings, including the stand-alone "Viability Rating" at "b", and the Long- Term Issuer Default Rating ("IDR") at "B" with an "evolving" outlook.
- On 7th December 2021 Moody's Investors Service has extended its review for upgrade of BMPS "b3" standalone Baseline Credit Assessment and long-term ratings (including the "B1" long-term bank deposits rating and "Caa1" long-term senior unsecured rating.

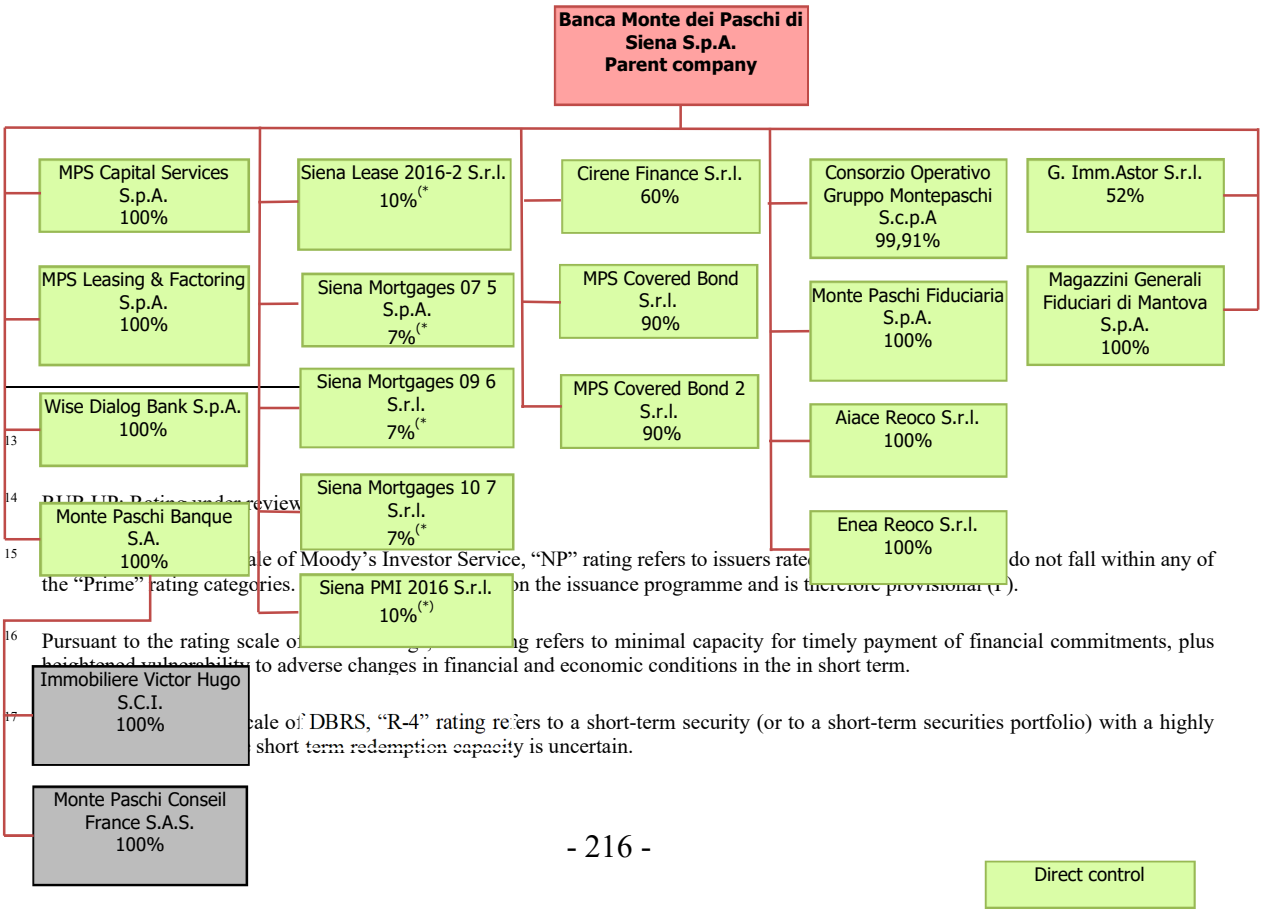
Ratings Agencies	Long term rating	Outlook	Short term rating	Outlook	Last updated
Moody's	Caa1[13] (RUR UP)[14]	Rating Under Review	(P)NP[15]	-	7 December 2021
Fitch	B	-	B[16]	Evolving	1 December 2021
DBRS	B (High)	Stable	R-4[17]	Stable	9 August 2021

5. Principal companies of the BMPS Group

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

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

The list below sets out the main companies of the Group and their percentage ownership as at the date of this Base Prospectus.



(*) Subsidiaries under control "de facto"

13 RUR UP: Rating under review

14 ale of Moody's Investor Service, "NP" rating refers to issuers rate do not fall within any of the "Prime" rating categories. on the issuance programme and is therefore provisional (P).

15 Pursuant to the rating scale o g refers to minimal capacity for timely payment of financial commitments, plus heightened vulnerability to adverse changes in financial and economic conditions in the in short term.

16 cale of DBRS, "R-4" rating refers to a short-term security (or to a short-term securities portfolio) with a highly short term redemption capacity is uncertain.

17

6. BMPS Group Profile

As at 30 June 2021, the BMPS Group is an Italian banking institution with 21,388 employees, approximately more than 3.8 million customers, assets of Euro 145.8 billion (rounded) and significant market shares in all the areas of business in which it operates.

The Group's main activity is retail banking which involves the provision of banking services for individuals such as financial and insurance products, financial promotion, wealth management and third entities' securities offers. Other areas of business are: leasing and factoring; consumer lending; corporate finance and investment banking.

The following table report a breakdown of the Bank's BMPS branches by Region as 30 June 2021:

	Number	Percentage on the total of the branches
Emilia Romagna	94	6.6%
Friuli Venezia Giulia	38	2.7%
Liguria	18	1.3%
Lombardia	197	13.9%
Piemonte	34	2.4%
Trentino Alto Adige	2	0.1%
Valle d'Aosta	2	0.1%
Veneto	184	13.0%
Abruzzo	27	1.9%
Lazio	122	8.6%
Marche	36	2.5%
Molise	4	0.3%
Toscana	306	21.6%
Umbria	34	2.4%
Basilicata	10	0.7%
Calabria	39	2.8%
Campania	82	5.8%
Puglia	84	5.9%
Sardegna	10	0.7%
Sicilia	95	6.7%
Total	**1,418**	**100.0%**

Customers are divided by target segments to which an *ad hoc* service model is applied in order to best respond to the specific needs and demands expressed, and are served through an integrated combination of "physical" and "remote" distribution channels.

The Group mainly operates in the Republic of Italy through, as at 30 June 2021, 1,418 branches, 140 specialised centres, 109 financial advisory branches, and 5 branches of product companies.

The foreign network includes, as at 31 December 2020, an operational branch in Shanghai , nine representative office boards located in various "target areas" (Central-Eastern Europe, North Africa, India and China) and a bank under foreign law, Monte Paschi Banque S.A. in respect of which the Issuer has already resolved to start an orderly winding-down process by setting up a plan in compliance with the provisions set out in Commitment no.14 "Disposal of Participations and business".

Organisational structure

Group overview

The BMPS Group is a financial, credit, insurance, integrated and multi-market entity, characterised by an organisation based on four pillars:

- a central direction and management coordination structure represented by BMPS as parent company of the Group, which also carries out operational activities on behalf of the commercial network;
- a production structure, consisting of the product companies, dedicated to the development of specialist financial instruments to offer the market;
- a distribution structure, consisting of the business units of both BMPS and Banca Widiba, with a network of financial advisors;
- a service structure, consisting of the company responsible for IT services (*Consorzio Operativo del Gruppo*).

The BMPS Group's operations focus on traditional retail and commercial banking services, with activities prevalent in Italy.

The Group is also active through its specialised product companies in business areas such as leasing, factoring, corporate finance and investment banking. The insurance-pension sector is covered by a strategic partnership with AXA while asset management activities are based on the offer of investment products of independent third parties.

The Group combines traditional services offered through the network of branches and specialised centres with an innovative self-service and digital services system enhanced by the skills of the Widiba financial advisor network.

Foreign banking operations are focused on supporting the internationalisation processes of corporate clients in all major foreign financial markets.

BMPS Group is also present in specific non-banking business areas with the aim of directly controlling economic areas of absolute interest, such as companies operating in the viticulture sector (MPS Poggio Bonelli) and the agricultural sector (Magazzini Generali).

Intragroup transactions primarily regard the financial support from the Bank as parent company to other companies, in the form of deposits repurchase agreement transactions; structured finance transactions through subsidiary MPS Capital Services; outsourcing services relative to the auxiliary activities provided by the Bank as parent company (administrative services and property administration) and by the Group operating consortium (*Consorzio Operativo del Gruppo*) (IT services).

The BMPS Group's organisational structure as at the date of this Base Prospectus is set out below

BMPS as parent company of the Group

Through its Head Office, BMPS performs functions of direction, coordination and control over the Group's companies, as part of the more general guidelines set out by the board of directors and in the interest of the Group's stability.

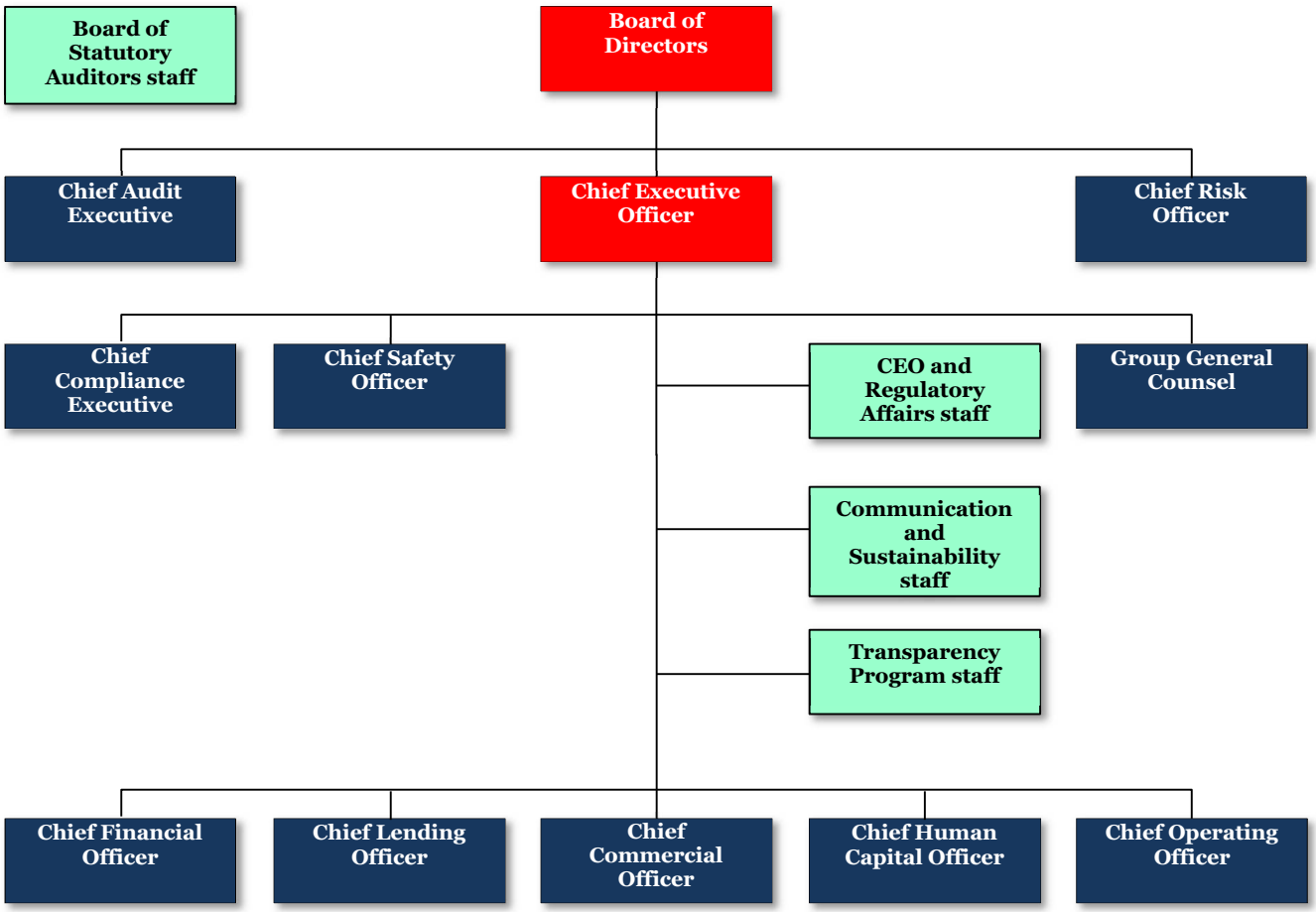
The monitoring and control functions (Chief Audit Executive department and Chief Risk Officer department) report to the Board of Directors, the business, governance and support functions, in addition to the compliance department, are directly supervised by the chief executive officer, strengthening the specialisation of the departments dedicated to the individual business segments.

As at the date of this Base Prospectus, the Bank is divided into the following structures reporting directly to the Chief Executive Officer:

- the Chief Lending Officer department;
- the Chief Commercial Officer department;

- the Chief Safety Officer department;
- the Group General Counsel department;
- the Chief Financial Officer department;
- the Chief Operating Officer department;
- the Chief Human Capital Officer department;
- the Chief Compliance Executive department;
- the Communication and Sustainability staff;
- the CEO and Regulatory Affairs staff;
- the Transparency Program staff.

The organisational chart of the Bank's head offices as at the date of this Base Prospectus is set out below:



7. Funding

As at the date of this Base Prospectus, the Group employs various sources of funding, on the domestic market and international markets, both from retail customers and qualified/institutional investors.

Retail domestic funding is mainly composed by current accounts and time deposits, while institutional funding is mainly raised through public bond issues executed under dedicated programmes ("Euro 50 billion Debt Issuance Programme" - Euro Medium Term Notes, for senior and/or subordinated notes and "Euro 20 billion Covered Bond Programme", for covered bonds) and repurchase agreements (repo).

As at the date of this Base Prospectus, outstanding issues under the Euro Medium Term Note Programme are equal to a total aggregate notional amount of Euro 4.5 billion (rounded); outstanding issues under the Covered Bond Programme , placed on the market, are equal to a total aggregate notional amount of Euro 5.25 billion (rounded).

A significant funding source is also represented by ECB's TLTROs III guaranteed by assets pledged by the Bank, within the limits and according to the rules established in the Eurosystem. As at the date of this Base Prospectus, TLTROs III outstanding amount to Euro 29.562 million maturing on 21 December 22 for an amount equal to Euro 4,000 million, on 28 June 2023 for an amount equal to Euro 17,062 million on 27 September 2023 for an amount equal to Euro 3.000 million, on 27 March 2024 for an amount equal to Euro 2.500 million and on 26 June 2024 for an amount equal to Euro 3.000 million.

8. Competition

The BMPS Group faces significant competition from a large number of banks throughout the Republic of Italy.

A period of consolidation has created larger, more effective and competitive banking groups. Competition in both deposit-taking and lending activities has intensified, contributing to the narrowing of spreads between deposits and loan rates.

In attracting retail deposits and financing retail customers, the Bank primarily competes at the local level with medium-sized local banks, and to a lesser extent, with super-regional banks. The Bank's major competitors in other areas of the Italian banking market are Italian national and super-regional banks, such as UniCredit, Intesa SanPaolo, Banco BPM and BPER.

Moreover incumbent fintech operators add competitive pressure in the domestic market in specific business areas (i.e. payment systems, liquidity management services).

9. ECB/Bank of Italy inspections concluded during the period 2015-2021

9.1 Ordinary inspection activity on credit risk and the portfolio of receivables (OSI 3435)

During the period between January and May 2015, an ordinary investigation was conducted by the ECB and the Bank of Italy in relation to the credit risk and the loan portfolio with a final "follow-up" letter sent to the Bank on 30 November 2015 containing 31 recommendations provided by the investigation bodies to which the Bank formally responded on 20 January 2016 indicating the relevant remedial actions identified. Such actions related to the processes and controls, internal regulation and organisational aspects of the Bank as well as to the structural

enhancement aimed at supporting IT tools.

As at the date of this Base Prospectus, all the remedial actions have been completed, with the exception of certain remedial actions relating to the review of the IT systems dedicated to credit, whose activities are still ongoing.

9.2 Thematic review on risk governance and appetite carried out by the ECB

On 3 March 2016, the ECB informed the Issuer of the results of the investigation relating to (a) the functioning of the offices responsible for strategic, control and management supervision, and (b) the Risk Appetite Framework ("**RAF**") carried out in 2015 in respect of the significant entities of the Euro zone. In particular, the ECB recommended: (i) to increase the competence and expertise of the Board of Directors in respect of risk management, control and back office activities, enhancing the appointment process of its members, and to review the functioning of internal board committees; and (ii) in respect of the risk appetite framework, that the RAF should have been fully implemented by the first quarter of 2016, effectively integrating it in the governance and risk management processes for the purpose of allowing adequate determination and monitoring of business results.

As at the date of this Base Prospectus, remedial actions are entirely completed in compliance with the deadlines requested and evidence of the implemented remedial actions has been provided to the supervisory authority.

9.3 Ordinary inspection activity on the governance of the Banks and the risk management system (OSI 3233)

During the period September 2015-January 2016 an ordinary investigation was carried out by the ECB and the Bank of Italy concerning the Bank's governance and the risk management system, OSI 3233. On 28 February 2017, the Bank received the relevant follow-up letter and then fully implemented a specific remedial plan. On 11 February 2020, the ECB notified the closure of all the findings connected to the inspection.

9.4 Inspection activity on the risks relating to credit, counterparty and control system (OSI 1238)

In May 2016 the ECB and the Bank of Italy started an inspection (OSI 1238) concerning the control system of credit and counterparty risk with respect to the retail portfolio, small and medium enterprises ("**SMEs**") portfolio and corporate portfolio of the Bank, MPS Capital Services and MPS Leasing Factoring. Such inspection ended in February 2017.

On 13 February 2018, the Bank received the follow-up letter from the supervisory authority setting out the findings relating to the inspection. On 15 March 2018, the Bank replied and informed the ECB of the remedies expected to be implemented by the end of 2018. In this respect, please note that the Restructuring Plan incorporates the result of the inspection carried out by the ECB on the portfolio of receivables as of 31 December 2015 highlighting further initiatives to be implemented compared to the coverage levels as at the relevant date. This impact has already been incorporated in the 2017 financial statements. As of the date of this Base Prospectus, the Bank does not believe that further corrections to the receivables, other than set out in the Restructuring Plan, are needed.

At the date of this Base Prospectus, all the remedial actions have been completed, except for certain remedial actions relating to the review of the IT systems concerning credit, whose activities are still on going.

9.5 Verification activity on banking transparency

During the period between September and December 2016, the Bank of Italy carried out a verification activity on the Bank. The findings of such verification activity were communicated to the Bank on August 2017 and six observations were pointed out therewith.

On 7 August 2018, the Bank of Italy sent a further notice inviting the Bank to (i) re-examine the fees schemes relating to the advances on invoices transactions; (ii) strengthen the Bank's capacity to quickly face other critical issues found while carrying out the inspections; and (iii) give updates on the state of implementation of the planned activities. On 19 October 2018, the response was transmitted along with the assessments of the compliance and audit offices. The Bank undertook to implement the requests specified in points (i) and (ii) and provided an update on the state of the implementation of the planned activities in relation to point (iii).

On 7 October 2019, the Bank of Italy started a new inspection with the aim of verifying compliance with the transparency regulations and the fairness of the Bank's relationship with its customers. The audit ended on 21 January 2020. Meanwhile, based on the findings of the verification, the Bank launched an action plan, including refunds to customers, of which the Bank of Italy was informed.

On 12 June 2020, the Bank of Italy presented its findings with an evaluation "predominantly non-compliant" and notified a formal challenge of the sanctioning procedure for violations subject to administrative sanctions under article 145 of the Consolidated Banking Act. At the same time, with a note signed by the governor of the Bank of Italy, it was requested to supplement the remedial plan already started.

On 11 August 2020, the Bank transmitted to the Bank of Italy its observations with regard to the audit report and its response to the decision to initiate the sanctioning procedure. At the same time a new remedial action plan was activated and completed by 31 December 2020. As a result of the remedial actions, the Bank refunded customers for a total amount of Euro 40 million (rounded), of which Euro 4,6 million (rounded) referring to sums made available by means of a notice published in the Official Gazette of the Republic of Italy and in two national newspapers. A follow-up plan of residual activities is currently being carried out.

On 6 May 2021, the Bank was imposed a pecuniary administrative sanction of Euro 2.9 milion, pursuant to article 144 of the Italian Consolidated Banking Act.

On 7 August 2021, the Bank of Italy sent a further notice inviting the Bank to provide additions and clarifications regarding (i) the mechanisms adopted to ensure the timely delivery of the European standardised information sheet (ESIS); (ii) the transfer of payment services; (iii) the remuneration of the credit lines; (iv) the application of charges in the event of withdrawal from the current account. In September 2021, the Bank provided the expected clarifications.

9.6 Bank of Italy inspection on transparency in relation to Banca Widiba S.p.A.

During the period between 13 November 2017 and 9 January 2018, the Bank of Italy carried out an inspection on Banca Widiba S.p.A. to verify the organisation and the control systems implemented by the intermediary to ensure compliance with the transparency requirements. In this respect, the authority has analysed the regulatory framework, the processes (including the externalised ones), the structure of the controls and a sample of the relationships and transactions relating to the different categories of banking products as well as services offered by the Bank, the type of clients and the offering channels.

On 10 April 2018, the Bank of Italy informed Banca Widiba S.p.A. of the inspection report that set out ten issues and stated that the Bank was "partially compliant" due to weakness in the control structure. This was a result of the Bank not fully complying with the relevant transparency provisions, in particular with reference to the process of unilateral amendment of the terms and conditions and the determination of certain fees.

On 11 June 2018, Banca Widiba S.p.A. provided the supervisory authority with the remedial plan, setting out 41 interventions. On 28 September 2018, Banca Widiba S.p.A. sent a letter to the Bank of Italy explaining the state of interventions implemented in relation to the issue raised by the authority, highlighting that 21 interventions had been completed, five interventions were under completion, 14 interventions were under implementation and one intervention had yet to be started. In addition, Banca Widiba S.p.A. reimbursed the amount wrongfully charged to its customers.

In March 2019, Banca Widiba S.p.A. notified the supervisory authority that the actions requested were almost completed.

The new inspection activity that started on 7 October 2019 and ended on 21 January 2020 regarding the transparency matter mentioned above was also conducted with respect to Banca Widiba S.p.A.. Two of the Bank of Italy's findings concerned Banca Widiba which, as the Bank did, launched and completed its own remedial action plan by 31 December 2020.

The sanctioning procedure that involved the Bank did not involve Banca Widiba S.p.A.

9.7 Inspection activity on anti-money laundering

During June 2017, the Bank of Italy carried out an on-site inspection in order to assess the existing procedures for the identification and adequate enhanced verification on politically exposed persons ("**PEPs**").

During the inspection which started on 5 June 2017 and ended on 6 July 2017, the Bank of Italy carried out an analysis of the organisational structures, the internal rules and the internal processes of the Bank with a particular focus on the process of evaluating PEPs as well as specifically considering a sample of clients independently identified.

The supervisory authority communicated the result of the inspection to the Bank, describing the goals of the on-site inspections that had been carried out at system level, which are used as standards in order to suggest the best practices to be observed in the industry. The supervisory authority underlined certain areas of improvement concerning, in particular: the risk profiling, the customer's due diligence and the internal controls and the identification of PEPs. As of the date of this Base Prospectus, the Bank has informed the supervisory authority on the remedy activities already implemented and to be implemented in relation to the issues highlighted. The letter of reply was sent on 3 November 2017 in order to promptly answer the request of the supervisory authority by highlighting the activities already implemented, the activities which are under implementation and the activities which have been planned.

Between 9 May and 28 August 2018, the Unità di informazione finanziaria per l'Italia ("**UIF**") carried out the inspection activity relating to the assessment of the procedures created to verify potential anomalies relating to the activity of the Issuer's clients.

The UIF notified to branch-managers eight notices of infringement for allegedly omitted suspicious activity reports, for which the Bank is jointly liable.
In December 2018, the Bank filed the relevant defences to MEF. In November 2020 the MEF

notified the Bank of eight sanctioning decrees for missing suspicious transactions reports, for a total amount of € 219,612.00.

Following the analysis of the content of the decrees, since the existence of the conditions for the sanctions' imposition was not noted on the merits, the Bank appealed before the Court of Rome within the time prescribed by law.

A further inspection, commenced by the Bank of Italy on 6 June 2018 and ending on 28 September 2018 has been carried out on BMPS and Banca Widiba S.p.A.. Both banks have been formally subject to inspections regarding the verification of compliance with anti-money laundering legislation. Following on 28 February 2019, the Bank of Italy reported the outcome of the inspection to the Board of Directors of the Bank highlighting certain areas of improvement which mainly concerned adequate verification and internal controls.

The findings of the supervisory authority were duly noted by the Bank specifying the implemented, undertaken and planned remedial actions. The response letter of the Bank – the content of which had been approved by the Board of Directors thereof – was sent on 29 March 2019 stating the actions already implemented, as well as those in progress and planned. On 26 June 2019, the Bank informed the Bank of Italy of the results of the carried out actions as detailed in the letter sent in March 2019.

Moreover, on 26 September 2019, the Bank updated the Bank of Italy on the results which showed significant progress in the planned activities, although did not fully reach the required target levels. The same results have been reported to the Bank of Italy with regard to the inspection of Banca Widiba S.p.A.. Both the response to the Bank of Italy of 29 March 2019 and the updating letters of 26 June 2019 and 26 September 2019 sent to supervisory authority include the activities plan implemented for Banca Widiba S.p.A..

In November 2019, the Bank of Italy notified to the Bank the final assessments produced, which took into account the remedial action already initiated and largely implemented and started the sanctions procedure for the application of a sanction of Euro 1,320,000 notified on 16 December 2019. Following such sanction, the Board of Directors resolved on 16 January 2020 not to exercise the right of appeal and to proceed with the payment of the sanction within the prescribed time limits.

By way of a letter dated 7 February 2020, the Bank of Italy requested the Bank to increase its efforts to complete the remedial action plan initiated, asking for updates before 31 March 2020. A response was approved by the Board of Directors on 31 March 2020 and sent within the required deadline. The remedial action plan continued throughout 2020, periodically monitored by the Board of Directors, limited to the recovery of missing or outdated customer information and the identification of beneficial owners. The COVID-19 emergency significantly slowed down the activities in relation to making contact with customers and made it necessary to extend the completion date to February 2021. After that date, on the basis of the objectives achieved, the remedial action plan requested by the Bank of Italy was considered complete.

9.8 Bank of Italy inspection on advisory activities to customers in relation to investment diamonds

In the context of the same inspection activity initiated on 6 June 2018, it is stated that the supervisory authority also provided the Bank with findings with regard to the reporting of investment diamonds to customers, carried out by the Bank until February 2017. With reference to these findings, it is specified that the Issuer provided timely responses to the supervisory authority within a letter dated 29 March 2019.

9.9 ECB inspection activity in relation to the review of the internal models (TRIM-2939)

On 30 November 2017, the ECB sent to the Issuer the follow-up letter relating to the TRIM general topics review setting out one finding which the Bank considers to have solved as communicated to the ECB in its reply on 13 December 2017.

With a follow-up letter dated 15 January 2018, the ECB notified the Issuer of feedback relating to the auto-assessment phase of TRIM general topics, identifying seven deviations with respect to the specified requirements. On 22 March 2018, the Issuer sent the response letter indicating the remedial actions and the relevant timeline.

On 21 November 2017, in the context of the process of review of the internal models (TRIM – *Targeted Review of Internal Models*) ECB started an on-site inspection relating to the internal model on credit risk for the Issuer and the Group with reference to the parameters *Probability to Default* and *Loss Given Default*, within the perimeter of retail, non SMEs, providing real estate guarantees.

On 5 July 2019, the Bank received from the ECB the draft decision authorising the Bank to continue using internal models to calculate capital requirements for retail, non SMEs, with real estate guarantees. This decision requires the Bank to remedy the 21 findings (instead of 19 as specified in the assessment report) and related obligations, within established deadlines. On 16 July 2019, the Bank replied to the decision with a request to postpone some of the above deadlines. On 21 November 2019, the ECB formally notified the Issuer of its final decision relating to TRIM, setting out 21 findings and two limitations on capital requirements. On 19 December 2019, the Issuer sent to the ECB its plan setting out the relevant remedial actions and implemented the limitations set out in the prudential data.

9.10 Inspection activity in relation to the IT Risk (OSI 3832)

During the period between 26 March 2018 and 26 June 2018, the ECB carried out an on-site inspection relating to the Information Technology risk (IT Risk) of the Group. The inspection report was issued on 20 November 2018 and on 8 July 2019, the Bank received a draft version of the follow-up letter by the ECB from the supervisory authority, highlighting 15 findings and the relevant remedial action. The Bank replied to the letter with a request to postpone certain deadlines. On 22 August 2019, the Bank received the final version of the letter, confirming the contents of the draft version, in which there were reported 15 findings relating to IT security procedures, project management and the effectiveness of control systems. On 31 March 2020, the Bank finalised the implementation of all the remedial actions connected to the findings within the required time by the authority. The Bank is currently implementing activities to improve the IT security profile and the data governance processes.

9.11 Internal model investigation – IMI 40

On 14 June 2018, the ECB formally notified the Bank of its final decision relating to the internal inspection on the models for the calculation of the requirements in relation to the credit risk ended on 4 December 2015, setting out 21 findings. On 11 July 2018, the Issuer sent to the ECB its plan setting out the relevant remedial actions and implemented the limitations set out in the prudential data.

9.12 Inspection activity on the revision of internal model on credit risk (TRIM 3917)

On 27 November 2018, in the context of the revision process of the internal models (TRIM –

Targeted Review of Internal Models), the Bank was notified by the ECB of an on-site inspection, starting 21 January 2019, relating to the internal model on credit risk for the Bank and the Group, with respect to the PD, LGD and credit conversion factor parameters on corporate credit exposures and others. The inspections were carried out from 21 January 2019 to 29 March 2019. On 10 May 2021, the Bank received from the ECB the final decision authorising the Bank to continue using its internal models to calculate capital requirements for the portfolios in scope of the inspection. The decision reports ten findings and the related recommendations and obligations to be fulfilled by the stated deadlines. On 31 May 2021, the Bank submitted the remedial plan explaining how intends to ensure compliance with the obligations, in accordance with the recommendations set out in the decision. Most of the remedial actions have already been put in place and submitted to ECB for approval on 9 November 2021, as part of a model change application.

9.13 Inspection activity on internal governance (Deep Dive Internal Governance)

During the years 2018 – 2019, the ECB carried out an off-site inspection (deep dive) on internal governance with a specific focus on the functioning of the management body. On 31 August 2020, the Bank received the follow up letter. Compared to the conclusions derived from the thematic review on governance carried out in 2015, the Joint Supervisory Team noted some progress. Nevertheless, the authority set out five findings, related to the board's ability to provide effective oversight to the management function, and to critically challenge and review proposals and information provided to it, as already stated in the SREP Decision for the year ending 31 December 2018 ("**2019 SREP Decision**").

The Bank's Board of Directors reviewed and discussed the contents of the above mentioned letter, adopting a series of measures and behaviours on the basis of the recommendations set out thereunder, designed to mitigate the shortcomings identified in the Board's conduct as well as certain organisational aspects.

9.14 Inspection activity on legal risk (OSI 4125)

During the period between 28 January and 26 April 2019, an on-site inspection was carried out at the Bank's and the Group's premises. Such inspection was related to the legal risks within the context of the management of operational risk and mainly focused on (i) the scope of legal risks, processes and procedures for their prevention, management and monitoring; (ii) assessment of legal risks arising from inappropriate practices with respect to relations with customers and marketing and in relation to the business activity in general; (iii) the process of allocations for risks and charges with respect to legal proceedings and claims for compensation; and (iv) the level of reporting to, and involvement of, the Board of Directors on legal risks, with particular reference to litigation and legal proceedings.

The subject matter of the inspection did not expressly include the assessment of individual cases and the adequacy of provisions in relation to the existing legal risks.

In August 2019 the Bank received the draft inspection report setting out certain significant procedural findings relating, *inter alia*, to (a) an unsatisfactory supervision by the board of directors of the legal risk and of the relevant risk management; (b) deficiencies and weaknesses in the overall organisational profiles and in certain management activities, monitoring, data supply, line controls and internal reporting as part of certain phases of the process concerning the Bank's litigation and related internal procedures; (c) the need to supplement the Bank's risk appetite statement with a number of granular indicators suitable for monitoring the exposure to legal risk in terms of the *petitum*, provisions and losses; (d) certain critical issues and shortcomings of a procedural nature regarding the definition of provisions relating to ordinary

and extraordinary proceedings concerning the 2008-2011 capital increases and the securities subject to Burden Sharing; (e) the need to define guidelines in the governance of the sanction procedures notified to the Bank during the period 2012-2015; and (f) certain shortcomings relating to internal audit activities.

After a careful analysis of the findings, the Bank formulated its counterclaims in an articulated manner by targeting each finding and highlighting its disagreement with certain positions adopted during the inspection by the supervisory authority on such matters; in particular, the Bank pointed out the considerable commitment of the Board of Directors in the management and assessment of legal risk, both from a quantitative and qualitative perspective, in order to highlight the extensive activity of guidance carried out on numerous important legal and litigation issues submitted to the attention of the Board of Directors, all in close coordination with the accounting authority.

With regard to the critical issues raised in relation to the allocation of provisions processes, the Bank has pointed out that the findings do not take into account the Bank's extensive activity relating to the evaluation of the various scenarios of extraordinary proceedings which, with the help of primary level independent experts, financial lawyers and accountants, have resulted in the development of guidelines for the definition of the procedures relating to the assessment of legal and litigation risks and for the allocation of provisions for risks and charges, which, moreover, were one of the key aspects of the auditing activities (the so-called “Key Audit Matters” or “KAM”) as well as one of the most significant aspects in the context of the audit of the consolidated financial statements as described in the auditors' report on the Bank's consolidated financial statements as at 31 December 2017 and 31 December 2018.

With regard to the other findings, in respect of which the shortcomings highlighted are mainly of procedural nature, the Bank provided in response certain preliminary information in order to provide the supervisory authority with a broader view of the current situation compared to what was found during the inspection.

Following the inspection, the Bank is having a discussion with BCE on the actual remedial actions to be planned and implemented in the future.

On 7 May 2020, the Bank received the follow-up letter, bearing indications referring the recommendations and deadlines related to the findings; the Bank completed the remedial actions plan by 30 June 2021, within the time required by the authority.

9.15 Inspection activity on interest rate risk inspection (OSI 3834)

During the period between 26 June and 27 September 2019, the ECB conducted an on-site inspection regarding the interest rate risk of the Group.

On 12 February 2020 the Bank received the final report of the inspection setting out six findings that related mainly to the interest rate management process and to the quantification methodology of that risk. However none of such findings is deemed as “Rank 4 – Very High Impact”.

On 22 October 2021 ECB sent the follow-up letter, aimed at explaining its expectations in order to remediate the six findings detected during the on-site inspection.

9.16 Inspection activity on liquidity allocation and internal funds' transfer pricing (OSI 4356)

During the period between 18 October 2019 and 23 January 2020, the ECB conducted an on-site inspection on the liquidity allocation and internal funds' transfer pricing. On 16 September 2020, the ECB sent the inspection report setting out ten findings, generally relating to the liquidity risk measurement, the data quality checks on the liquidity risk measurement and the funds transfer pricing (**FTP**) framework. On 16 November 2021 the Bank received the follow up letter, aimed at explaining the expectations of the ECB as to the remediation of the weaknesses detected during the on-site inspection, as described in the report.

9.17 Inspection activities relating to the revision of the internal models on credit risk (Internal Model Investigation IMI 4357 IMI 5258)

During the months of August and October 2019 the ECB started in conjunction two inspections, one off site (IMI 5258) and the other on site (IMI 4357), for approving the application submitted by the Bank on material model changes to its approach for the calculation of own funds requirements. The inspections ended in December 2019.

On 10 May 2021, the Bank received from the ECB the final decision in respect to both IMI 4357 and IMI 5258 granting permission to implement previously applied for material changes. The decision reports 26 findings and related recommendations and obligations, to be fulfilled by the stated deadlines. Until the completion of the obligations, the Bank is required to apply appropriate limitations.

On 31 May 2021, the Bank submitted the remedial plan, explaining how it intends to ensure compliance with the obligations, in accordance with the recommendations set out in the decision.

Most of the remedial actions have already been put in place and submitted to ECB for approval on 9 November 2021, as part of a model change application.

9.18 Bank of Italy on-site inspection ECAF\IRB systems

On 13 November 2019, the Bank of Italy reported the result "*In Prevalenza Soddisfacente*" of its inspection on "*Utilizzo del sistema IRB di Banca MPS in ambito ECAF*" that was carried out during the period 21-23 May 2019.

9.19 Inspection activity on internal governance and risk management (OSI 4834)

On 16 January 2020, in accordance with the Supervisory Examination Programme for 2020, the ECB announced an on-site inspection with the purpose of assessing the Internal Governance and Risk Management of the Bank. The inspection started on 11 February 2020 but was interrupted in April 2020. On 7 September 2021 the Bank received the related draft follow-up letter which identified four points of concerns and their respective recommendations: two of them relate to the perimeter of the Compliance Function's activity and the other two relate to the methodology of auditing.

9.20 Inspection activity on credit lending process (OSI 4888)

On 12 February 2020, in accordance with the Supervisory Examination Programme for 2020, the ECB announced an on-site inspection with the purpose of assessing the credit lending process, underwriting standards and delegations. The starting date of the inspection has not been confirmed yet.

9.21 Inspection activity relating to the new definition of default "DoD" (Internal Model

Investigation IMI 4857)

During the period between November 2020 and January 2021, the ECB conducted an internal model investigation ("**IMI**") focused on a new DoD application package submitted by the Bank. On 22 July 2021, the Bank received from the ECB the decision on permission to apply material changes to the definition of default ("**DoD**") used in the Internal Ratings Based approach for calculating own funds requirements for credit risk, related to the portfolios in scope of the inspection. The decision reports 18 findings and related recommendations and obligations to be fulfilled by the stated deadlines; on 20 August 2021, the Bank submitted to the ECB the remediation plan regarding the obligations of the decision.

9.22 Targeted review of accomodation and food service sector

On 11 January 2021, in the context of the information required to measure credit risks over the pandemic period, the ECB started a targeted review to better understand the Bank's credit risk management approach for the sector "Accommodation and Food Services" and to carry out relevant peer benchmarking. Any follow up will be part of the regular supervisory engagement with the Bank.

9.23 Operational Act on Liquidity Risk Control and ILAAP

On 30 August 2021, the Joint Supervisory Team communicated two findings detected in the broader assessment of the Bank's liquidity adequacy, for the purposes of the SREP Decision; one regarding the update of the policy framework and the other requiring to be updated on the remediation of a shortcoming detected by the internal validation function.

9.24 Supervisory assessment of the self-assessment and implementation plans for climate related and environmental risks

On 30 September 2021 the Bank received the outcome of the ECB's supervisory assessment of the self-assessment and implementation plans for climate related and environmental risks. The ECB requested BMPS to address shortcomings related to the risk identification and measurement process and the robustness and operationalization of the implementation plan.

10. Legal Proceedings

10.1 Judicial and arbitration proceedings

Save as disclosed in this section, in the course of the 12 months preceding the date of this Base Prospectus there have been no governmental, legal or arbitration proceedings (including pending or threatened proceedings known to BMPS) which may have, or which had in the recent past, significant impact on the Bank's financial condition or profitability.

As at the date of this Base Prospectus there were various legal proceedings pending against the Bank, including civil, criminal and administrative actions.

These proceedings mainly relate to the financial transactions carried out to fund the acquisition of Banca Antonveneta, various financial transactions carried out by the Bank to restructure the "Alexandria" notes and the "Santorini" transaction, previous capital increases carried out by the Bank in 2008 and 2011 and the FRESH 2008 transaction. These events also led to disciplinary procedures being filed by supervisory authorities against the management in office at the time of such events (which, should sanctions be imposed, would imply that the Bank will be held jointly liable with no certainty that the latter will be able to recover any amounts paid

as a result of such obligation after the bringing of recourse actions) and certain legal actions brought against the Bank by consumer associations and individual investors who have subscribed for financial instruments in the context of the share issuances carried out by the Bank. This context also includes corporate liability lawsuits brought by the Bank against the Chairman of the Board of Directors and the General Manager in office at the time of events and suits for damages against Nomura and Deutsche Bank in connection with the restructuring of the "Alexandria" notes and the "Santorini" transaction, respectively.

In addition to this litigation, there are also (i) disputes deriving from the Bank's ordinary course of business, and concerning, *inter alia*, claw-back actions, compound interest, placement of bonds issued by Governments and companies that have defaulted, placement of other financial instruments and products, (ii) labour disputes, (iii) tax disputes and (iv) disputes in various manners related to the Burden Sharing, please see paragraph 10.2.4 "*Disputes relating to securities subject to the Burden Sharing*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

As at 31 December 2020, 1,292 complaints have been filed relating to capital increase transactions, the allegedly inaccurate disclosure contained in prospectuses and/or financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2011, for total amounts claimed equal to Euro 4.2 billion (rounded), where quantified, aimed at obtaining the restitution of invested amounts and/or compensation for monetary and non-monetary damages consequent to the alleged losses incurred. These claims – brought individually or collectively – although naturally heterogeneous, are mostly justified by generic references to the Bank's alleged violation of the industry legislation governing disclosure and, therefore, were rejected by the Bank in that they were considered generic, unfounded, not backed by suitable documentary evidence, and in some cases past the statute of limitations.

Another 2,037 out-of-court claims relating to the share capital increases in 2014-2015 must be added to the ones indicated above, for a claim amount of Euro 684 million (rounded) (Euro 491.5 million considering only the plaintiffs who did not file civil suits).

The grand total amount claimed as at 31 December 2020 is therefore Euro 4.7 billion (rounded).

On 31 December 2020, the following legal disputes and out-of-court claims were pending:

- legal disputes with a *petitum*, where quantified, of Euro 5.1 billion (rounded). In particular:
  - Euro 2.5 billion (rounded) in claims regarding disputes for which there is a "probable" risk of losing the case, for which provisions of Euro 1.0 billion (rounded) have been allocated;
  - Euro 0.6 billion (rounded) in claims attributable to disputes for which there is a "possible" risk of losing the case;
  - Euro 1.9 billion (rounded) in claims attributable to the remaining disputes, for which there is a "remote" risk of losing the case;
- out-of-court claims totalling, where quantified, Euro 4.9 billion (rounded). In particular:
  - Euro 4.9 billion (rounded) in claims for which there is a "probable" risk of losing the case;
  - Euro 0.02 billion (rounded) in claims for which there is a "possible" risk of losing the case.

On 31 December 2020, the overall *petitum* in relation to disputes and out-of-court claims related to financial information distributed in the 2008-2015 period, amounted to Euro 5.7 billion (rounded). Specifically Euro 0.98 billion (rounded) of the civil proceedings related to the suits brought by the shareholders in the context of 2008, 2011, 2014 and 2015 capital increases, of which Euro 0.31 billion requested by civil claimants, where quantified, related to the criminal proceedings no. 29634/14 and no. 955/16 which the Issuer is part of (for further information, please see the section titled "*Legal Proceedings*", respectively under paragraph 10.2.5 "*Disputes deriving from ordinary business*" and letter a) "*Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*" of paragraph 10.2.3 "*Civil Proceedings*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus and paragraph "*Main types of legal, employment and tax risks*" of the 2020 Consolidated Financial Statements, paragraph "*Main types of legal, employment and tax risks*" of the 2021 Consolidated Half-Yearly Report and paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Interim Report as at 30 September 2021), and Euro 4.7 billion (rounded) in relation to extra-judicial claims received by the Issuer in relation to such capital increases. The increase related to extra-judicial claims compared to 31 December 2019 can be attributed to additional out-of-court claims received from Fondazione MPS for Euro 3.8 billion (rounded) (for further information, please see paragraph "*Main types of legal, employment and tax risks*" of the 2020 Consolidated Financial Statements, paragraph "*Main types of legal, employment and tax risks*" of the 2021 Consolidated Half-Yearly Report and paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Interim Report as at 30 September 2021).

The overall *petitum* for tax proceedings of the Group is equal to Euro 86.0 million (rounded) (of which Euro 80.0 million relating to the Bank) while the overall *petitum* relating to the passive labour proceedings is equal to Euro 75.0 million (including the labour proceedings brought by certain employees of Fruendo S.r.l.) almost entirely relating to the Bank.

As of 31 December 2020, the *petitum* for disputes arising from Burden Sharing, is equal to Euro 49.9 (rounded) million for which provisions for risks of Euro 29.6 million (rounded) have been set aside and included in the Bank's judicial proceedings relating to investment service activities. In such proceedings the relevant plaintiffs are claiming the violation of the general principles set forth by the Consolidated Finance Act and the general principles of correctness, transparency and duty of care with respect to the sale of such securities.

In light of the estimates made on the risk of adverse outcome in the aforementioned proceedings, as at 31 December 2020, provisions for "legal and tax disputes" included under the item "provision for risks and charges", amount to Euro 971.9 million (rounded), comprising claw-backs of Euro 26.1 million (rounded), legal disputes of Euro 928.6 million (rounded) and tax disputes for Euro 17.2 million (rounded). Furthermore, as at the same date, in addition to the above, the "provision for risks and charges" includes labour disputes (both passive and active) for Euro 47.2 million (rounded).

Allocations to the "provision for risks and charges" have been made for amounts representing the best possible estimate relating to each dispute, quantified with sufficient reasonableness and, in any case, in accordance with the criteria laid down by the Bank's policies.

The components of the overall "provision for risks and charges" include, in addition to the allocations provided for "legal and tax disputes", allocations versus expected losses on estimated disbursements for client complaints.

The estimate of liabilities is based on the information available from time to time and implies

in any case, several uncertain factors characterising the different judicial proceedings, and multiple and significant evaluation elements. In particular, it is sometimes not possible to produce a reliable estimate as an example and without limitation in case of proceedings that have not been instituted, in case of possible cross-claims or in the presence of uncertainties in law or in fact such as to make any estimate unreliable. In particular, for further information relating to the methodology used to account allocations into the "provision for risks and charges" with respect to civil and criminal legal proceedings, including threatened litigations, relating to the purchase of securities issued in connection with the capital increase transactions of 2008, 2011, 2014 and 2015, and/or in connection with trading activities based on the allegedly inaccurate disclosure contained in prospectuses and/or financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2015, reference is made to the press release published on the Bank's website https://www.gruppomps.it/media-e-news/comunicati/comunicato-stampa-20181228.html on 28 December 2018, which is incorporated by reference into this Base Prospectus.

Accordingly, although the Bank believes that the overall "provision for risks and charges" posted in the Financial Statement should be considered adequate in respect of the liabilities potentially consequent to negative impacts, if any, of the aforementioned disputes, it may occur that the provision, if any, may be insufficient to fully cover the charges, expenses, sanctions and compensation and restitution requests associated with the pending proceedings or that the Group may in the future be called to satisfy compensation and restitution costs and obligations not covered by provisions, with potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

10.2 Disputes related to criminal investigations and legal affairs in 2012 and 2013

Following the aforementioned criminal investigations involving the Bank in 2012 and 2013, several criminal, sanctioning and civil proceedings were instituted by judges, supervisory authorities, the Bank itself, consumer associations and investors.

As at the date of this Base Prospectus, the Issuer and some of its representatives (including the former), are involved in several criminal proceedings and/or, according to the Issuer's knowledge, subject to investigations by the competent authorities for possible profiles of liability related to various criminal offences concerning banking operations, including, for example, those relating to the verification of liability of potential hypothesis of usury offence as referred to in article 644 of the Criminal Code.

Moreover, from time to time, directors, representatives and employees, including former directors, representatives and employees, may be involved in criminal proceedings arising from disputes connected with the performance of their activities at the Bank. The Bank is not entitled to know or communicate details of these proceedings.

As at the date of this Base Prospectus, although such criminal proceedings have not negatively affected the Bank's income statement, balance sheet and/or financial position, there is a risk that, if the Bank and/or the other companies of the Group, or their representatives (including the former), are convicted following a finding of violating provisions that result in criminal liability, such event may have an impact, significant or otherwise, on the reputation of the Bank and/or the Group.

The Bank's position in respect of such proceedings is aligned with the principles of business and managerial discontinuity which influenced the renovation actions undertaken by the management which took over from the previous management in office at the time of events. These were aimed at identifying the best initiatives for the protection of the Bank, its assets

and its image thereof, even through taking direct legal actions against the former top executives.

In particular, following the criminal investigations involving the Bank in 2012 and 2013, several criminal, sanctioning and civil proceedings were instituted by judges, supervisory authorities, consumer associations, investors and the Bank itself. In this regard, it is worth highlighting that the Bank has been involved in two criminal proceedings that are pending before the Courts of Milan (identified as no. 29634/14 and no. 955/16), summarized and described below.

10.2.1 Criminal investigations and proceedings

(A) "FRESH 2008", "Alexandria", "Santorini", "Chianti Classico" transactions – criminal proceedings before the Courts of Milan (Proceedings no. 29634/14)

With reference to the criminal proceedings in relation to the "Alexandria" transaction, after the service of the order of closing of the preliminary investigation, the Office of the Public Prosecutor's office at the Courts of Milan sought the committal for trial of the former top management of the parent company and two members of the management of Nomura for false corporate disclosures and market manipulation. Note that the criminally liable conduct ascribed to the various parties under investigations refer to the financial statements closed on 31 December in 2009, 2010, 2011 and 2012, and to the balance sheet as at 31 March 2012, 30 June 2012, and 30 September 2012.

As regards the offences allegedly committed by the above-mentioned individuals, the Prosecuting Attorney also sought the committal for trial of the Bank and Nomura in relation to the administrative offences pursuant to Legislative Decree 231/2001.

In March 2016 this proceeding was combined with the other legal action pending before the Court of Milan in relation to the investigations concerning the Santorini, FRESH 2008 and Chianti Classico transactions.

By an order of 13 May 2016, the Preliminary Hearing Judge (in Italian, the "GUP") authorized the lodging and admissibility of the claims for damages of the offended parties against the entities already involved in the proceedings as defendants pursuant to Legislative Decree 231/2001.

On 2 July 2016, with the approval of the Public Prosecutor, the Bank filed a request for plea bargaining in the criminal proceedings, in relation to the objections made against the Bank in accordance with Legislative Decree 231/2001.

After the request for plea bargaining, the Bank's position was closed. With the plea bargain, accepted by the Preliminary Hearing Judge on 14 October 2016, the Bank exits the proceedings as defendant in the administrative offence following crimes committed by its own former executives, limiting the consequences to an administrative financial penalty of EUR 0.6 mln and a confiscation, for EUR 10 mln, without exposing itself to the risk of higher penalties.

Lastly, with regard to the above, on 1 October 2016 the Preliminary Hearing Judge ordered the committal for trial of the defendants other than the Bank. At the hearing on 15 December 2016, the civil parties, those already admitted in the previous "Alexandria" proceedings as well as the new civil parties, requested that the Bank, Nomura and Deutsche Bank be summoned as civilly liable parties in relation to the offences with which the former directors and executives committed for trial were charged.

Following an extensive closed session meeting, the Court summoned the banks as civilly liable parties, providing the notification deadline to the parties of 10 January 2017, allowing for the completion of notifications at the latest by 31 January 2017 and scheduling the hearing for 21 February 2017.

At the hearing on 21 February 2017, the Bank appeared before the court as a civilly liable party.

During the proceedings, by order of 6 April 2017 the Court of Milan decided on the requests for the exclusion of civil parties submitted by the defence teams of the defendants and the civilly liable parties, excluding several civil parties.

In addition, the claim of damages as a civil party by the Bank with respect to Giuseppe Mussari, Antonio Vigni, Daniele Pirondini and Gian Luca Baldassarri was also excluded on the assumption of its contributory liability with respect to the defendants.

At the hearing on 16 May 2019, once the public prosecutor's indictment was completed, requests for sentencing for nearly all of the defendants were formulated and convictions were requested pursuant to Italian Legislative Decree 231/01, as well as seizures for the two foreign banks involved, Deutsche Bank AG and Nomura International PLC.

At the hearings on 23 and 30 May 2019, the civil parties that summoned the Bank as a civilly liable party formulated their demands for compensation in writing.

The MPS Foundation, which had not cited the Bank as civilly liable, made no direct request to it, but instead formulated demands against the natural person defendants and executives/former executives, as well as the representatives of Nomura.

The Bank of Italy which, like the MPS Foundation, did not summon the Bank as a civilly liable party, asked for the defendants to be sentenced to pay a sum to be settled on an equitable basis.

As regards CONSOB, which summoned the Bank as a civilly liable party, for nearly all damage items it requested a quantification on an equitable basis, except for that relating to supervisory costs quantified as a total of roughly EUR 749 thousand. The provisional amount is requested alternatively, to the extent of roughly EUR 298 thousand.

At the hearings on 3 June 2019 the lawyer of Banca Monte dei Paschi di Siena as a party bearing civil liability presented arguments; at the subsequent hearings on 6, 13, 17, 20 and 27 June 2019, the lawyers of the defendants presented their arguments.

At the hearings on 4, 11 and 18 July 2019, the lawyers of the other defendants and those of the civilly liable Deutsche Bank presented their arguments.

Furthermore, the hearing on 18 July 2019, the defence attorneys of some civil parties declared on the record that they revoked their actions against the Deutsche and Nomura defendants, as well as the requests for compensation from such banks as civilly liable parties, revocations that were subsequently filed at the next hearings on 11 and 19 September 2019.

At the same hearing on 19 September, 2 civil actions against the defendants, former representatives of the Bank, were revoked, with consequent waivers of the requests for compensation as a civilly liable party, which resulted in a decreased total amount of the claim intended as the sum of the requested monetary and non-monetary damages, from around EUR 191 mln to around EUR 137 mln.

On 30 September 2019, the discussions of the foreign defendant entities pursuant to Italian Legislative Decree 231/01, Deutsche Bank and Nomura, were concluded.

The trial continued on 31 October 2019 to incorporate possible new revocations of civil party actions, as well as on 8 November, when the final hearing was held.

On 8 November 2019, the Court read the conclusion of the ruling in first instance by convicting all defendant natural persons, and pursuant to Legislative Decree 231/2001, the legal persons of Deutsche Bank AG and Nomura International PLC. The reasons were filed on 12 May 2020.

The Bank, in the capacity of civil liable person (not accused pursuant to Legislative Decree 231/2001 and to a previous agreement) was convicted – jointly with the defendant natural persons and the two foreign banks – and ordered to pay compensation for damages in favour of the civil parties that had entered an appearance, in separate civil proceedings, since the Court rejected the request for allowing an amount on a provisional basis and immediately enforceable, pursuant to art. 539 of the Italian Code of Criminal Procedure.

The Bank filed an appeal before the Court of Appeal of Milan against the first instance sentence, as the civilly liable party, found jointly and severally liable with the defendants. The appeal proceedings started on 2 December 2021.

(B) Proceedings before the Court of Milan no. 955/2016

On 12 May 2017 the committal for trial of the representatives Alessandro Profumo, Viola Fabrizio and Salvadori Paolo was requested within new criminal proceedings before the Court of Milan, in which they were charged with false corporate disclosures (article 2622 of the Italian Civil Code) in relation to the accounting of the "Santorini" and "Alexandria" transactions with reference to the Bank's financial statements, reports and other corporate communications from 31 December 2012 to 31 December 2014 and with reference to the half-yearly report as at 30 June 2015, as well as market manipulation (art. 185 of the Consolidated Law on Finance) in relation to the disclosures to the public concerning the approval of the financial statements and the balance sheets specified above.

In relation to these proceedings, in which the Bank is identified as the injured party, the first hearing was held on 5 July 2017, during which several hundred natural persons and a number of trade associations asked to appear before the court as civil parties. The Preliminary Hearing Judge postponed the proceedings to 29 September 2017 for the deliberation of the requests as well as for consolidation with the proceedings pending against the Bank, as the defendant entity pursuant to Italian Legislative Decree 231/01 for the same actions with which Mr Profumo, Mr Viola and Mr Salvadori are currently charged. At the hearing on 29 September 2017, 304 of the 337 who requested were admitted as civil parties. The remaining parties were excluded due to lack of legittimatio ad causam. At the same hearing, the proceedings pending against the Bank, as the party liable under administrative law, were joined with those pending against the natural persons. Therefore, the Judge admitted the summons of the Bank as a civilly liable party and adjourned the proceedings to the hearings of 10 November 2017 and 24 November 2017 to allow for the service of the related notifications.

At the hearing on 10 November 2017, the defence attorney of Mr Salvadori objected on the basis of the alleged nullity of the committal for trial request against his client as the compulsory charge against the client should have been formulated only for the offence pursuant to art. 2622 of the Italian Civil Code and not also for that pursuant to art. 185 of the Consolidated Law on Finance. In connection with this issue, this defence attorney also objected on the grounds of the Milan A.G.'s lack of jurisdiction.

At the hearing on 24 November 2017, the Preliminary Hearing Judge handed down an order:

- declaring the nullity of the request for committal for trial with respect to Mr Salvadori;

- ordering the separation of the relative position from the main proceedings (pending against Mr Viola and Mr Profumo, as well as the Bank) with reference to the section relating to the alleged offence pursuant to art. 185 of the Consolidated Law on Finance;

- reserving any decision concerning issues of jurisdiction until such time as the public prosecutor makes his own determinations in this regard.

The Public Prosecutor then served the notice of conclusion of the investigations to Mr. Salvadori for the offence pursuant to art. 185 TUF and filed the (new) request for committal for trial against Mr. Salvadori for said offence and, finally, requested the (new) preliminary hearing (again for the crime of market manipulation).

At the hearing on 9 February 2018, the Preliminary Hearing Judge acknowledged the filing in the meantime of:

- the ultimate Bank's defence brief concerning jurisdiction;

- the documents submitted by the defence attorney of Mr Viola and Mr Profumo;

- of the briefs of Mr Bivona and Mr Falaschi; as well as

- a request for an order for attachment submitted by the latter against Mr Viola and Mr Profumo.

After which time, the Preliminary Hearing Judge convened the proceedings against Mr Salvadori following his removal from the proceedings ordered during the previous hearing with regard to the charge pursuant to art. 185 of the Consolidated Law on Finance.

The civil parties readmitted again requested the summons of Banca MPS as civilly liable party. Therefore, the Preliminary Hearing Judge adjourned the case - also for the proceedings against Mr Viola and Mr Profumo - to the hearing of 13 March 2018 which was not held by abstention and was therefore postponed to 6 April 2018 for the appearance before the court of the liable party and for the discussion of and decision on the matter of jurisdiction.

Following the formalisation of the appearance before the court by the Bank, the Prosecutor requested the issue of a pronouncement of acquittal because there is no case to answer or because the act does not constitute an offence depending on the charge in question. On the outcome of the hearing, the schedule was updated on 13, 20 and 27 April 2018 for the continuance of discussion and the possible issue of the final ruling of the preliminary hearing.

Following the outcome of the preliminary hearing, the Preliminary Hearing Judge ruled that there were no grounds for a decision not to proceed to judgment and ordered the committal for trial of the defendants, natural persons (Messrs. Viola, Profumo and Salvadori) and Banca MPS (as the defendant entity pursuant to Italian Legislative Decree 231/01). Only Mr Salvadori was found not to be subject to proceedings for the charge pursuant to Article 185 of the Consolidated Law on Finance.

At the hearing of 17 July 2018, 2,243 civil parties joined the lawsuit. Some of these have formally requested the mention of the Bank as party with civil liability, while most of the defence attorneys only requested the extension of the lawsuit to their clients with regard to the

Bank, as a party with civil liabilities already called in the lawsuit. Some civil parties brought a lawsuit to the ultimate Bank as responsible party in pursuant to Italian Legislative Decree no. 231/2001. At the outcome, the Court adjourned to the hearings of 16 October and 6, 13 and 19 November 2018. Only the preliminary questions relating to the civil parties joining the lawsuit were heard at the hearing of 16 October 2018.

On 16 October 2018, the hearing for discussion of the civil parties joining the lawsuit was regularly held, as per the last hearing of 17 July 2018, with the addition of another 165 civil parties. The defendants and the Bank pleaded that the latter were late. At the hearing of 6 November 2018, the Board, upon lifting of the reservation, ordered the exclusion of some civil parties, which consequently amounted to 2,272 (349 of which had quantified the alleged damages), and the extension of the cross-examination between the ultimate Bank/undertaking and the new civil parties admitted, without further formalities and rejecting the request for summons by CONSOB, the Bank of Italy and EY S.p.A. as civilly liable parties.

At the hearing of 19 November 2018, the Court rejected by order the objections relating to the issue of lack of territorial jurisdiction previously raised by the defence. Consequently, the proceedings were declared open and the hearing was scheduled for 18 March 2019, with reservation of the decision on the request for an order of attachment against Mr Profumo and Mr Viola, submitted by a number of parties. The reserve was lifted with decision dated 3 December 2018, through which the Court rejected the request for an order of attachment against the aforementioned executives.

At the hearing on 16 June 2020, following the indictment, the representatives of the Public Prosecutor's office requested the acquittal of the defendants.

At the hearing on 9 July 2020, the first hearing began dedicated to the conclusions of the civil parties and at the subsequent hearing on 16 July 2020, the civil parties discussion phase concluded. The proceedings continued with the discussions of the defendants' attorneys in September 2020.

At the hearing on 15 October 2020, the Court issued a first instance ruling against Viola Fabrizio and Profumo Alessandro for false disclosure in relation to the half-yearly report as at 30 June 2015 and for market manipulation for press releases relating to the approval of the financial statements as at 31 December 2012, 31 December 2013 and 31 December 2014 and the half-yearly report as at 30 June 2015 as well as with respect to Salvadori Paolo for the sole offence of false disclosure in relation to the half-yearly report as at 30 June 2015. Again with regard to the offence of false disclosure, it was instead ruled that the case could not proceed with respect to the financial statements as at 31 December 2012 as the statute of limitations had been reached and all defendants were acquitted because there was no case to answer in relation to the financial statements as at 31 December 2013 and 31 December 2014.

The Bank was declared liable for the administrative offences pursuant to Legislative Decree 231/01 and ordered to pay an administrative fine of EUR 800,000.00, and a provision for this amount was made in the risk provision.

The Bank, also in its capacity as civilly liable party, was also ordered jointly and severally with the defendants to provide compensation for damages to the civil parties admitted, to be settled in a separate civil case, as well as the payment of procedural expenses.

The claim, where determined, amounts, as at 31 December 2020, with reference to the proceedings in question, to approximately EUR 177 mln, (higher than the figure as at 31 December 2019 due to the written conclusions submitted at the hearings of 9 and 16 July 2020,

with which the civil parties have laid out their claims for compensation or quantified the claims, where not previously quantified).

The grounds for the decision issued on 15 October 2020 were filed on 7 April 2021.

As already set out in the operative part of the judgment, the grounds for decision confirmed that 100 civilly liable parties have been excluded from the criminal proceedings.

The Bank, in its capacity as a civilly liable party, was convicted jointly with the defendants, and as person liable for the administrative offence as per Legislative Decree 231/2001, lodged an Appeal with the Court of Appeal of Milan against the first instance judgment.

(C) Investigations on the 2012, 2013, 2014 financial statements and the 2015 half-year report with reference to "non-performing loans"

In relation to criminal proceedings no. 955/16, in 2019, the Bank was involved, as the party bearing administrative liability pursuant to Italian Legislative Decree no. 231/2001, with reference to an allegation pursuant to art. 2622 of the Italian Civil Code concerning the 2012, 2013 and 2014 financial statements and the 2015 half-yearly report formulated with reference to an alleged overvaluation of non-performing loans.

On 25 July 2019, the Preliminary Investigations Judge of the Court of Milan ruled, on one hand, to dismiss the proceedings against the Bank, as a party liable pursuant to Legislative Decree no. 231/2001, but on the other hand, ordered the continuation of the investigations of the defendant natural persons (chairman of the Board of Directors, CEO and pro-tempore Chairman of the Board of Statutory Auditors) thus rejecting the request for dismissal presented by the public prosecutor and also supported by an expert witness report assigned by the Attorney General's office.

Currently, the investigations are being carried out in the form of an evidence gathering procedure for which the Preliminary Investigations Judge has appointed two experts that have recently delivered their report.

The Bank has acknowledged the content of the report and will follow the developments of the proceedings with the greatest attention, also in order to evaluate possible effects on the civil disputes already pending whose subject matter substantially overlaps with the facts described in the report.

The proceedings – even though dismissed as regards the Bank as an administrative liable party – continue to be important for the Bank due to the very likely recognised liability for damages that the credit institution would be called on to assume, should criminal proceedings be initiated.

10.2.2 Corporate liability actions brought by the Bank for the "Alexandria" and "Santorini" transactions

On 28 February 2013, the Bank, in view of its passive involvement in the criminal proceedings described in paragraph 10.2.1 "*Criminal investigations and proceedings*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus, resolved to initiate liability actions against the previous top management, aimed at protecting the Bank, its assets and its image.

The decision to initiate the aforementioned corporate liability actions, asserting in court even the non-contractual liability of the investment banks Nomura and Deutsche Bank, was taken

by considering the opportunity to convene, in a single context, both the former members of the Bank who had carried out or participated in carrying out the aforementioned financial transactions, and the two counterparties banks for having participated in the failures and/or unlawful acts carried out by the aforementioned members of the Bank. This is without prejudice to other remedies.

The first action has been finally dismissed in accordance with art. 75 of the Italian Code of Criminal Procedure.

By writ of summons served on 15 November 2017, BMPS started a new action seeking a declaration of the non-compliant and in any event unlawful conducts of the former Management, for carrying out, or participating in carrying out, the above mentioned financial transactions performed with Nomura, causing severe damage to the Bank. BMPS asked that the defendants be jointly sentenced to pay for the damage arising from the aforementioned financial transactions, quantified in an amount not lower than Euro 426.35 million.

The action is currently pending at the evidence gathering stage, and a hearing has been scheduled for 10 July 2021 to discuss the Court Technical Expert's report (CTU).

Initiative Promoted by the Monte dei Paschi di Siena Foundation ("Fondazione MPS")

On 31 July 2020, the Fondazione MPS sent three letters of formal notice to the Bank regarding three different issues that can be summarized as follows in reverse chronological order:

(i) letter relating to the 2014 and 2015 share capital increases - and, in particular, the alleged incorrect accounting of the Santorini and Alexandria transactions in the 2012-2015 period - by which the Bank is requested to pay compensation for damages of no less than EUR 171 mln approximately;
(ii) letter concerning the 2011 share capital increase - referring to the issues identified in the context of proceeding No. 29634/14, relating to the alleged incorrect accounting of the Santorini and Alexandria transactions in the period 2008-2012 - with which damages are requested from the Bank for a total of EUR 496.4 mln Euro 93.9 mln for reputational damage;
(iii) the third and final letter refers to the acquisition of Banca Antonveneta resolved in November 2007 and completed the following year upon completion of the authorization process by the Bank of Italy, as well as disclosure errors and accounting errors relating to the FRESH transaction. This letter demands compensation for a loss resulting from the participation in the 2008 capital increase (EUR 2,667 mln for the option component, to which EUR 366 mln must be added for the reserved share capital increase component). The letter also demands compensation for damages (not yet quantified) resulting from having subscribed the 2011 capital increase based on false information on the FRESH transaction.

With respect to these initiatives, which overall result in a claim for damages totalling EUR 3.8 bn, the Bank expresses a critical position. In addition to a series of preliminary findings (including the expiry of the statute of limitations with regard to the most remote events), there are a number of arguments on a 'substantive' level that can be opposed to the requests of the Fondazione. Among these, by way of example only, the following should be noted:

a. Fondazione MPS at the time of the events held approx. 49% of the Bank's ordinary capital and appointed half of the members of the Board of Directors. Fondazione MPS was therefore the majority shareholder of BMPS and was able to guide its decisions, especially the strategic ones;
b. with reference to the Antonveneta transaction and the financial transactions carried out to

obtain the necessary funding, Fondazione MPS (which had never in the past formulated objections or reservations with respect to BMPS), according to what has emerged from documents acquired as part of the proceedings pursuant to art. 2395 of the Italian Civil Code, promoted by the same entity, has already initiated a series of actions (incompatible with the objections made to BMPS) aimed at challenging the liability of the members of its Board of Directors, as well as of the lending banks and its advisors (in the latter case without obtaining satisfaction, since, on the contrary, it was established that the Fondazione MPS had unreservedly agreed to the strategic decision to acquire Banca Antonveneta). These initiatives are also relevant in terms of the connection between the conduct currently charged to the Bank and the damage suffered by the Fondazione;

c. the key role of Fondazione MPS, in the context of the acquisition of Banca Antonveneta, also has been brought to light at the case law level, as can be seen also by reading the grounds of judgment 29634/14, which devotes an entire paragraph to the role of the Fondazione.

Therefore, the Bank reserves the right to take action against Fondazione MPS to protect its assets.

On 21 July 2021, the Bank and the Fondazione MPS reached a preliminary agreement approved by the BMPS' Board of Directors on 5 August 2021, on out-of-court claims that may be summarised as referring to the Banca Antonveneta acquisition, the 2011 capital increase and the 2014-2015 capital increases. Such agreement was finalised on 7 October 2021 and provides for a final settlement of any pending dispute, in addition to the payment of EUR 150 mln and a commitment to enhance the Bank's artistic heritage. As a result of this agreement BMPS will be able to reduce the claims for compensation, which were equal to EUR 3.8 bn. On 19 October 2021, in execution of the aforementioned agreement, BMPS paid the sum of Euro 150 million to Fondazione MPS. The final completion of the transaction will reduce the total amount of "legal risk" by Euro 3.8 billion.

Fondazione MPS, “Alexandria” transaction

Fondazione MPS has brought legal proceedings against the attorney Mr Mussari, Mr Vigni and Mr Nomura, based on their alleged liability pursuant to article 2395 of the Italian Civil Code for the direct damage suffered by MPS following the subscription of a share capital increase of the Bank, resolved on in 2011, at a price different from the one that should have been correctly subscribed if the “Alexandria” restructuring had been duly represented in the Financial Statements of the Bank. Subsequently, it has petitioned for the conviction of the liable parties with order to pay EUR 268.8 mln for a financial loss and EUR 46.4 mln for non-financial damages, subsequently reduced to EUR 230.3 mln.
In this judgement, Mr Vigni was authorised to take action against the Bank because of an indemnity obligation (with respect to third parties claims) allegedly undertaken by the latter towards him within the consensual termination of his executive position; Mussari was authorised to take action against the Bank as the liable party, pursuant to article 2049 of the Italian Civil Code, due to some executives allegedly liable for the transaction carried out with Nomura. The Bank received later a writ of summons in its capacity as a third party called on by the afore-mentioned defendants independently promoted by Fondazione MPS and has entered an appearance disputing the claims filed against it. In addition, with a subsequent authorised pleading, Nomura broadened its claims against the Bank, asking to determine the share of liability attributable to the latter and to be kept harmless from it based on its share of liability exceeding the one attributed thereto. However, the settlement agreement entered into by the Bank and Nomura on 23 September 2015 provides, inter alia, that this claim is withdrawn. Mr Vigni has waived the legal actions brought against the Bank following a plea

of lack of jurisdiction of the Court of Florence, whereas the action under the right of recourse/indemnity from the attorney Mussari continued against the Bank. Subsequent to the technical expert opinion formally obtained, the case was adjourned to the hearing on 20 September 2021 for the oral arguments.

In this regard, it should be noted that the expert witnesses have recognized only the "damage from unveiling of the truth" and the reputational damage, excluding that the Fondazione MPS is also entitled to "damage from subscription" (and also excluding any compensation for loss of profit). Therefore, the expert witnesses have estimated the "damage from unveiling of the truth" incurred by Fondazione MPS at EUR 52.8 mln and the reputational damage at approximately EUR 8 mln, for a total of approximately EUR 60.8 mln, against an initial claim of EUR 320 mln, later reduced, in the concluding arguments, to approximately EUR 230 mln. However, it should be noted that the agreement finalised with the Fondazione on 7 September 2021 provides for the specific waiver of any reciprocal claim for compensation made against the Bank. Therefore the judgement is declared extinct.

(A) Corporate liability action brought in relation to the "Santorini" transaction

The action was brought: (i) pursuant to article 2392, 2393 and 2396 of the Italian Civil Code against the former general manager, Antonio Vigni, and (ii) pursuant to article 2043 of the Italian Civil Code against Deutsche Bank for complicity in the non-fulfilments and/or offences attributable to Antonio Vigni. The Bank requested a joint conviction of the defendants for an amount not lower than Euro 500 million, then better specified during the trial.

In regard to Deutsche Bank, a settlement agreement was reached that limited its liability. In this action, the Bank specified that, as a result of the transaction with Deutsche Bank, it obtained an economic benefit of Euro 221 million, and subsequently asked the judge to take such amount into account when determining the quantum of the damages due by the defendant Antonio Vigni compared to the overall damage incurred thereby, subject to prior determination of the liability share ascribable in abstract to Deutsche Bank.

Therefore, other than such agreement, liability action brought against Antonio Vigni as well as any other claim against other parties jointly liable with reference to the "Santorini" transaction remained unaffected. The latter proceeding ended in the first instance with Antonio Vigni convicted and ordered to pay compensation for pecuniary damage in favour of the Bank based on the judgment of the appeal on 9 January 2018. This judgment ruled that Euro 50 million plus burdens provided by law had to be paid.

The ex-General Manager appealed against the implementation of the ruling of the Court of Appeal, which was also appealed before the Supreme Court and the Court, with a ruling dated 22 June 2020, rejected the appeal.

10.2.3 Civil Proceedings

(A) Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases

It should be noted that certain investors/shareholders of the Bank have started proceedings aimed at obtaining compensation for damages incurred as a result of the alleged inaccurate disclosure given by the Bank in the context of the 2008, 2011, 2014 and 2015 capital increase transactions as well as the alleged inaccuracy of the price sensitive information given between 2008 to 2015. As at 30 September 2021, 1,317 complaints have been filed relating to capital increase transactions, the allegedly inaccurate disclosure contained in prospectuses and/or

financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2011, for total amounts claimed equal to Euro 4.2 billion (rounded), where quantified, aimed at obtaining the restitution of invested amounts and/or compensation for monetary and non-monetary damages consequent to the alleged losses incurred.

These claims – brought individually or collectively – although naturally heterogeneous, are mostly justified by generic references to the Bank's alleged violation of the industry legislation governing disclosure and, therefore, were rejected by the Bank in that they were considered generic, unfounded, not backed by suitable documentary evidence, and in some cases past the statute of limitations.

Another 2,567 out-of-court claims relating to the share capital increases in 2014-2015 must be added to the ones indicated above, for a claim amount of Euro 585,5 million (rounded) (Euro 514,3 million considering only the plaintiffs who did not file civil suits).

The grand total amount claimed as at 30 September 2021 is therefore Euro 4,8 billion (rounded).

(i) Legal dispute Banca Monte dei Paschi di Siena S.p.A. / the holders of FRESH 2008

Some holders of FRESH 2008 securities maturing in 2099, with writ of summons served on 19 December 2017, initiated proceedings against the Bank, the company Mitsubishi UFJ Investors Services & Banking Luxembourg SA (which replaced the Bank in issuing the bond loan Banca di New York Mellon Luxembourg), the British company JP Morgan Securities PLC and the American company JP Morgan Chase Bank NA (which entered into a swap agreement with the bond loan issuer) before the Court of Luxembourg to request confirmation of the inapplicability of the Burden Sharing Decree to the holders of FRESH 2008 securities and, as a result, to have it affirmed that such bonds cannot be forcibly converted into shares, as well as that such bonds will continue to remain valid and effective in compliance with the issue terms and conditions, in that they are governed by the laws of Luxembourg. Lastly, to ascertain that MPS has no rights, in the absence of the conversion of the FRESH 2008 securities, to obtain the payment of EUR 49.9 mln from JP Morgan in damages for holders of FRESH 2008 securities. The decision on the case was reserved.

In view of completeness it is noted that, following the start of the proceedings in question, the Bank, on 19 April 2018, tabled a dispute before the Court of Milan against JP Morgan Securities Ltd, JP. Morgan Chase Bank n.a. London Branch, as well as the representative of the Fresh 2008 securities holders and Mitsubishi Investors Services & Banking (Luxembourg) Sa to ascertain that the Italian Judge is the only one with jurisdiction and competence to decide about the usufruct contract and the company swap agreement signed by the Bank with the first two defendants in the context of the operation of the share capital increase in 2008. Consequently the Bank asks for: (i) the determination of the ineffectiveness of the usufruct contract and the company swap agreement which anticipate obligations of payment in favour of JP Morgan Securities PLC and JP Morgan Chase Bank Na in relation to the entry into force of Decree 237; (ii) the determination of the intervened ineffectiveness and/or resolution and/or termination of the usufruct contract or, alternatively, (iii) the determination of the intervened resolution of the usufruct contract relating to the capital deficiency event of 30 June 2017. The first hearing was held on 18 December 2018 and the Judge, considering the prejudicial nature of the issue of jurisdiction raised by the defendants, in view of the fact that a dispute is pending before the Luxembourg Court involving the same demand and the same cause, granted the parties terms to reply only to the procedural objections and adjourned the hearing to 16 April 2019 for assessment of the disputed issue. At the next hearing on 2 July 2019, the decision in

the case was deferred to a later date. With order dated 2 December 2019, the Court of Milan has ordered the suspension of the proceedings pending a decision by the afore-mentioned Luxembourg district court. Against this order, the Bank has filed a petition with the Court of Cassation for the referral to a different competent court.

The court has rejected the petition of the Bank with ruling dated 31 March 2021.

(ii) *Dispute Banca Monte dei Paschi di Siena S.p.A./ Alken Fund Sicav and Alken Luxembourg S.A.*

On 22 November 2017, the counterparties (the "Funds") served a complaint on the Bank, as well as Nomura International, Giuseppe Mussari, Antonio Vigni, Alessandro Profumo, Fabrizio Viola and Paolo Salvadori, before the Court of Milan, requesting that the court confirm and declare: (i) the alleged liability of the Bank pursuant to art. 94) of the Consolidated Law on Finance, as well as for the deeds of defendants Mussari, Vigni, Profumo and Viola pursuant to art. 2935 of the Italian Civil Code due to the offences perpetrated against the plaintiffs; (ii) the alleged liability of defendants Mussari and Vigni in relation to investments made by the Funds in 2012 on the basis of false information; (iii) the alleged liability of defendants Viola, Profumo and Salvadori in relation to investments made by the Funds subsequent to 2012; and (iv) the alleged liability of Nomura pursuant to art. 2043 of the Italian Civil Code and, as a result, order BMPS and Nomura jointly and severally to provide compensation for financial damages equal to EUR 423.9 mln for Alken Funds Sicav and EUR 10 mln for lower management fees and reputational damage to the management company Alken Luxembourg SA, as well as jointly and severally with Banca MPS and Nomura the defendants Mussari and Vigni for damages resulting from the investments made in 2012, and Viola, Profumo and Salvadori for damages subsequent to 2012. The counterparties also requested that the defendants be ordered to provide compensation for non-financial damages upon confirmation that they were guilty of the offence of providing false corporate disclosures. The Bank duly appeared and set out is defence. In the alternative, for the denied possibility of granting the opposing applications, the Bank applied for recourse against Nomura. The first hearing, initially set for 18 September 2018, was deferred to 11 December 2018, in order to allow discussion between the parties on the transversal issues formulated by a number of defendants. It should be noted that in the judgement, three individuals intervened, separately and independently, claiming damages for a total of approx. EUR 0.7 mln. At the hearing of 11 December, the Judge reserved his decision on the preliminary objections raised by the parties. Upon lifting the reservation and accepting the objections raised by all the defendants, the Judge declared Alken's summons null and void, due to failure to specify the dates of the share purchases and the nullity of the powers of attorney, assigning the plaintiffs a deadline of 11 January 2019 to supplement the applications and rectify the defects of the powers of attorney. On the other hand, the Judge considered Alken's claims concerning the alleged incorrect accounting of the claims to be sufficiently specific and rejected the plea of nullity of the acts of intervention. Following the plaintiff's additions, the defendants insisted on the objections of nullity of the summons and powers of attorney. At the end of the discussion on these objections, which took place at the hearing of 30 January 2019, the Judge reserved his decision. Upon lifting the reservation, the Judge - considering that these preliminary questions must be decided together with the merit - granted the preliminary terms pursuant to art. 183, paragraph six of the Italian Code of Civil Procedure and adjourned the hearing for discussion of the preliminary requests to 2 July 2019. At that hearing, the Bank requested and obtained a deadline of 8 July to object to the demands submitted by an intervener (whose intervention the Bank acknowledged at the hearing), after the parties discussed and illustrated their respective preliminary briefs and the relative petitions. At the end of the discussion, the Judge reserved the right to decide on the preliminary evidence. By order of 24 July 2019, the Judge rejected

the request for a court-appointed expert witness submitted by Alken, deeming that the case was ready for a decision considering the subjective characteristics of the plaintiff (professional investor) and the operations of Alken on the BPMS shares (with acquisitions which extended "after October 2014, after 16 December and after 13 May 2016", as reported in the order of 24 July 2019).

At the hearing of 7 July 2020, the Judge rejected Alken's request to refer the case to the preliminary investigation and admitted the new documents produced by Alken (reserving all assessment of their relevance to the panel). With sentence issued on 7 July 2021, the Court of Milan rejected all requests made by Alken, which was ordered to refund the legal costs of the Bank. The claim of a single intervener was accepted for an amount approximately equal to EUR 47,500.00. Pending the deadline for the appeal, negotiations between the parties are underway in order to find a way to settle the dispute.

(ii) *Dispute York and York Luxembourg funds / BMPS, Alessandro Profumo, Fabrizio Viola, Paolo Salvadori and Nomura International plc*

On 11 March 2019, the York Funds and York Luxembourg served a writ of summons to the Bank's registered office, bringing an action before the Court of Milan (Section specialised in corporate matters) against Banca MPS Spa, Messrs. Alessandro Profumo, Fabrizio Viola, Paolo Salvadori as well as Nomura International PLC, ordering the defendants, jointly and severally, to pay damages amounting to a total of EUR 186.7 mln and - subject to an incidental finding that the offence of false corporate communications has been committed - to compensation for non-monetary damages to be paid on an equitable basis, pursuant to art. 1226 of the Italian Civil Code, plus interest, revaluation, interest pursuant to art. 1284, para. IV of the Italian Civil Code, and compound interest pursuant to art. 1283 of the Italian Civil Code.

The plaintiffs' claim is based on alleged losses incurred as part of its investment transactions in MPS totalling EUR 520.30 mln, carried out through the purchase of shares (investment of EUR 41.4 mln by York Luxembourg) and derivative instruments (investment of EUR 478.9 mln by York Funds). The plaintiffs' quantified their comprehensive losses at EUR 186.7 mln.

The investment transactions challenged began in March 2014, when Messrs. Fabrizio Viola and Alessandro Profumo held the offices of CEO and Chairman, respectively, of Banca MPS Spa. The plaintiffs charge alleged unlawful behaviour by top management of the Bank in falsifying the financial representation in financial statements, substantially modifying the assumptions used in measurements of financial instruments issued by the Bank.

The first hearing, initially scheduled for 29 January 2020, was deferred to 4 February 2020. The Bank duly appeared before the court. On 3 February 2020, a voluntary intervention pursuant to art. 105, paragraph 1 of the Italian Code of Civil Procedure was filed, whereby the intervener demanded compensation for the full loss of its investment equal to EUR 14 thousand, made in the course of 2014 in equity securities. The Judge ordered the separation of the case introduced by the intervener. The main proceedings were adjourned to 1 March 2022; negotiations between the parties continue in order to find a way to a settle the dispute.

(iii) *Banca Monte dei Paschi di Siena S.p.A./Caputo + 25 other names*

On 4 December 2020, Giuseppe Caputo + 25 other names sued the Bank before the Court of Milan to challenge the investments made by them in compliance with the share capital increases ordered by the same, or through purchases on the electronic market between 2014 and 2015.

The plaintiffs complain that they have suffered serious damage as a result of the disclosure discrepancy disclosed on the market by the Bank, and also dispute the incorrect accounting of non-performing loans starting from the 2013 financial statements, referring to criminal proceedings 33741/16 underway at the Court of Milan; they also contest the unfair commercial practices put in place by the Bank, the investments in diamonds, a completely unreasonable business plan and non-compliant business organization.

On these grounds, also recalling art. 185 of the Italian Criminal Code, they ask for full compensation for the damage suffered, equal to the entire amount paid for the purchase of MPS shares, with a final quantification of the claim of approximately EUR 25.8 mln.

The Bank has duly appeared in the proceedings and the case was adjourned to 7 February 2022.

10.2.4 Disputes relating to securities subject to the Burden Sharing

As of 31 December 2020, the overall *petitum* for such disputes amounted to Euro 49.9 million for which provisions for risks and charges of Euro 29.6 million have been set aside.

It should be highlighted that, for part of the litigation, the plaintiffs are no longer holders of the securities as they sold the securities prior to the entry into force of Decree 237. It should also be noted that the opposing parties' objections are focused on the alleged lack of any notice and/or on the breach of the applicable legislation as in any other “similar” case concerning financial matters commenced against the Bank. Indeed, the plaintiffs claimed occurred misselling, i.e. distributing the above financial instruments in breach of the Consolidated Finance Act (and its implementing regulations), as well as in breach of the general principles of fairness, transparency and diligence.

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Generally speaking, and in application of the provisions of international accounting standard IAS 37, with regard to legal disputes, the civil action filed in the criminal proceedings 29634/14 and out-of-court claims relating to disputes regarding the period 2008-2011, the Bank has assessed from the arising of this first disputes the risk of losing as “probable” and has therefore set aside provisions for risks and charges in the financial statements. The assessments made regarding the risk of losing the case reflect the decision of the Bank itself in March 2013 to initiate liability actions against the Chairman and General Manager at the time and the foreign banks involved, and they also take into account the positions taken on the subject - in addition to those of the Milan Public Prosecutor’s Office - by the Supervisory Authorities, the relative decisions to bring civil action and the sanctions imposed by them.

For disputes regarding the period 2012-2015, initially no provisions were made, as the risk of losing was deemed “unlikely”. This included criminal proceeding 955/16, in relation to which the Bank issued a press release the 12 July 2018 in which it informed the public of its decision not to join as a civil party, considering that the conditions did not exist, while reserving the right to the widest possible protection in civil proceedings should any elements of liability towards the defendants emerge. Following the ruling of 15 October 2020, the positions are assessed as at risk of “likely” losing and therefore the Bank has made provisions for risks and charges in the financial statements.

In reference to the criminal proceedings 29634/14 and 955/2016, no disbursement is anticipated in favour of the parties who entered an appearance since, due to the afore-mentioned rulings of 8 November 2019 and 15 October 2020 which rejected their request for granting a provisional amount immediately enforceable pursuant to article 539 of the Italian Code of Criminal

Procedure, the damage compensation in their favour can take place in a separate civil proceeding to be initiated by the civil parties themselves.

Therefore, for civil and criminal disputes concerning the information disclosed solely in the period 2008-2015, the provisions for risks were determined in such a way as to take into account the amount invested by the counterparty in specific periods of time characterised by the disputed information alterations (net of any disinvestments made during these same periods). The damage subject to compensation was then determined on the basis of the "differential damage" criterion, which identifies the damage as the lowest price that the investor would have had to pay if he had had access to complete and correct information. For the purposes of this determination, econometric analysis techniques have been adopted - with the support of qualified experts - suitable to eliminate, among other things, the component inherent in the performance of the equity securities belonging to the banking sector during the reference period. In more detail, the total damage caused by each event potentially capable of generating information alterations was first quantified and then the amount abstractly attributable to the individual Plaintiff/Civil Party was calculated, taking into account the share of capital held from time to time. From a purely likely and conservative standpoint, along with the differential damage, the different criterion of "full compensation" was also taken into account (of a minor importance in the prevailing law, including the one that is currently taking shape on this specific subject matter), and that is based on the argument that false or incomplete information may have a causal impact on the investment choices of the investors to such an extent that, in the presence of correct information, they would not have made the investment in question; in this case, the damage is therefore commensurate to the invested capital, net of the amounts recovered from the sale of shares by the Plaintiff/Civil Party.

It should also be noted that, starting from 30 June 2021, provisions for risks and charges were set aside for the dispute relating to "*crediti deteriorati*", limited to civil disputes, because the criminal proceeding 33714/2016 pending before the Court of Milan is still in the preliminary investigation phase. However, following an unfavorable appraisal filed in this proceeding, provisions were made in civil disputes also with regard to this issue.

Instead, with reference to out-of-court claims relating to the period 2008-2011 and, from October 2020, also for those referred to the period 2014-2015, in order to take into account the probability of their transformation into real disputes, the provisions were determined by applying an experiential factor, in line with the Bank policies for similar cases, to requests made by counterparties. In any case, the Bank has exercised the possibility granted by IAS 37 of not providing disclosures on the provisions allocated in the balance sheet if it believes that such information could seriously jeopardise its position in disputes and in potential settlement agreements.

As at 31 December 2020, again with regard to civil disputes, settlement agreements were reached, involving the closure of 24 disputes against total relief sought of around EUR 361 mln (including "Marangoni + 123 shareholders and investors", "Coop Centro Italia s.c.p.a." and "Coofin s.r.l."). The outlays made following the above transactions did not have a significant impact on the income statement.

Lastly, measures and transactions are being studied for an incisive reduction of the Group's legal risks.

10.2.5 Disputes deriving from ordinary business

While carrying out its ordinary business, the Group, similar to other banking groups, is involved in various judicial proceedings concerning, *inter alia*, allegations relating to: claw-

back, compound interest, placement of bond securities that are issued by governments and defaulted by companies and the placement of schemes and financial products. The latter types show a consistent overall decrease that is not material in terms of the sum and related civil funds.

With respect to the proceedings regarding bankruptcy claw-backs, the reform that was implemented in 2005 reduced and limited the scope of insolvency claw-backs, especially those concerning direct payments in accounts. For those still eligible for proposal or already pending at the date of entry into force of the reform, the Bank uses all available arguments to defend its position.

With respect to disputes concerning compound interests, interest and conditions, since 1999 there has been a progressive increase in claims brought by account holders for the retrocession of interest expenses due to quarterly compound interest. In such cases, plaintiffs contest the legality of the interest rate and the calculation method for the fees. In this latter respect, the interpretation introduced by the Supreme Court, with effect from 2010 in the matter of usury, on the basis of which the maximum overdraft fees, even before the entry into force of Law 2/2009, had to be taken into account in the calculation of the global effective rate, in contrast with the guidance of the Bank of Italy, is frequently the basis for lawsuits brought by customers. Most of the cases involve claims related to the balances of current accounts, but increasingly frequent are disputes concerning compound interests, referring to the legitimacy of the so-called "French compound interests" of mortgage loans, and the violations of Law 108/1996 on usury, on maturing loans.

In relation to compound interests, the reform of article 120 of the Italian Banking Act, as amended first by Law no. 147 of 27 December 2013 and, then, by Law no. 49 of 8 April 2016, introduced relevant novelties in the matter of computation of interests and prohibition of their capitalisation (such as, *inter alia*, the provisions according to which: (i) interests accrued in a current account or in a payment account (both in favour of the Bank and in favour of the account holder) are calculated with the same frequency in any case not lower than one year and that (ii) accrued interests do not give rise to further interests, except for delay interests, and are calculated exclusively on capital and, in case of opening of credit lines settled in the current account, for overdrafts even in the absence of a credit line or in excess of the credit line).

As previously highlighted, against the estimates made regarding the risk of adverse judgments referred to in this paragraph, the provisions made for legal disputes described herein fall within the overall provision for risks and charges highlighted above.

10.2.6 Civil disputes arising in connection with the ordinary business of the Issuer

Please find below the most relevant proceedings in terms of the *petitum* and the state of the case.

(A) *Civil dispute brought by Fatrotek S.r.l. before the Courts of Salerno*

This case, where the Bank was sued together with other credit institutions and companies with the summons of 27 June 2007, seeks the assessment of alleged monetary and non-monetary damage suffered by the plaintiff, as a result of an alleged unlawful report filed with the Italian Central Credit Register. The relative claim amount is EUR 157 mln. The plaintiff also asks that the defendant banks be found jointly liable, each proportionately to the seriousness of its behaviour. The Bank's defence was based on the fact that the company's extremely severe financial situation fully justified the Bank's initiatives.

At the hearing on 31 May 2018, the Judge reserved his decision on the challenges raised by the convened parties. On 5 June 2018, the Company declared bankruptcy. On 25 July 2018, upon lifting of the reservation made during the hearing of 31 May 2018, the case was adjourned to 31 October 2018, for the court-appointed expert to take the oath. In the meantime, the receivership of the Fatrotek S.r.l. bankruptcy again took up the case. The proceedings were adjourned first to the hearing on 4 December 2019 and then to the hearing on 13 February 2020, where a court-appointed expert investigation was ordered and an expert witness was appointed. At the hearing of 25 November 2020 an extension was granted to the expert witness for the filing of the expert opinion and the case was postponed to 5 May 2021.

At this hearing, the Court set a deadline for the expert witness to respond to the objections made by the plaintiff and at the same time scheduled the hearing for the closing arguments for 4 November 2021. At the hearing for the final statement of claims held on 4 November 2021, the decision on the case was reserved, and the time limits set forth by law have been set for the parties to file their defence briefs.

(B) *Civil disputes instituted by Riscossione Sicilia S.p.A. and the Assessorato of Economy of Sicily before the Courts of Palermo*

On 15 July 2016, Riscossione Sicilia S.p.A. served a writ of summons on the Bank before the Court of Palermo, asking the Court to order it to pay a total amount of EUR 106.8 mln.

The claim of Riscossione Sicilia S.p.A. falls within the realm of the complex dealings between the Bank and the plaintiff, originated from the disposal to Riscossione Sicilia S.p.A. (pursuant to Law Decree 203/05, converted into Law 248/05) of the stake held by the Bank in Monte Paschi Serit S.p.A. (later Serit Sicilia S.p.A.).

Specifically, Riscossione Sicilia, in relation to the contractual provisions involved in said disposal, now asks the Bank be ordered to pay, under its contractual liability, for alleged contingent liabilities of Monte Paschi Serit S.p.A./Serit Sicilia S.p.A.

The Bank duly appeared before the court with a cross-action against Riscossione Sicilia S.p.A. The preliminary investigation was recently completed with the filing and examination of the report of the court-appointed expert witness, the results of which were favourable to the Bank. In fact, the expert not only concluded that the Bank owes nothing to Riscossione Sicilia S.p.A., but also identified a receivable of the Bank of roughly EUR 2.8 mln, equal to the balance of the price for the sale of 60% of Serit Sicilia S.p.A. to Riscossione Sicilia S.p.A. by the Bank (dating back to September 2006), a sum that has to date been retained by Riscossione Sicilia S.p.A. by way of guarantee deposit. The expert also identified a further receivable of the Bank, linked to the obligation of Riscossione Sicilia S.p.A. to collect on notices of default, no higher than around EUR 3.3 mln, the exact quantification of which was referred to the Court. The counterparty's petitions aiming to call the court-appointed expert witness back to provide clarifications and to change his conclusions were rejected, and the case was adjourned for concluding arguments to 8 March 2021.

At the hearing for the final statement of claims held on 8 March 2021, the decision on the case was reserved, and the time limits set forth by law have been set for the parties to file their defence briefs.

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On 17 July 2018, the Finance Department of the Sicily Region notified the Bank by means of an order of injunction pursuant to art. 2 of Italian Royal Decree no. 639/1910 and of repayment,

pursuant to art. 823, paragraph 2 of the Italian Civil Code of the above amount of around EUR 68.6 mln, assigning the Bank the term of 30 days to make the payment with the warning that, on the back of the failure to do so, it would proceed with the forced recovery through entry of the action in the list of cases. This followed the Bank's decision to suspend the credit line granted to Riscossione Sicilia, which, in the period between 18 October and 9 November 2017, would not have paid the total amount of EUR 68.6 mln to the Sicily Region. The Bank notified its defence, with the first hearing set for 12 December 2018, against said injunction, drawing up the related application for suspension of the enforceability of said injunction (or execution if launched in the meantime) with the request for a provision without prior hearing of the other side. The Court, which reserved its right to the hearing of 21 August, by order of 24 August rejected the request for suspension, specifying, however, that the injunction may be enforced on the active amounts in the current account of Riscossione Sicilia. The Sicily Region filed an application for the Riscossione Sicilia case, leading to the Court of Palermo's postponement of the first hearing - already scheduled for 12 December 2018 - to 20 March 2019. This first hearing, postponed again to 17 July 2019 due to the unavailability of the Judge, was then scheduled for 26 September 2019. At the first hearing, upon acknowledging the statements provided by the parties, the Judge set out the terms for filing the pleadings pursuant to art. 183 of the Italian Code of Civil Procedure and adjourned to an evidentiary hearing scheduled for 26 November 2020. On that occasion, the Bank asked for the hearing for the statement of the conclusions to be scheduled, requesting the Court to verify the cessation of existence of the dispute, as Riscossione Sicilia during the proceedings has proved that the receivable claimed by the Sicily Region has been fully cancelled. The Judge then postponed the judgement to 29 April 2021 for the hearing for the statement of the conclusions.

At the hearing for the final statement of claims held on 29 April 2021, the decision on the case was reserved, and the time limits set forth by law have been set for the parties to file their defence briefs. With a sentence issued on 4 October 2021 the Court of Palermo rejected the opposition proposed by the Bank, confirming the original injunction of approximately Euro 68.6 million. On 3 November 2021, the Bank lodged an appeal against such sentence.

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For the sake of completeness, it should be noted that the Bank has also filed an administrative case before the Regional Administrative Court of Sicily - Palermo office for the declaration of nullity and/or annulment of the injunction order pursuant to art. 2 of Italian Royal Decree no. 639/1910, notified by the Department on 17 July 2018.

The appeal concerns the challenging of the Order of injunction in the part in which, "alternatively, pursuant to art. 823, paragraph 2 of the Italian Civil Code, it orders the Bank Monte dei Paschi di Siena (...) to return to the Sicily Region, within the same period of 30 days from receipt of the present, the amount of 68,573,105.83, plus interest at the rate established by special legislation for late payment in commercial transactions, as provided for paragraph 4 of art. 1284 of the Italian Civil Code".

Following notification of the appeal on 16 October 2018, the appeal itself was filed by the Bank on 12 November 2018. The Department appeared via the Avvocatura dello Stato (office of the State Attorney) on 15 November 2018. The decree scheduling the hearing requested by the Bank on 28 October 2019 has not yet been issued.

(C) Civil dispute instituted by the receivership of CO.E.STRA. S.p.A. before the Courts of Florence

On 4 December 2014, CO.E.STRA. S.p.A., within the context of the arrangement with creditor

procedures, served a writ of summons on the Bank and the other banks participating in a pool, to ascertain and declare their contractual or non-contractual liability in relation to the restructuring agreement signed by CO.E.STRA. S.p.A. on 30 November 2011, with a subsequent request for the banks to be held jointly liable in relation to the alleged damages suffered which caused/worsened the distress of CO.E.STRA. S.p.A.. These damages were calculated to amount to Euro 34.6 million. The decision of the judge has been challenged by the Supreme Court on the basis of a lack of competence pursuant to article 42 of the Italian Code of Civil Procedure. The proceedings are still ongoing.

(D) Action brought by Procedura Amministrazione Straordinaria Impresa S.p.A.

Through a writ of summons notified on 11 November 2016, Amministrazione Straordinaria Impresa S.p.A. summoned the Bank, together with other banks participating in a pool (BMPS share 36.48%), ascertained and declared responsible: the Bank, the members of the board of directors of Impresa S.p.A. and the auditing company, and ordered them to jointly pay compensation for the damages allegedly suffered by the company for an amount of Euro 166.9 million.

Together with the defendants of the other banks within the pool, the preliminary objection to nullity the writ of summons was raised; however, the judge postponed any evaluation in this regard at the time of the decision by the board of directors.

At the hearing held on 28 October 2019, the judge rejected the preliminary objections to nullity the writ of summons and the limitation for proceeding, reserving the right to decide on the admission of the accounting court appointed technical consultant after verification, concurrently ordered, on the correctness of the counterparty's productions.

The judge also admitted the oral evidence articulated by some of the defendant directors regarding circumstances that do not involve the banks and the proceedings are still ongoing.

(E) Complaint to the Board of Statutory Auditors pursuant to article 2408 of the Italian Civil Code

As at 16 March 2021 – i.e. the date on which the Report of the Board of Statutory Auditors to the 2020 Separate Financial Statements was deposited - the Board of Statutory Auditors has received several complaints pursuant to article 2408 of the Italian Civil Code filed by minority shareholders.

Although the amount of the shares held by the complaining shareholders in the Bank's share capital did not reach the percentage required by article 2408, paragraph 2 of the Italian Civil Code, the Board of Statutory Auditors has taken action and investigated each of the complaints without delay.

With regard to the complaints received, the statutory auditors carried out the necessary investigations and verification activities in relation to which reference should be made to the paragraph 5.3 "*Complaints and petitions – Report of the Board of Statutory Auditors*" set out under the 2020 Separete Financial Statements drawn up pursuant to articles 2429, paragraph 2, of the Italian Civil Code and article 153, paragraph 1, of the Consolidated Financial Act.

Following 16 March 2021, as at the date of this Base Prospectus, two further complaints which were not included in the report mentioned above were received pursuant to article 2408 of the Italian Civil Code. Whilst the first complaint has been deemed groundless, the second complaint is currently under evaluation by the Board of Statutory Auditors

(F) Anti-money laundering

As at 30 June 2021, 26 judicial proceedings are pending before the ordinary judicial authority in opposition to sanctioning decrees issued by the MEF in the past years against some employees of BMPS and the Bank (as a jointly liable party for the payment) for infringements of reporting obligations on suspicious transactions pursuant to Legislative Decree No. 231/2007. The overall amount of the opposed monetary sanctions is equal to Euro 4.1 million (rounded), of which Euro 2.0 million (rounded) has already been paid.

The Bank's defence in the context of such proceedings aims, in particular, at illustrating the impossibility to detect, at the time of events, the suspicious elements of the transactions/subject matter of the allegations, usually emerging only after an in-depth analysis carried out by the tax authority and/or other competent authority. The upholding of the Bank's position may entail the avoidance by the judicial authority of the sanctioning measure imposed by the MEF and, in case the payment of the sanction has already been executed, the recovery of the related amount.

For the sake of completeness, it is worth noting that, as at 30 September 2021, 72 administrative proceedings are pending in addition to the abovementioned proceedings in respect of which the opposition proceeding are in progress and are instituted by the competent authorities for the alleged violation of the anti-money laundering regime. The overall amount of the *petitum* (the maximum amount of the applicable penalties) related to the abovementioned administrative proceedings is equal to Euro 1.35 million (rounded).

In March 2021 the Bank, after having requested a legal opinion, proceeded to close n. 19 administrative proceedings notified to the Bank between September 2011 and March 2018, to be considered extinct in accordance with article 69 paragraph 2 of Legislative Decree 231/07 and the clarifications provided by the MEF.

10.2.7 Labour disputes

As at the date of this Base Prospectus, the Bank is involved in numerous judicial proceedings, both active and passive that relate to labour and concern *inter alia*, appeals against individual dismissals, declaration requests of subordinate employment relations with indefinite duration, challenge of the sale of the business unit, request for double remuneration following the illegitimate sale of the business unit, compensation for damages due to professional setbacks, requests for higher positions and miscellaneous economic claims.

As at 30 June 2021, the overall *petitum* relating to the passive labour proceedings is equal to Euro 82 million (Euro 75 million as at 31 December 2020) almost entirely relating to the Bank.

Provisions were created to pay the costs associated with these proceedings, based on an internal assessment of the potential risk. The provisions the Bank created regarding this type of litigation are contained within the "provision for risks and charges" which amounts to Euro 39 million (rounded) as at 30 June 2021 (Euro 47 million as at 31 December 2020) which almost entirely relates to the Bank.

It has to be further specified that, after the transfer of the back-office activities business unit to Fruendo S.r.l., which occurred in January 2014 and concerned 1,064 resources, 634 employees (subsequently reduced to 453 as a results of reconciliations, deaths and retirements) sued the Bank before the Courts of Siena, Rome, Mantua and Lecce seeking, *inter alia*, the continuation of their employment relationship with the Bank, subject to prior declaration of ineffectiveness of the transfer agreement entered into with Fruendo S.r.l..

As of the date of this Base Prospectus, almost all of the employees involved in such proceedings (452) have already received first and/or second-instance decisions which result in an unfavourable outcome for the Bank. These decisions have resulted in the Bank having to rehire such employees. [18]

In particular, a first instance judgment was already issued for 31 employees (by the Courts of Lecce) which the Bank has already challenged by the ritual terms in front of the competent Court of Appeal with hearings scheduled between September 2021 and November 2021. A second instance judgment has already occurred for 218 employees (by the Courts of Appeal of Florence, Rome and Brescia). The Bank has brought the claim before the Supreme Court for no. 199 employees. On 3 February 2021, the public hearing by the Supreme Court in relation to all the claims filed was held. On 16 March 2021, 16 June 2021, 5 July 2021, 12 July 2021 and 16 August 2021 the Supreme Court issued all the rulings in respect to no. 199 employees, rejecting the appeals brought by the Bank.

For the sake of full disclosure, it is worth noting that both the Bank and Fruendo S.r.l. have filed a petition in the Courts of Appeal in Rome, Lecce and Brescia for referral to the European Court of Justice of preliminary matters that are essential for the purposes of the ruling. In particular, an assessment was requested regarding the conformity to EC Directive 2001/23 of article 2112 of the Italian Civil Code, as interpreted by the decisions of the Supreme Court, to which the appealed judgments conform.

As at the date of this Base Prospectus, 72 employees (later reduced to 30 after 25 renouncements to be ratified pursuant to applicable law, 16 reconciliations and one retirement) out of a possible 452 gave notice of an act of precept by which they have demanded to be reinserted into the labour book (*Libro Unico del Lavoro*) of the Bank and for their contribution and insurance position to be restored, both of these requests have been opposed by the Bank with appeals before the labour section of the Courts of Siena.

Finally, it should be noted that during 2017, 52 employees of Fruendo S.r.l. (reduced to 32 employees during the course of the proceedings), which are not among those involved in the proceedings relating to the transfer of the branch, sued the Bank before the Courts of Siena in order to request the continuation of their employment relationship with the Bank, after having declared the unlawful interposition of manpower (*illecita interposizione di manodopera*) (which has no criminal implications) as part of the services outsourced by the Bank to Fruendo S.r.l.. On 26 January 2019, the Courts of Siena ruled in favour of the Bank, rejecting the appeals filed by the other parties. Only 16 employees (reduced to 14 employees after individual agreements) appealed before the Court of Appeal of Florence and, as at the date of this Base Prospectus, such proceedings are pending.

It is worth noting that in the event the illegitimacy of the transfer of the employment relationship pursuant to article 2112 of the Italian Civil Code is ascertained, the Supreme Court, with reference to the remuneration obligation of the transferor, has recently ruled in a different

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[18] With respect to the remaining employees involved in such proceedings, it should be noted that, on 4 October 2019, the Courts of Siena rejected the appeal filed by the opposing party on the basis of procedural defections and issued a decision in favour of the Bank.

way in relation to the approach that has been consolidated over time before the Supreme Court itself. In fact, with recent rulings, it has been held that the transferor employer bears the remuneration obligation in addition to that fulfilled by the transferee employer, since the principle of the liability discharge of the executed payment made by the latter does not apply to the present case.

Due to this amended jurisprudential opinion (so-called "double remuneration"), as at 30 June 2021, only 129 employees, involved in the transfer of the branch and recipients of the judgments in their favour, have sued the Bank in order to claim the due remuneration. The legal proceedings have been brought before the Courts of Siena, Mantova and Roma with hearings scheduled between October 2021 and February 2022.

Noting the change of law on the "double remuneration" topic and verified the increasing number of judgements that differ from the previous consolidated approach, it has been decided, on a prudential basis, to allocate to the provision for risks and charges, the company's cost relating to remunerations requested in court (equal to Euro 28 million (rounded) as at 31 December 2020 and Euro 26 million (rounded) as at 30 June 2021), in addition to a lump sum for out-of-court claims received to date (equal to Euro 5 million (rounded) as at 31 December 2020 and Euro 4.5 million (rounded) as at 30 June 2021).

10.2.8 Sanctioning procedures

(I) CONSOB and Bank of Italy

During the twelve months preceding the date of this Base Prospectus, the Bank has not received any sanctions from CONSOB for aspects falling within the responsibility area of the supervisory authority.

With regard to the sanctioning procedures falling within the competence of the Bank of Italy, during 2020 the Bank of Italy started a sanctioning proceeding against the Bank with respect to the alleged breach of banking transparency provisions.

On 11 August 2020, the Bank transmitted to the Bank of Italy its observations with regard to the audit report and its response to the decision to initiate the sanctioning procedure. At the same time a new remedial action plan was activated and completed by 31 December 2020. As a result of such remedial actions, the Bank refunded customers for a total amount of approximately Euro 40 million, of which approximately Euro 4.6 million refer to sums made available by means of a notice published in the Official Gazette of the Republic of Italy and in two national newspapers.

On 6 May 2021, the Bank was imposed a pecuniary administrative sanction of Euro 2.9 million pursuant to art. 144 of the Consolidated Banking Act.

For further information in relation to sanctioning proceedings deriving from the inspection activities carried out by the supervisory authorities, reference is made to paragraph "*Audits*" of the section "*Consolidated Report on Operations*" of the 2020 Consolidated Financial Statements.

In December 2019, the Bank received the penalty notification from the Bank of Italy for an amount of Euro 1.32 million highlighting deficiencies in customer due diligence requirements

as well as in the identification of beneficial owners and suspicious transaction reporting. The supervisory authority took into consideration for the quantification of the penalty the remedial actions initiated and largely implemented by the Bank.

For further information in relation to inspection activity on anti-money laundering carried out by the Bank of Italy on the Bank, reference is made to this in paragraph 9.7 "*Inspection activity on anti-money laundering*" of section *Banca Monte dei Paschi di Siena S.p.A.* of this Base Prospectus.

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For the sake of completeness, it should be noted that, in the period between 2012 and 2016, the Bank was subject to various sanction proceedings initiated by the CONSOB and the Bank of Italy supervisory authorities. These proceedings related to events that concerned the accounting of the "Alexandria" and "Santorini" operations, the FRESH 2008 and the acquisition of Banca Antonventa in addition to other events that were attributable to the behaviour of the management in office at the time of the individual infringements. These infringments were challenged and then subsequently sanctioned.

In the context of the sanction proceedings, the natural persons sanctioned and, in some cases, directly the Bank, as a legal entity, were found to be in violation of regulatory and prudential provisions. As at the date of this Base Prospectus, these proceedings have concluded and the related sanctioning measures have been published by the authorities in accordance with current legislation. As a consequence thereof, the Bank paid the following amounts:

(i) Euro 9.9 million (rounded) with respect to 4 (four) sanctioning measures imposed by the Bank of Italy directly on natural persons and paid by the Bank under the solidarity obligation pursuant to article 145 of the Italian Consolidated Banking Act;

(ii) Euro 7.5 million (rounded) for 9 (nine) sanctioning measures imposed by CONSOB of which (i) Euro 6 million (rounded) imposed by the supervisory authority directly on natural persons and paid by the Bank under the solidarity obligation pursuant to article 195 of the Consolidated Finance Act and (ii) Euro 1.5 million (rounded) paid as a directly sanctioned legal entity.

With regard to the proceedings for which the Bank is both jointly and severally liable (with respect to which the Bank executed the payment of the administrative sanctions imposed by the supervisory authorities on the individuals in office as at the time the facts subject to the sanction occurred), the Bank exercised mandatory recourse actions against such individuals subject to sanctions granting the suspension of such actions against those individuals in respect of which (i) no wilful default or gross negligence conduct was detectable in relation to the alleged irregularities; (ii) no corporate liability action was brought; and (iii) there were no requests for a trial with criminal proceedings connected thereto within the time limits provided for lodging any appeal by the applicable relevant legislation. Some of the concerned individuals, after the letters of formal notice were sent, failed to fulfil the payment obligation and it was therefore necessary to take civil actions aimed at recovering amounts paid.

Within the proceedings arising in connection with the recourse actions filed by the Bank against those individuals who have not benefited from the abovementioned suspension (i.e. Mr.

Giuseppe Mussari, Mr. Antonio Vigni and Mr. Gianluca Baldassari), the defendants filed objections against the payment. In this context, the relevant courts ordered the suspension of the proceedings until settlement of the appeal proceedings started by the sanctioned parties against the relevant sanction.

Such activities and the related case-law could affect the duration of the proceedings and reduce the possibility of recovering receivables.

In regard to those natural persons who have benefited from the suspension of the recourse actions and have appealed against them, various proceedings are still pending at the various levels of judgment, as disclosed to the Bank by the various individuals involved.

(II) Competition and Market Authority ("AGCM")

(A) *Proceedings I794 of the AGCM – Remuneration of the SEDA service*

On 21 January 2016, the AGCM opened proceedings I794 against the Italian Banking Association in respect of the remuneration of the SEDA service. Such proceedings were subsequently extended (on 13 April 2016) to the 11 most important Italian banks, amongst which was BMPS. According to AGCM the interbank agreement for the remuneration of the SEDA service may represent an agreement restricting competition pursuant to article 101 of the Treaty on the Functioning of the European Union, since it would imply "the absence of any competitive pressure", with a consequent possible increase in overall prices borne by enterprises, which may in turn be charged to consumers.

The proceedings were closed by the AGCM on 28 April 2017 and notified on 15 May 2017. The authority resolved: (i) that the parties (including BMPS) put in place an agreement restricting competition, in breach of article 101 of the Treaty on the Functioning of the European Union; (ii) that the same parties should cease such activity and file a report illustrating the measures that were adopted to prevent such infringement by 1 January 2018 and should refrain from undertaking such activity in the future; and (iii) as a result of this not being a serious infringement in respect of the legislative and economic framework in which it had been implemented, no sanctions are applied.

BMPS challenged the measure before the Administrative Regional Court ("**TAR**"), which upheld the appeal and annulled the challenged measure with a judgment published on 1 July 2021. AGCM challenged the TAR's judgment before the Administrative National Court (*Consiglio di Stato*) on 2 November 2021. BMPS joined the appeal proceeding.

(B) *Proceedings PS 10678 of the AGCM – violations of the Consumer Code in the sale of investment diamonds*

Between 2013 and early 2017 BMPS referred its customers interested in purchasing investment diamonds to Diamond Private Investment S.p.A. ("**DPI**"), pursuant to an agreement entered into in 2012 (similar agreements were entered into by the major Italian banks with DPI itself and other companies in the industry). Such activity led to the execution of agreements for the purchase of investment diamonds between the Bank's customers and DPI.

The activity was suspended in early 2017 due to the fact that proceedings were opened by the AGCM against DPI in connection with the alleged breach of the Consumer Code, resulting in unfair commercial practices. In April 2017, the proceedings were also extended, *inter alia*, to BMPS and resulted in a sanction against DPI and the banks involved.

By a notice dated 26 July 2017, the AGCM held that BMPS and the other bank involved in the proceedings were not liable for one of the two charges; as far as BMPS is concerned, the proceedings continued only in respect of the remaining charge regarding breach of the rules on transparency in contractual and advertising documents.

BMPS had previously entered into a customer referral agreement with DPI and the AGCM held that the Bank was actively involved in the promotion and sale of investment diamonds. The proceedings ended with the AGCM making a decision during the hearing held on 20 September 2017, which was notified to the parties on 30 October 2017. AGCM held that the breaches with which the parties had been charged had actually been committed, and sentenced BMPS to pay a fine of Euro 2 million. The Bank paid the fine according to the relevant terms and challenged the decision before the TAR of Lazio. At the hearing held on 17 October 2018, the Court reserved its decision. Meanwhile, the Bank undertook action to reimburse its customers who purchased diamonds from the DPI and who intended to exit from their investment. In light of such reimbursement initiative, the Bank set up provisions to take into account, *inter alia*, the projection of expected requests and the current wholesale value of the diamonds to be withdrawn. As at 31 December 2020, the provisions for risks and charges in relation to the reimbursement initiative amounted to Euro 20.0 million. During 2020, the Bank entered into settlement agreements with the customers for an amount equal to Euro 104 million.

These funds are constantly monitored by the Bank and periodically updated in light of the evolution of pending claims and disputes and are in line with the accounting and financial statement criteria used by the Bank in order to deal with the risks associated with claims for compensation arising from its customers.

In a decision made on 14 November 2018, the TAR of Lazio rejected the appeal of BMPS and confirmed the AGCM sanctions. Following an assessment of the legal grounds of the case, the Bank decided not to appeal against such decision.

On 19 September 2019, the AGCM requested to receive a new report on the status of the reimbursement initiative by 15 January 2020 containing information on the progress and effects of the initiatives undertaken, updated to 31 December 2019, as well as identifying the complaints and reimbursement requests received.

In compliance with AGCM's request, on 13 January 2020 BMPS filed a new report on the operation containing information updated to 31 December 2019 on the performance and effects of the initiatives taken by BMPS with regard to customers.

On 11 March 2020, the AGCM requested to receive a new report on the status of the reimbursement initiative by 15 July 2020 containing information on the progress and effects of the initiatives undertaken, updated to 30 June 2020, as well as identifying the complaints and reimbursement requests received.

In compliance with AGCM's request, on 2 July 2020 BMPS filed a new report on the operation containing information updated to 30 June 2020 on the performance and effects of the initiatives taken by BMPS with regard to customers.

On 2 December 2020, AGCM acknowledged the report received by the Bank, without requesting further updates.

10.2.9 Judicial proceedings pursuant to Italian Legislative Decree 231/2001

In the context of a proceeding instituted by the public prosecutor’s office at the Courts of Forlì

against several natural persons and three legal persons for money laundering and obstructing the exercise of public supervisory functions, the Bank was charged with three administrative offenses for obstruction of the exercise of public supervisory functions pursuant to article 2638 of the Italian Civil Code, money laundering pursuant to article 648-*bis* of the Italian Criminal Code and transnational criminal association (article 416 of the Italian Criminal Code).

In particular, the public prosecutor believed that the employees of the Forlì branch of the Bank, subject to the direction and supervision of persons in senior positions within the Bank, committed the above described crimes in the interest and to the advantage of the Bank.

According to the indictment, the commission of these offences would have been possible due to the breach of the direction and supervision obligations for the adoption and effective implementation by the Bank, prior to the commission of such offences, of an organisation, management and control model suitable to prevent crimes such as those at hand.

BMPS's activities, subject to disputes, which are within the time period 2005-2008, relate to operations carried out by the branch of Forlì, on behalf of the Cassa di Risparmio of San Marino, on a management account opened with the Bank of Italy, Forlì branch on behalf of BMPS.

In consideration of the particular location within the Republic of San Marino, the Cassa di Risparmio of San Marino had in fact required the Forlì branch of BMPS to use such account to meet its cash demands, through the cash deposit/withdrawal operations at the relevant branch of the Bank of Italy.

Such operations, characterised by a strong movement of cash, and the anomalies charged by the judicial authority on the registration in the single digital archive (*Archivio Unico Informatico* – "**AUI**") of the relating transactions, which at that time, considering unequivocal legislation on the relations between the Republic of Italy and the Republic of San Marino, led BMPS to consider the Cassa di Risparmio of San Marino as a "licensed intermediary", representing the basis of the allegations against the Bank.

According to the judicial authority, such operations would have been put in place to prevent the identification of the criminal origin of such amounts, as well as the traceability of all hidden exchange operations related to illicit amounts.

In particular, the employees of the Forlì branch have been jointly charged with the crime of obstructing the functions of public supervisory authorities, money laundering, violation of the Italian anti-money laundering regime and criminal association in relation to the transnational crime pursuant to Law 146/2006, the commission of which is assumed to have been permitted because of the breach of the direction and supervision obligations of the Bank in the alleged absence of a suitable and effective organisational model.

The conduct put in place by employees, according to the opinion of the judicial authority, would have permitted to conceal the commission of money laundering offenses, not to acquire accurate information on the actual beneficiaries of such transactions nor on the real characteristics, purpose and nature of the related accounting movements with effects on the recordings in the AUI. The Bank's defence in these proceedings seeks to prove the non-existence of the crimes as the basis of the allegations against it and to demonstrate the adoption and effective implementation, already in place at the time of the events, of an organisation, management and control model suitable to prevent crimes such as those at hand.

The PHJ at the Courts of Forlì ordered the indictment of the defendants, including BMPS, for

profiles of administrative liability of entities. At the hearing of 14 December 2021, the Court of Forlì highlighted the weakness of the charges - also with respect to the specific charges against BMPS - and therefore annulled the indictment decree and ordered the transmission of the acts of the proceedings to the Public Prosecutor.

Following the compulsory charges ordered by the judge of the preliminary investigations of Milan for the crimes of false corporate communications and market manipulation, the Bank has been included in the register of the suspects for the administrative offences pursuant to article 25-*ter*, lett. *b)* and article 25-*sexies* of Legislative Decree 231/2001.

In such matter, relating to the process of accounting of the "Santorini" and "Alexandria" transactions following the restatement that occurred in 2013, the public prosecutor's office at the Courts of Milan requested to withdraw the charges made in respect of Mr. Profumo, Mr. Viola and Mr. Salvadori. Such request was not granted. The abovementioned officers have been charged along with the Bank, as an administrative accountable entity pursuant to Legislative Decree 231/2001.

Following the preliminary hearing, the PHJ recognised that there were no grounds for the issuance of a judgment not to proceed and it declared indictment of Mr. Viola, Mr. Profumo and Mr. Salvadori and BMPS (as an entity indicted pursuant to Legislative Decree 231 of 2001).

On 15 October 2020 the Court of Milan condemned Banca Monte dei Paschi di Siena SpA to the pecuniary administrative sanction of Euro 800,000 and to the payment of the legal costs for administrative liability, pursuant to art. 21 and 69 of Legislative Decree No. 231/2001, for the offenses committed by Mr Profumo and Mr Viola.

Some of the civil claimants that joined in the proceedings formally asked that the Bank be summoned as the entity liable to pay for damages, while most of the defending counsel merely requested that their clients, by appearing before the Court, benefit from their participation in the proceedings. Some civil claimants joined in the proceedings against the Bank, seeking a declaration of liability under Legislative Decree No. 231/2001. The *petitum* relating to this proceeding, where quantified in connection with the filing of damaged civil parties, was equal to Euro 177 million (rounded).

10.2.10 Administrative offences pursuant to Legislative Decree 231/2001 challenged in relation to the sale of investment diamonds based on alleged self-laundering crime (article 648-ter of the Italian Criminal Code)

On 19 February 2019, the Bank was served by the judge for preliminary investigations of the Courts of Milan with a decree of preventive seizure relating to the diamonds case reported above. Notification of the decree was given to numerous natural persons: two diamond companies (Intermarket Diamond Business S.p.A. and Diamond Private Investment S.p.A.) as well as five banking institutions, including the Bank which led to the preventive seizure against the Bank of the profit arising from the crime of continued aggravated fraud, for the amount equal to Euro 35.5 million. The Bank was also notified of a decree of preventive seizure pursuant to article 53 Legislative Decree 231/2001 in relation to the crime of self-money laundering, for an amount equal to Euro 195,237.33.

Pursuant to the decree of preventive seizure, the Bank was held responsible for the administrative offence arising from articles 5, paragraph 1, letter b) and 25-*octies* of Legislative Decree 231/2001 in relation to the criminal offence of self-money laundering provided for under article 648 ter, paragraph 1, of the Italian Criminal Code.

The sanction provided for by article 25-*octies,* paragraph 1, of Legislative Decree 231/2001 is a pecuniary sanction with a range from 200 to 800 quotas. Pursuant to article 10, paragraph 3, of Legislative Decree 231/2001, the amount of each quota shall fall between a minimum of Euro 258 to a maximum of Euro 1,549.

On 28 September 2019, the notice of completion of the investigations was filed against the suspects held jointly liable for the alleged fraud against diamond investment investors. The notice concerns 87 natural persons and 7 legal persons, including the Bank.

The measure, which contains the guarantee information on the right of defence, concerns 87 natural persons and 7 legal entities, including the Bank.

The Bank has 8 members involved, including 5 executives (who are also responsible for the criminal conduct referred to in article 648 *ter* 1, 2 and 5 of the Italian Criminal Code) and 3 branch controllers. The Bank remains involved in the proceedings by virtue of the alleged administrative offence referred to in article 25 *octies* of Legislative Decree 231/01 in relation to article 648 *ter* 1 of the Italian Criminal Code.

On 10 September 2020 the Bank was informed of a new notice of completion of investigation under art. 415 of the Italian Code of Criminal Procedure, served by the Public Prosecutor of Milan, as part of new criminal proceedings arising from the original proceedings, docket no. 25081/2019 RGNR. This seems to be an additional notice as compared to the previous one, as it regards new charges.

Along with the 5 former executives belonging to the Bank'smanagement no. 5 new employees turn out to be under investigation for the offence governed by art. 640, par. 1 and last par. Of the Italian Criminal Code (aggravated and repeated fraud).

In the new notice the Bank is not involved for any administrative offence as per Legislative Decree 231/01.

On 6 April 2021, the Bank became aware of the indictment for criminal proceedings no. 44628/17 of the Court of Milan (joined to the criminal proceeding 25081/19 of the Court of Milan) with respect to the following crimes:

- aggravated fraud pursuant to Art. 640 of the Italian Criminal Code, alledgedly charged to several representatives and employees of the bank;

- self-laundering pursuant to Art. 648-ter-1 of the Italian Criminal Code, alledgedly charged to several representatives and employees of the bank;

- self-laundering pursuant to Art. 648-ter-1 of the Italian Criminal Code, as referred to in art. 25-octies of Legislative Decree 231/2001, alledgedly charged to Banca Monte dei Paschi di Siena SpA for administrative liability deriving from the aforementioned crimes attributable to its representatives for failing to effectively adopt organization, management and control models aimed at preventing such crimes.

At the preliminary hearing on 19 July 2021, after the defenses of the defendants had preliminarily raised the nullity of the request for indictment, the filing of the deeds of appearance of a civil party was filed. The next hearings have been scheduled and the proceeding is ongoing.

On 11 March 2021, the Public Prosecutor's Office at the Court of Milan issued a new notice of

indictment and of the conclusion of preliminary investigations regarding 3 former executives of the Bank as well as one current executive, in the scope of the new proceeding n. 25193/2020 of the Court of Milan. The crimes subject to the proceedings are those of aggravated fraud (art. 640, par. 1, par. 2 bis in relation to art. 61 no. 5 of the Criminal Code), self-laundering (art. 648 ter, par. 1, 2 and 5 of the Criminal Code) and obstruction of regulators (art. 2638, par. 2 and 3 of the Italian Civil Code). In these proceedings, the Bank is not being investigated as a party with administrative liability pursuant to Italian Legislative Decree 231/01 and the Public Prosecutor may request committal for trial or submit a request for dismissal.

On 22 June 2021, a new preliminary investigation was issued by the Public Prosecutor's Office at the Court of Milan as part of this further criminal proceeding against managers and representatives of the Bank. The new notice of conclusion of the investigations concerned one former manager and one former exponent not included in the previous notice.

Also in relation to the criminal case 25193/2020, another new guarantee information and notice of conclusion of the preliminary investigations was issued on 12 July 2021, which sees 5 other former executives already investigated in the context of the main line under investigation.

The crimes for which it is prosecuted are the same as those referred to in the notice of 11 March 2021. Even in these new notices, the Bank does not appear to be investigated as an administrative manager pursuant to Legislative Decree 231/01.

Finally, on 4 December 2019 and 2 April 2021 the Bank has filed with the Public Prosecutor of Milan two motions for partial reimbursement of the amounts repaid to part of the clients. No ruling has yet been notified by the Judicial Authority in this respect.

The Public Prosecutor on 28 September 2021 made a request for indictment, among others, no. 7 former executives and the CEO and *pro tempore* general manager of the Bank. The crimes subject to the proceedings are those of aggravated fraud (art. 640, par. 1, par. 2 bis in relation to art. 61 no. 5 of the Criminal Code), self-laundering (art. 648 ter, par. 1, 2 and 5 of the Criminal Code) and obstruction of regulators (art. 2638, par. 2 and 3 of the Italian Civil Code). In these new proceedings, the Bank is not being investigated as a party with administrative liability pursuant to Italian Legislative Decree 231/2001.

10.2.11 Tax disputes

The Bank and the main group companies are involved in a number of tax disputes. As at 30 September 2021 approximately 140 cases are pending, for a total amount at a consolidated level of Euro 80 million (rounded) for taxes, sanctions and interests set out in the relevant claim (of which Euro 76.7 million relate to the Bank). The value of disputes also include that associated with tax verifications closed for which no dispute is currently pending since the tax authority has not yet formalised any claim or contention.

In relation to pending tax disputes, which are associated with “likely” unfavourable outcomes, as at 30 September 2021 the Bank allocated to the overall provision for risks and charges an amount equal to Euro 10 million (rounded).

Please find below an overview of the most significant pending proceedings in terms of the *petitum* (Euro 10 million (rounded) as taxes and penalties), and the main investigations in progress.

(A) *Revaluation of substitute tax*

On 21 December 2011, two tax assessment notices were served on MPS Immobiliare in regard to IRES and IRAP, respectively, issued based on the findings of a 2006 tax authority audit report.

The dispute relates to the correct determination of the calculation base for substitute tax on the payment of the revaluation surplus pursuant to Law 266/2005. The relevant liability (higher taxes and sanctions) is equal to Euro 31 million (rounded) (plus legal interests). On 15 October 2013, the District Tax Court of Florence upheld the arguments that were presented by the company in their entirety, completely overruling the above tax claims in light of similar case law decisions on the matter, some of which have become final after the tax authority's failure to appeal them to the Supreme Court. The tax authority lodged an appeal against the District Tax Committee's decision. Such appeal was rejected on 28 September 2015 by the competent Regional Tax Committee which confirmed the favourable first instance decision. Against the second instance decision, the tax authority filed an appeal before the Supreme Court to which the Bank filed a counterclaim.

The risk of an unfavourable outcome in the case has been assessed by the company and its advisers as remote.

(B) Deductibility and pertinence of some costs of the former consolidated company Prima SGR S.p.A.

BMPS is involved in the proceedings instituted by, at the time of events, the investee company Anima SGR S.p.A. against the allegations brought by the Regional Tax Office of Lombardy against Prima SGR S.p.A. (a company already included in the tax consolidation, now merged by incorporation into Anima SGR S.p.A.) for lack of competence or pertinence of some costs deducted in tax years 2006, 2007 and 2008.

The Regional Tax Office of Lombardy claimed in aggregate, Euro 20.6 million for taxes and sanctions: (i) for financial year 2006 taxes of Euro 4.3 million (rounded) and sanctions of Euro 5.1 million (rounded); (ii) for financial year 2007 taxes of Euro 2.8 million and sanctions of Euro 3.6 million (rounded); and (iii) for financial year 2008 taxes of Euro 2.1 million (rounded) and sanctions of Euro 2.7 million (rounded).

The tax assessment notices were challenged by the Provincial Tax Committee of Milan. In respect of financial year 2006, the proceeding is currently pending before the Supreme Court following the challenge of the judgment pursuant to which the Regional Tax Committee of Lombardy upheld the first instance judgment save for the exception relating to the challenge for wrongfully withholding costs equal to Euro 2.7 million (rounded). In relation to financial years 2007 and 2008, the proceedings following the appeal lodged by the Bank against the negative ruling of the Provincial Tax Committee of Lombardy of 21 December 2017 (which upheld the appeal of the Regional Tax Office against the first instance judgment favourable to the bank) is still pending before the Supreme Court.

Furthermore, in respect of financial year 2006, on 2 May 2017, the Regional Director of Lombardy notified a partial self-protection measure with which, upholding the request brought by the Bank, the sanctions relating to one of the allegations in the dispute have been disregarded and overall sanctions have been re-determined, for an amount of Euro 3.9 million (rounded) (instead of 5.1 million). Accordingly, net of the taxes already paid on a definitive basis, of Euro 0.6 million (rounded), with reference to one allegation which was not challenged during the trial, the overall amount due to taxes and sanctions is Euro 18.8 million (rounded).

According to BMPS and its consultants, the risk of a negative outcome in this dispute shall be

qualified as likely in respect of Euro 1.8 million and possible in respect of Euro 17 million.

(C) *Tax disputes involving the former consolidated company AXA MPS Assicurazioni Vita in respect of the securities held thereby in Monte Sicav*

The investee company AXA MPS Assicurazioni Vita filed certain tax claims relating to the fiscal years 2003 (in respect of IRPEG (former corporate income tax) and IRAP) and 2004 (in respect of IRES and IRAP), against the complaints lodged by the Regional Tax Office of Lazio regarding the tax treatment of the write-downs related to the units held in the Luxembourg-based open-ended investment company, Monte Sicav.

In particular, the Tax Office claimed that the qualification of the securities issued by Monte Sicav Equity was not correct (i.e. series or mass issued securities), and that such securities should have instead been qualified as equity interests and consequently been governed by the relevant regime. More specifically, the auditors maintained that the adjustments in value of Monte Sicav Equity's securities could not be entirely deducted in the financial year during which they had been posted, i.e. 2004, as was done by the company.

As a consequence, the Regional Tax Office of Lazio included the entire amount of value adjustments posted and deducted by AXA MPS Assicurazioni Vita within the tax base, claiming that the company shall pay higher taxes and sanctions for Euro 26.2 million, of which Euro 23.2 million relate to IRES and Euro 3 million relate to IRAP.

The dispute relating to IRES 2004 was settled on a facilitated basis by AXA MPS Assicurazioni Vita pursuant to and in accordance with the procedures provided for by the provisions of Decree Law 119/2018 (the so-called "*Pace Fiscale*"). The dispute relating to IRAP 2004, on the other hand, was settled by the Supreme Court, which rejected the company appeal in a ruling issued on 9 July 2019 (filed on 12 December 2019).

The dispute concerning 2003 was defined by the Supreme Court, which rejected BMPS's appeal with a decision issued on 9 July 2019 (filed on 26 July 2019). With reference to the above-mentioned tax disputes involving AXA MPS Assicurazioni Vita, the impact on BMPS of the liabilities (if any) arising from the above proceedings depends on the involvement (if any) of BMPS relying on the guarantee clauses set out in the assignment agreements of AXA MPS Assicurazioni Vita. With reference to such liabilities, it should be noted that, with notice given on 10 January 2020, AXA Mediterranean Holding S.A. filed a claim for compensation of Euro 8.2 million (rounded). On 6 February 2020, the Bank challenged most of the amounts that constitute the overall amount claimed.

(D) *IRAP assessment for tax year 2015*

As a result of a tax audit completed during 2018, with a notice of assessment served on 26 May 2021 the Tax Office claimed the Bank's failure to tax certain revenues recorded in its income statement items not relevant for the purposes of the IRAP for the 2015 tax period. For further information in this respect reference is made to paragraph "*Risks deriving from tax disputes*" of this Base Prospectus). The Bank appealed against the claim contained in the aforementioned tax notice, amounting to a total of approximately Euro 8 million (of which Euro 3.9 million for higher taxes, Euro 3.5 million for penalties and Euro 0.6 million for interest). The legal dispute is currently pending at first instance. The risk of a negative outcome in this dispute shall as has been assessed as possible by the Bank and its consultants.

10.3 New legal proceedings

10.3.1 Court of Siena, criminal proceeding Nr. 2112/17

On 4 January 2021 a writ of summons was served on the Bank as civilly liable party, by the bankruptcy receiver of Siena Calcio, as part of the criminal proceedings involving, in addition to Massimo Mezzaroma, Giuseppe Mussari as well as further 2 former representatives and 1 current employee of the Group.

The charge laid as part of said proceedings is governed by art. 223, par. 2 of the Bankruptcy Act, and regards the corporate transaction carried out between the end of 2011 and the beginning of 2012, concerning the assignment of A.C. Siena S.p.A.'s trademarks to Newco B&W Communication s.r.l.. The transaction was subject to the granting of a loan by the Bank for Euro 22 million, to enable B&W to pay the relevant price.

Based on the claims lodged, the Court has been asked to sentence the Company to pay for economic and non economic damages, jointly with the above mentioned representatives and employees, under art. 2049 of the Italian Civil Code. The claimed amount has not been quantified exactly, but the receiver highlighted that the damage to the corporate assets amounts at least to Euro 65,102,164, resulting from the difference between bankruptcy liabilities and recoverable assets .

At the hearing held on 18 February 2021 the Bank appeared in the proceedings as civilly liable party, defended by Prof. Vittorio Manes of the Bar of Bologna. At said hearing the public and private prosecutors asked that the defendants be committed for trial, while the defending counsels mainly highlighted that duplicate charges have been laid in respect of the same factual circumstances, qualified as "credit fraud" in the related and previous proceedings and as "corporate bankruptcy" in these proceedings.

At a later hearing on 25 March 2021, all defendants were indicted and proceedings are pending. At the following hearing on 5 October 2021, the preliminary questions were raised and the Court, after having rejected each question, declared the trial open.

MANAGEMENT OF THE BANK

The Bank is managed by a board of directors tasked with strategic supervision. The Board of Directors in office consists of 15 members.

The Chief Executive Officer is appointed by the Board of Directors.

Under the Italian Civil Code, the Bank is required to have a board of statutory auditors.

Each Director and Statutory Auditor shall meet the requirements provided for by the applicable laws and BMPS's by-laws.

Board of Directors

The Ordinary Shareholders' Meeting of the Bank held on 18 May 2020 appointed the following members to the Board of Directors for financial years 2020, 2021 and 2022:

	Name	Position	Place and date of birth	Main activities outside the Bank, deemed significant
1.	Patrizia Grieco (*)	Chairperson	Milano, 1 February 1952	Director of Ferrari N.V. Director of Amplifon S.p.A. Director of Endesa S.A. Member of Italian Corporate Governance Committee Chairperson of Assonime (Associazione per le società italiane per azioni) Member of Comitato degli Operatori di Mercato e degli Investitori of Consob
2.	Guido Bastianini	Chief Executive Officer and General Manager and interim Head of Institutional Relations, Communication and Sustainability Division	Gavorrano (GR), 10 April 1958	
3.	Francesca Bettìo (**)	Deputy Chairperson	Piove di Sacco (PD), 1 October 1950	
4.	Rita Laura D'Ecclesia (**)	Deputy Chairperson	Foggia, 30 September 1960	Chairperson of Lumen Ventures SIS S.p.A.
5.	Luca Bader (**)	Director	Milano, 18 May 1974	
6.	Alessandra Giuseppina Barzaghi (**)	Director	Giussano (MP), 29 April 1955	
7.	Marco Bassilichi (*)	Director	Firenze, 3 October 1965	Deputy Chairperson of NEXI Payments S.p.A.

	Name	Position	Place and date of birth	Main activities outside the Bank, deemed significant
				Director of Base Digitale Group S.r.l. Director of Ith S.p.A. Member of Santa Chiara Lab Committee (University Innovation Lab)
8.	Francesco Bochicchio (**)	Director	Roma, 19 August 1956	Chairperson, Member of Monitoring Committee of Cassa di Risparmio della Provincia di Chieti in liquidazione coatta amministrativa Member of Monitoring Committee of Banca Padovana di credito cooperativo società cooperativa in liquidazione coatta amministrativa
9.	Rosella Castellano (**)	Director	Catania, 27 June 1965	
10.	Olga Cuccurullo	Director	Roma, 17 November 1972	Director of Office III of Treasury Department - Finance and Privatization Division within the Italian Ministry of the Economy and Finance
11.	Paola De Martini (**)	Director	Genova, 14 June 1962	
12.	Raffaele Di Raimo (**)	Director	Roma, 3 June 1965	
13.	Marco Giorgino (**)	Director	Bari, 11 December 1969	Director, Member of Control and Risk, Corporate Governance and Sustainability Committee and Chairperson of Related Party Committee of Terna S.p.A. Director of RealStep SICAF Chairperson of V-Finance S.r.l. Auditor of RGI S.p.A. Auditor of Luce Capital S.p.A.
14.	Nicola Maione (**)	Director	Lamezia Terme (CZ), 9 December 1971	
15.	Roberto Rao (**)	Director	Roma, 3 March 1968	

(*) Independent director pursuant to the Financial Laws Consolidation Act.

(**) Independent director pursuant to the by-laws (Financial Laws Consolidation Act and the Corporate Governance Code for Listed Companies).

Managers with strategic responsibilities

	Name	Position	Place and date of birth	Main activities outside the Bank, deemed significant
1.	Guido Bastianini	Chief Executive Officer and General Manager and interim Head of Institutional Relations, Communication and Sustainability Division	Gavorrano (GR), 10 April 1958	
2.	Leonardo Bellucci	Chief Risk Officer	21 February 1974	
3.	Vittorio Calvanico	Chief Operating Officer	Napoli, 8 February 1964	Director of Ausilia S.r.l. Chairperson of Consorzio Operativo Gruppo Montepaschi S.c.p.a.
4.	Ettore Carneade	Compliance Officer	Mola di Bari (BA), 16 June 1961	
5.	Massimiliano Bosio	Chief Audit Executive	Torino, 26 July 1971	
6.	Nicola Massimo Clarelli	Chief Financial Reporting Officer	Caserta, 22 October 1971	
7.	Roberto Coita	Chief Human Capital Officer	Milano, 28 January 1972	Director of Widiba S.p.A.
8.	Fiorella Ferri	Chief Safety Officer	Sovicille (SI), 5 June 1962	
9.	Fabrizio Leandri	Chief Lending Officer	Roma, 21 April 1966	Deputy Chairperson of Monte Paschi Banque S.A. Director of MPS Capital Services Banca per le Imprese S.p.A.
10.	Pasquale Marchese	Chief Commercial Officer	Pescara, 2 June 1961	Deputy Chairperson of Widiba S.p.A. Director of AXA MPS Assicurazioni Danni S.p.A. Director of AXA MPS Assicurazioni Vita S.p.A. Director of Bancomat S.p.A.
11.	Riccardo Quagliana	Group General Counsel	Milano, 4 February 1971	Deputy Chairperson of MPS Capital Services Banca per le Imprese S.p.A.
	Giuseppe Sica	Chief Financial Officer Deputy General Manager	Salerno, 19 April 1977	Chairperson of AXA MPS Assicurazioni Danni S.p.A. Chairperson of AXA MPS Assicurazioni Vita S.p.A. Director of MPS Capital Services Banca per le Imprese S.p.A. Director of Fondo Interbancario per la tutela dei depositi Director of Schema volontario Fondo Interbancario tutela dei depositi

Board of Statutory Auditors

The Ordinary Shareholders' Meeting of the Bank held on 18 May 2020 appointed the following members to the Board of Statutory Auditors for financial years 2020, 2021 and 2022:

1.	Enrico Ciai	Chairperson	Roma, 16 January 1957	Chairperson of the Board of Statutory Auditors of AXA MPS Assicurazioni Vita S.p.A. Chairperson of the Board of Statutory Auditors of AXA MPS Assicurazioni Danni S.p.A.
2.	Luigi Soprano	Auditor	Napoli, 22 February 1959	Sole Director of Unico di H & B Immobiliare S.r.l. Director of Interservice S.p.A. Auditor of Del Bo Società Consortile S.c.a.r.l. Chairperson of the Board of Statutory Auditors of Del Bo Impianti S.r.l. Chairperson of the Board of Statutory Auditors of Del Bo Roma S.r.l. Chairperson of the Board of Statutory Auditors of Del Bo S.p.A. Chairperson of the Board of Statutory Auditors of Del Bo Servizi S.p.A. Auditor of SIA S.p.A. Liquidator of Italgrani S.r.l. in liquidazione Liquidator of Italsilos S.r.l. Sole auditor of Aedifica S.r.l. Chairperson of the Board of Statutory Auditors of Tufano Holding S.p.A. Auditor of A.R.I.N. Azienda Speciale Auditor of Consorzio Meditech Administrator of Fallimento IAP S.r.l.

				Auditor of Fondazione Donnaregina per le arti contemporanee Liquidator of Consorzio RIMIC S.c.a r.l. Statutory auditor of AXA MPS Assicurazioni Vita S.p.A.
3.	Luisa Cevasco*	Auditor	Genova, 20 May 1961	Director of Arrigoni S.p.A. Statutory auditor of AXA MPS Assicurazioni Danni S.p.A.
4.	Francesco Fallacara*	Alternate Auditor	Bari, 14 June 1964	Chairperson of the Board of Statutory Auditors of Maire Tecnimont S.p.A. Chairperson of the Board of Statutory Auditors of TIM S.p.A. Statutory auditor and auditor of Ro.Co. Edil Romana Costruzioni Edilizie S.r.l. Statutory auditor of Hirafilm S.r.l. Statutory Auditor of Fondazione Link Campus University Chairperson of the monitoring committee of Apaform – Associazione Professional ASFOR di formatori di Management Chairperson of the monitoring committee of Asfor – Associazione Italiana per la formazione manageriale Statutory auditor of Collegio Provinciale dei Geometri di Roma Statutory auditor of Eni Progetto S.p.A. Director of ArgoGlobal Assicurazioni S.p.A. Sole auditor of GB Trucks Socio Unico S.r.l.

				Statutory auditor of Nextchem S.r.l. Sole Auditor of SIBI Segheria Industriale Boschiva Immobiliare S.r.l. Sole auditor of I Casali del Pino S.r.l. Sole auditor of Fondazione Maire Tecnimont Statutory Auditor of Cartiere di Guarcino S.p.A. Chairperson of the Statutory Auditors of ATAC S.p.A. (Azienda per la mobilità di Roma Capitale) Statutory Auditor of Casa di Cura La Madonnina S.p.A. Statutory Auditor of GSD Sistemi e servizi S.c.a.r.l.
5.	Piera Vitali	Alternate Auditor	Mede (PV), 8 June 1949	Chairperson of the Board of Statutory Auditors of Piaggio & C. S.p.A. Chairperson of the Board of Statutory Auditors of Value Retail Milan S.r.l. Chairperson of the Board of Statutory Auditors of VR Milan S.r.l.

(*) Member of the Board of Statutory Auditors appointed by the Shareholders' Meeting of the Bank held on 6 April 2021.

The Board of Statutory Auditors is required to verify that the Bank complies with applicable law and its by-laws, respects the principles of correct administration, and maintains an adequate organisational structure, internal controls and administrative and accounting systems. The Board of Statutory Auditors has a duty to shareholders to whom they report at the annual Ordinary Shareholders' meeting approving the financial statements.

Banca Monte dei Paschi di Siena S.p.A. - Piazza Salimbeni 3, Siena, Italy is the business address of each member of the Board of Directors, the Board of Statutory Auditors and those managers with strategic responsibilities.

For further information please refer to the Bank's website at www.gruppomps.it – Corporate Governance.

Statutory Auditing

Pursuant to article 28 of the Bank's by-laws, on 11 April 2019 the Ordinary Shareholders' meeting appointed the audit firm PricewaterhouseCoopers S.p.A. as independent auditors for the statutory audit of the accounts 2020-2028. The statutory audit shall be performed by an independent auditor meeting the requirements established by law.

Conflict of Interest

BMPS is an Italian bank with shares listed on regulated markets and as such deals with any conflicts of interest of the members of its administrative, management and supervisory bodies in accordance with the requirements of article 2391 ("*Directors' interests*") and article 2391-*bis* of the Italian Civil Code ("*Related party transactions*"), article 53, paragraph 4 ("*Regulatory supervision*") and article 136 ("*Obligations of bank corporate officers*") of the Italian Consolidated Banking Act and the regulatory provisions on related party transactions adopted by CONSOB with Resolution no. 17221 of 12 March 2010 as subsequently amended and supplemented ("*Regulation on Related Party transactions*") and by the Bank of Italy with Circular 285/2013 (Chapter 11, Part three *on "Risk activities and conflicts of interest with respect to affiliated parties*") as subsequently amended and supplemented, article 36 of Legislative Decree 201/2011, converted by Law no. 214/2011 (*so-called prohibition of interlocking*), in addition to the provisions of BMPS' by-laws on the matters (articles 15, 17, 19 and 26).

In this regulatory framework and in line with the principles defined in section 12 of the EBA guidelines on internal governance (EBA/GL/2021/05) and the EBA-ESMA guidelines on the assessment of the suitability of the members of the management body and staff that play key roles (EBA/GL/2021/06), the Bank's Board of Directors has over time approved specific internal directives and policies, including the Group Directive on personnel conflicts of interest, in order to evaluate, manage and mitigate or prevent actual or potential conflicts of interest between the interests of the Issuer and the private interests of staff (including members of the administrative, management and supervisory bodies).

The company legislation defines principles, responsibilities, procedures and decision-making and information skills, and safeguards for the related risks, in particular with regard to subjects close to the Bank's decision-making centres. The Issuer's website (*www.gruppomps.it*) makes available provisions and procedures which define the principles and responsibilities for the management of the prescriptive obligations regarding related parties and affiliated parties and obligations of bank representatives.

To the best of BMPS's knowledge and belief, as of the date this Base Prospectus there are no conflicts involving the members of its administrative, management and supervisory bodies, current or potential, between their obligations towards the Bank and their private interests and/or their obligations towards third parties, other than those occurring within the context of specific resolutions adopted by BMPS in accordance with the aforementioned legislation and BMPS' by-laws. Article 19 of BMPS' by-laws, in addition to compliance with the provisions of article 136 of the Italian Consolidated Banking Act, obliges the members of the Board of Directors to inform the Board itself and the Board of Statutory Auditors of any deal in which they are personally interested or which regards entities or companies of which they are directors, auditors or employees (unless in the case of Group companies) and to abstain from resolutions in which they have an interest in conflict, on their own behalf or on behalf of third parties. The main transactions concluded with related parties are described in the 2020 Consolidated Financial Statements and the 2021 Consolidated Half-Yearly Report, published and available on the Bank's website *www.gruppomps.it*.

Main Shareholders as at 30 September 2021

The entities that, as at 30 September 2021, directly and/or indirectly hold ordinary shares for more than 3 per cent. of the Issuer's share capital and do not fall under any of the exemptions provided for by article 119-*bis* of the CONSOB Regulation No. 11971 of 14 May 1999, are as follows:

Shareholders	**% share capital on overall share capital**
Italian Ministry of Economy and Finance (MEF)	**64.230%**
Assicurazioni Generali S.p.A.*(*)*	**4.319%**

(*) Shares held through its subsidiaries, based on the communications received, pursuant to applicable legislation, as at 28 November 2017.

As at 30 September 2021, pursuant to article 93 of the Financial Laws Consolidation Act, the Issuer is controlled by the MEF, following the subscription of the share capital increase reserved to the MEF pursuant to the Decree of 23 December 2016, no. 237 and its related ministerial Decree adopted on 27 July 2017 and upon completion of the partial non-proportional demerger plan pursuant to article 2501-ter and 2506-bis of the Italian Civil Code of Banca Monte dei Paschi di Siena S.p.A. in favour of AMCO - Asset Management Company S.p.A. (in which respect please refer to letter Z) "*Partial, non-proportional demerger with asymmetric option from BMPS in favour of AMCO*" of sub-paragraph 3.1 "*Recent developments*" of paragraph 3 "*Major Events*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus).

The ownership structure of the Issuer is subject to potential aggregations and the disposal of the stake held by the MEF in the Bank. For information relating to the risks relating to possible aggregations, please refer to paragraph "*Risks associated with possible aggregations*" of the section "*Risk Factors*" of this Base Prospectus.

REGULATORY ASPECTS

1. *Deferred tax assets*

Within the context of the legislative framework relating to DTAs, Law of 22 December 2011, no. 214 ("**Law 214/2011**") provided for the conversion into tax credits of DTAs referred to write-downs and credit losses, as well as those relating to the value of goodwill and other intangible assets (so-called DTAs eligible for conversion) in case the company records a loss for the period in its individual financial statement. The conversion into tax credit operates in regard to DTAs recorded in the financial statement in which the loss is recognised and for a fraction thereof equal to the ratio between the loss amount and the company's equity.

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

In such legislative framework, accordingly, the recovery of DTAs eligible for conversion seems guaranteed for the Bank also in case the latter does not generate adequate future taxable income capable of ordinarily absorbing the deductions that correspond with the DTAs recorded. The tax regime introduced by Law 214/2011, as stated by the Bank of Italy/CONSOB/ISVAP (now IVASS) within the document "Accounting treatment of deferred taxes deriving from Law 214/2011" no. 5 of 15 May 2012, in granting "certainty" to the recovery of DTAs eligible for conversion, impacts in particular on the recoverability test laid down by the accounting standard IAS 12, basically makes it automatically satisfied. Even the regulatory legislation provides for a more favourable treatment for DTAs eligible for conversion compared to the other types of DTAs since the former, for the purpose of the capital adequacy requirements the Group shall comply with, do not constitute negative elements at equity level and are included among RWA with a 100 per cent. weighting.

In relation to DTAs eligible for conversion pursuant to Law 214/2011, article 11 of Law Decree No. 59/2016 subjected the possibility to continue to apply the above described regime in the matter of conversion into tax credits of advanced tax assets to the exercise of a specific irrevocable option and the payment of an annual fee ("**DTA fee**") to be paid with reference to each of the financial years starting from 2015 and subsequently, if annual requirements are met, until 2029. As clarified in the press release of the Council of Ministers on 29 April 2016, such provision were necessary to overcome the doubts raised by the European Commission on the existence of "State aid" components in the legislative framework relating to deferred tax assets then in force.

In more detail, the fee for a specific financial year is determined by applying the 1.5 per cent. rate to a "base" obtained by adding the difference between DTAs eligible for conversion that are recorded in the financial statement of such financial year and the corresponding DTAs recorded in the 2007 financial statement, the overall amount of conversions into tax credits operated until the relevant financial year, net of taxes, identified in the Decree, paid with respect to the specific tax periods established in the same Decree. Such fee is deductible for the purpose of income taxes.

The Bank exercised the aforementioned option by paying the fee, within the given deadline of 31 July 2016, for the amount of Euro 70.4 million, due by 2015. Further, article 26-*bis* of Decree 237 amended article 11 of Law Decree 59/2016, substantially moving the DTA fee's reference period from 2015-2029 to 2016-2030. Consequently, the fee already paid by 31 July

2016 in relation to 2015 is deemed deferred to 2016 and the amount remained unchanged; as a consequence of the exercise of the option, the Bank also proceeded with the payment of the fee due for 2017, 2018, 2019, 2020 and 2021 for the amount of Euro 346.5 million.

In relation to the expected evolution of the amount of DTAs eligible for conversion, please note that as a consequence of the rules introduced by Law Decree No. 83/2015 (converted by Law 6 August 2015 no. 132), such amount may no longer be increased in the future. Specifically, from 2016 the pre-requirement for the recognition of DTAs from write-downs and credit losses ceased, with those negative income items becoming fully deductible.

In relation to DTAs relating to goodwill and other intangible assets, if recognised in the Financial Statement from 2015 onwards, they will no longer be eligible for conversion into tax credits due to the effect of aforementioned Law Decree 83/2015.

It should be noted that the Italian legislation provides for the EGS (economic growth support (*aiuto alla crescita economica)*) introduced by article 1 of the Law-Decree no. 201/2011. Such incentive provides, for companies that have increased their capital resources compared to the respective size as of 31 December 2010, with the right to operate downward to their taxable income by an amount equal to the notional return (1.3 per cent. from 2019) on the capital increase realised. This downward amendment is recognized for the financial year in which the capital increase took place, as well as for each of the subsequent years (until the rule is repealed) and, in case of insufficient taxable income of one of those, may be deducted from the following years' income. Such deduction, for entities that participate in the group taxation system (also known as tax consolidation (*consolidato fiscale*)), must be added to taxable income before the use of past tax losses. It follows that, with equal prospective income generating capacity, the presence of this incentive reduces, to an extent directly proportional to its amount, the possibility of recording DTAs relating to past tax losses. The incentive at stake, temporarily repealed by Law no. 145 of 30/12/2018 with effect from 2019, was then reinstated by Law no. 160 of 27/12/2019, rendering the previous repeal ineffective.

Although the carry-forward of tax losses and EGS surpluses is not subject to any time limit according to current tax regulation, the regulatory provision provide for a more penalizing treatment of the relevant DTAs than for other DTAs that may not be converted into tax credits pursuant to Law no. 214/2011, since they are deducted from assets according to phasing-in percentages without the benefit of the deductible mechanism. Moreover, it should be noted that according to Law Decree No. 83/2015, by recognising the immediate deductibility of write-downs and credit losses entailed for financial years subsequent to 2015, a relevant reduction of corporate income tax extends the time horizon for the absorption of tax losses and prior EGS surplus and, accordingly, for the DTAs associated with such losses and surpluses.

It should be noted that Article 44-bis of Law Decree 34/2019 (as amended by Law Decrees 18/2020 and 73/2021) introduced the possibility of conversion of DTAs related to tax losses and EGS surpluses into tax credits as well. The conversion is allowed in case of sale of NPLs carried out in 2020 and 2021 towards third parties not belonging to the Group. Tax losses or EGS surplus convertible are determined as 20% of the nominal value of NPLs sold (up to a limit of Euro 2 billion) and the tax credit amount corresponds to related DTAs (even if not booked in the balance sheet). An annual 1.5% fee is due on the DTAs converted amount, under the same conditions as that due for conversions made in accordance with Law 214/2011.

2. *Regulations and Supervision of the ECB, Bank Of Italy, CONSOB and IVASS*

The Group is subject to complex regulations and, in particular, to the supervision of the Bank of Italy, CONSOB and, in relation to a number of aspects of the bancassurance business, the

Istituto per la Vigilanza sulle Assicurazioni ("**IVASS**"). As from 4 November 2014, the Group is also subject to the supervision of the ECB, which is entrusted under the SSM (as defined below), *inter alia*, to ensure the homogeneous application of Eurozone legislative provisions.

In particular, the Group is subject to both a primary and secondary legislation framework applicable to companies with financial instruments listed on regulated markets. The legislation is applicable in regard to banking and financial services (governing, *inter alia*, sale and placement activities of financial instruments and the marketing thereof), as well as for the regulatory regime of countries, including those other than the Republic of Italy, in which the Group is active. The supervision activities carried out by the aforementioned authorities cover various business sectors and may concern, *inter alia*, liquidity, capital adequacy and financial leverage levels, the prevention and combating of money laundering, privacy protection, transparency and fairness in the relations with clients, and reporting and recording obligations.

For the purpose of operating in accordance with such legislations, the Group put in place specific internal procedures and policies and has adopted, pursuant to Legislative Decree No. 231/2001, a complex and constantly monitored organisational model. Such procedures and policies mitigate the possibility of the Bank to incur any breach of the various applicable legislations, which may cause negative impacts on the business, reputation as well as on the capital, economic and/or financial condition of the Bank and/or of the Group.

2. In general, the international and national legislative structure to which the Group is subject has the main purpose of safeguarding the stability and soundness of the banking system, through the adoption of a very complex regime, aimed at containing risk factors. To achieve these goals, the regime provides for, *inter alia*:

   (A) a minimum capital holding, adequate to deal with the company's size and the associated risks;

   (B) quantitative and qualitative limits on the ability to develop certain financial aggregate data, depending on the risks associated therewith (e.g. credit, liquidity);

   (C) strict rules on the structure of controls and a compliance system; and

   (D) rules on corporate governance.

Basel III and the CRD IV Package

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

In January 2013 the BCBS revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the LCR with a full implementation in 2019 as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the net stable funding ratio, the BCBS published the final rules in October 2014 which were to be effective from 1 January

2018. A binding detailed net stable funding ratio was proposed as part of the Capital Requirements Directive reforms released in November 2016.

The Basel III framework has been implemented in the European Union ("**EU**") through new banking requirements: Directive 2013/36/EU (the "**CRD IV**") of the European Parliament and the European Council on 26 June 2013 which relates to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, and Regulation (EU) No 575/2013 (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**") of the European Parliament and the European Council on 26 June 2013 which relates to prudential requirements for credit institution and investment firms, subsequently updated with the Directive (EU) 2019/878 (the "**CRD V**") and Regulation (EU) 2019/876 (the "**CRR II**" and, together with the CRD V, the "**EU Banking Reform Package**").

National options and discretions under the CRD IV Package that were previously only exercised by national competent authorities, will now be exercised by the Single Supervisory Mechanism ("**SSM**") (as defined below) in a largely harmonised manner throughout the European banking union. In this respect, on 14 March 2016, the ECB adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions. Depending on the manner in which these options/discretions were exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional/lower capital requirements may result.

3. In the Republic of Italy, the Government approved Legislative Decree No. 72 on 12 May 2015 ("**Decree 72/2015**") implementing the CRD IV. Decree 72/2015 entered into force on 27 June 2015. The new regulation impacts, *inter alia*, on:

   (A) proposed acquirers of holdings in credit institutions, requirements for shareholders and members of the management body (articles 22, 23 and 91 of the CRD IV);

   (B) competent authorities' powers to intervene in cases of crisis management (articles 102 and 104 of the CRD IV);

   (C) reporting of potential or actual breaches of national provisions (known as whistleblowing, article 71 of the CRD IV); and

   (D) administrative penalties and measures (article 65 of the CRD IV).

Moreover, the Bank of Italy published new supervisory regulations on banks in Circular No. 285 on 17 December 2013 ("**Circular No. 285**") which came into force on 1 January 2014, implementing the CRD IV Package, and setting out additional local prudential rules. Circular No. 285 has been constantly updated after its first issue, the last updates being the 37th update published on 24 November 2021. The CRD IV Package has also been supplemented in the Republic of Italy by technical standards and guidelines finalized by the European supervisory authorities, mainly EBA and the European Securities and Markets Authority, and delegated regulations of the European Commission and guidelines of the EBA.

According to Article 92 of the CRR, institutions shall at all times satisfy the following own fund requirements: (i) a CET1 Capital ratio of 4.5 per cent. of the total risk exposure amount; (ii) a Tier 1 Capital ratio of 6 per cent. of the total risk exposure amount; and (iii) a Total Capital

ratio of 8 per cent. of the total risk exposure amount. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital, reported below as applicable with reference to 30 June 2021:

- *Capital conservation buffer*: set at 2.5 per cent. from 1 January 2019 (pursuant to article 129 of the CRD IV and Part I, Title II, Chapter I, Section II of Circular No. 285 as amended in October 2016);

- *Counter-cyclical capital buffer*: calculated on a quarterly basis depending on the geographic distribution of the relevant credit exposures of the institution and on the decisions of each competent national authorities setting the specific rates applicable in the home Member State, other Member States or third countries (pursuant to article 130 of the CRD IV and Part I, Title II, Chapter I, Section III of Circular No. 285). The Bank of Italy has set, and decided to maintain, the countercyclical capital buffer rate (relating to exposures towards Italian counterparties) at 0 per cent. for the first quarter of 2022;

- *Capital buffers for global systemically important banks* ("**G-SIBs**"): represents an additional loss absorbency buffer ranging from 1.0 per cent. to 3.5 per cent. determined according to specific indicators (e.g. size, interconnectedness, complexity); to be phased in from 1 January 2016 (pursuant to article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285) becoming fully effective on 1 January 2019. Based on the most recently updated list of global systemically important institutions ("**G-SIIs**") published by the FSB (as defined below) on 11 November 2020 (to be updated annually), the Group is not a global systemically important bank ("**G-SIB**") and does not need to comply with a G-SII capital buffer requirement; and

- *Capital buffers for other systemically important banks* ("**O-SIIs**"): up to 2.0 per cent. as set by the relevant competent authority (reviewed at least annually), to compensate for the higher risk that such banks represent to the domestic financial system (article 131 of the CRD IV and Part I, Title II, *Chapter* I, Section IV of Circular No. 285). On 19 November 2021, the Bank of Italy identified the Group as an O-SII authorised to operate in the Republic of Italy in 2021 which will have to maintain a capital buffer of 0.25 per cent. of its total risk exposure amount, to be achieved according to a transitional period, as follows: 0.13 per cent. from 1 January 2020, 0.19 per cent. from 1 January 2021 and at 0.25 per cent. from 1 January 2022.

In addition to the above listed capital buffers, under Article 133 of the CRD IV, each Member State may introduce a systemic risk buffer (SyRB) in order to prevent and mitigate long-term non-cyclical systemic or macro prudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. Italian authorities have not introduced such a measure to date. However, on 28 April 2021, the Bank of Italy published a consultation document on "*Riserve di capitale e strumenti macroprudenziali basati sulle caratteristiche dei clienti e dei finanziamenti*" which focused on the introduction of a SyRB, as amended by CRD V, for banks and banking groups authorised in Italy, and of *borrower-based* measures for new loans (not regulated by European regulation), tailored to the conditions of specific clients, industries or regions.

Failure by an institution to comply with the buffer requirements described above may trigger restrictions on distributions and the need for the bank to adopt a capital conservation plan and/or take remedial actions (articles 141 and 142 of the CRD IV).

In addition, the Bank is subject to the Pillar II requirements for banks imposed under the CRD IV Package, which are potentially impacted, on an on-going basis, by further requirements provided by the supervisory authorities under the SREP. In particular, the SREP process is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP process is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system. For more information in this respect reference is made to paragraph "*The Single Supervisory Mechanism*" below.

The quantum of any Pillar II requirement imposed on a bank and the type of capital which a bank is required to apply in order to meet such capital requirements may all impact a bank's ability to comply with the combined buffer requirement.

With reference to the "stacking order" of own funds requirements, as clarified in the "Opinion of the European Banking Authority on the interaction of Pillar I, Pillar II and combined buffer requirements and restrictions on distributions" published on 16 December 2015, competent authorities should ensure that the Common Equity Tier 1 Capital to be taken into account in determining the Common Equity Tier 1 Capital available to meet the combined buffer requirement is limited to the amount not used to meet the Pillar I and Pillar II own funds requirements of the institution. In effect, this would mean that Pillar II capital requirements would be "stacked" below the capital buffers, and thus a firm's CET1 resources would only be applied to meet capital buffer requirements after Pillar I and Pillar II capital requirements have been met in full.

Furthermore, in its publication of the 2016 EU-wide stress test results on 29 July 2016, the EBA has recognised a distinction between "Pillar II requirements" (stacked below the capital buffers) and "Pillar II capital guidance" (stacked above the capital buffers). With regard to Pillar II capital guidance, the publication stated that, in response to the stress test results, competent authorities may (among other things) consider "setting capital guidance, above the combined buffer requirement". Competent authorities have remedial tools if an institution refuses to follow such guidance. The ECB published a set of "Frequently asked questions on the 2016 EU-wide stress test", confirming this distinction between Pillar II requirements and Pillar II capital guidance and noting that "Under the stacking order, banks facing losses will first fail to fulfil their Pillar II capital guidance. In case of further losses, they would next breach the combined buffers, then Pillar II requirements, and finally Pillar I requirements".

This distinction between "Pillar II requirements" and "Pillar II capital guidance" has been introduced in the EU by the CRD V. Whereas the former are mandatory requirements imposed by supervisors to address risks not covered or not sufficiently covered by Pillar I and buffer capital requirements, the latter refers to the possibility for competent authorities to communicate to an institution their expectations for such institution to hold capital in excess of its capital requirements (Pillar I and Pillar II) and combined buffer requirements in order to cope with forward-looking and remote situations. Under the EU Banking Reform Package, and as described above, only Pillar II requirements, and not Pillar II capital guidance, will be relevant in determining whether an institution is meeting its combined buffer requirement.

Non-compliance with Pillar II capital guidance does not amount to failure to comply with capital requirements, but should be considered as a "pre-alarm warning" to be used in a bank's risk management process. If capital levels go below Pillar II capital guidance, the relevant

supervisory authorities, which should be promptly informed in detail by the bank of the reasons of the failure to comply with the Pillar II capital guidance, will take into consideration appropriate and proportional measures on a case by case basis (including, by way of example, the possibility of implementing a plan aimed at restoring compliance with the capital requirements - including capital strengthening requirements).

The CRD IV Package also introduced a LCR. This is a stress liquidity measure based on modelled 30-day outflows. The LCR was implemented in 1 October 2015, although it was phased-in and became fully applicable from 1 January 2018 and set at 100 per cent.. The Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing the CRR in regard to the liquidity coverage requirement for credit institutions (the "**LCR Delegated Act**") was adopted in October 2014 and published in the Official Journal of the European Union in January 2015. On 10 October 2018, amendments to the LCR Delegated Act were published in the Official Journal (Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018) and has applied as of April 2020. Most of these amendments are related to the entry into force of the new securitisation framework on 1 January 2019. The Net Stable Funding Ratio ("**NSFR**") is part of the Basel III framework and aims to promote resilience over a longer time horizon (1 year) by creating incentives for banks to fund their activities with more stable sources of funding on an on-going basis. The NSFR has been introduced as a requirement in the CRR II published in June 2019 and applies from June 2021.

Furthermore, the Bank is bound to comply with the general limit on the investment in equity interests and real estate properties, to be contained within the amount of own funds at consolidated level, and the regulatory limits in the matter of holding of qualifying equity interests in non-financial enterprises and large exposures. The Bank is also subject to the regulatory limits provided for by the national legislation in the matter of transactions with related parties as per the "New Prudential Supervision Provisions" for banks as well as the specific obligations set forth by the regulation issued by CONSOB.

With regard to the calculation modalities of regulatory requirements, in order to determine weightings in the context of the credit risk standardised approach, the first pillar prudential regime allows for the possibility to use the creditworthiness assessments issued by external credit assessment institutions ("**ECAI**"). BMPS uses the assessments provided by certain ECAIs and, in particular, those issued by Standard & Poor's, Moody's and Fitch. In addition, in relation to credit risk, the prudential regime further allows for the possibility to use internal rating-based assessments for the determination of weightings on exposures falling within the validated perimeters.

The EU Banking Reform Package

The EU Banking Reform Package amends many existing provisions set out in the CRD IV Package, the BRRD (as defined below) and the SRM Regulation (as defined below).

These proposals were agreed by the European Parliament, the European Council and the European Commission and were published in the Official Journal of the European Union on 7 June 2019 entering into force 20 days after, even though most of the provisions apply as of 28 June 2021, allowing for smooth implementation of the new provisions during these last two years.

Specifically, the new EU regulatory framework introduced by the CRR II includes:

- revisions to the standardised approach for counterparty credit risk;

- revisions to the prudential treatment of exposures in the form of units or shares in collective investment undertakings, envisaging the application of a risk weight of 1250% (fall-back approach) in the event that the bank is unable to apply the look-through approach or the mandate-based approach;

- introduction from September 2021 of a new reporting requirement on market risk according to Alternative Standardised Approach pending implementation in the EU of the latest changes to the Fundamental Review of the Trading Book ("FRTB") published in January 2019 by the BCBS and then the application of own funds requirements;

- a binding leverage ratio (and related improved disclosure requirements) introduced as a backstop to risk-weighted capital requirements and set at 3 per cent. of an institution's Tier 1 capital;

- a binding NSFR which requires credit institutions and systematic investment firms to finance their long-term activities (asset and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks resilience to funding constraints. This means that the amount of available stable funding will be calculated by multiplying an institution's liabilities and regulatory capital by appropriate factors that reflect their degree of reliability over a year. The NSFR will be expressed as a percentage and set at a minimum level of 100 per cent., indicating that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions. The NSFR applies at a level of 100 per cent. at individual and a consolidated level starting from 28 June 2021, unless competent authorities waive the application of the NSFR on an individual basis;

- changes to the large exposure limits;

- the exemption from deductions of prudently valued software assets from CET 1;

- improvement own funds calculation adjustments for exposures to SME and infrastructure projects;

- the CRD V reviews, among other things, the Pillar 2 regulatory framework for capital buffers, which officially introduces the distinction between Pillar 2 requirements and Pillar 2 capital guidance, also specifying the nature the equity instruments with which banks must satisfy the Pillar 2 requirement.

Most of the provisions of the CRR II apply from 28 June 2021, although certain provisions, such as those relating to definition or own funds, were implemented from 27 June 2019. The elements of the package introduced by the CRD V are subject to transposition into national law. The CRD V is subject to transposition in Italy by means of the European Delegation Law (Law No. 53/2021) of 22 April 2021. Although it is expected to be gradually implemented, such regulatory evolution, whose aim was to set a higher system stability, may in any case have a significant impact on financial institutions.

It should be noted that during 2020 the ECB granted a number of supervisory measures that included a greater flexibility in supervisory burdens in order to mitigate the impact of COVID-19 on the European banking system. In particular, the ECB allowed banks the possibility of temporarily operating below the capital level defined by the Pillar 2 capital guidance, the capital conservation buffer and the LCR, and the possibility of partially using Additional Tier

1 Capital or Tier 2 Capital to meet the Pillar 2 requirement (P2R), bringing forward the measure contained in the CRD V. Moreover, Regulation (EU) 2020/873 of the European Parliament and of the Council (the "**CRR Quick-fix**"), brought forward the application date of certain CRR II measures to 27 June 2020, including the SME supporting factor, the infrastructure supporting factor and the more favourable treatment of certain loans granted by credit institutions to pensioners or employees, and the application date of the new prudential treatment of software assets to the date on which the EBA's regulatory technical standards enter into force (Delegated Regulation (EU) 2020/2176 was published on 22 December 2020 and became effective from 23 December 2020). The CRR Quick-fix also amended the IFRS 9 transitional arrangements to mitigate the impact on regulatory capital and on banks' lending capacity of the likely increases in expected credit loss provisioning under IFRS 9 due to the economic consequences of the COVID-19 crisis, and introduced several temporary measures, such as the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income for exposures to central governments, the temporary treatment of public debt issued in the currency of another Member State and the temporary measures relating to the calculation of the leverage ratio (the exclusion, subject to the discretion of the competent authority, of certain exposures to central banks from the total exposure measure and the revised calculation of the exposure value of regular-way purchases and sales awaiting settlement). With regard to exclusion of certain exposures to central banks from total exposure measure, on 18 June 2021 the ECB announced their temporary exclusion in view of the COVID-19 pandemic, for a period starting on 28 June 2021 and ending on 31 March 2022 (Decision ECB 2021/2176).

For more details on the regulatory measures adopted by the European institutions in response to the COVID-19 pandemic, please refer to paragraph "*Regulatory and supervisory interventions by institutions within the context of the COVID-19 pandemic*" of the 2020 Consolidated Financial Statement, incorporated by reference in this Base Prospectus.

Furthermore, in July 2020, the European Commission adopted a legislative package on capital markets recovery (the "**Capital Markets Recovery Package**") as part of its overall strategy to tackle the economic impacts of the COVID-19 pandemic. Under the Capital Markets Recovery Package targeted amendments to (i) the Prospectus Regulation and Directive 2004/109/EC (such amendments having been introduced by Regulation (EU) 2021/337), (ii) the MiFID II (such amendments having been introduced by Directive (EU) 2021/338) and (iii) the Securitisation Regulation (such amendments having been introduced by Regulation (EU) 2021/557), have been introduced in the EU legislative framework.

For more details on the amendments to the Securitisation Regulation, please see paragraph "*The Securitation Framework*" below.

The Single Supervisory Mechanism

In October 2013, the Council of the European Union adopted regulations establishing the SSM for all banks in the Eurozone, which have, beginning in November 2014, given the ECB, in conjunction with the national competent authorities of the Eurozone states, direct supervisory responsibility over "banks of systemic importance" in the European banking union as well as their subsidiaries in a participating non-Eurozone Member State. The SSM Regulation that sets out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by the ECB include, *inter alia*, any Eurozone bank that has: (i) assets greater than Euro 30 billion; (ii) assets constituting at least 20 per cent. of its home country's gross domestic product; or (iii) requested or received direct public financial assistance from the European Financial Stability Facility or the European Stability Mechanism.

The ECB is also exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which include, *inter alia*, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Eurozone; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities. The ECB also has the right to impose pecuniary sanctions.

National competent authorities will continue to be responsible for carrying out supervisory tasks not conferred on the ECB, such as consumer protection, money laundering, payment services, and branches of third country banks, besides supporting the ECB in day-to-day supervision. In order to foster consistency and efficiency of supervisory practices across the EU, the EBA is developing a single rule book. The single rule book aims at providing a single set of harmonised prudential rules in which institutions throughout the EU must respect.

The Bank and the Group have been classified as a significant supervised entity and a significant supervised group, respectively, pursuant to the SSM Regulation and Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 and, as such, are subject to direct prudential supervision by the ECB.

The ECB is required under the SSM Regulation to carry out a SREP process at least on an annual basis. In addition to the above, the EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of the SREP. Included in these guidelines were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional Pillar II own funds requirements to be implemented from 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the Pillar II requirements to cover certain specified risks of at least 56 per cent. of CET1 Capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own fund requirements in respect of risks which are already covered by the combined buffer requirements (as described above) and/or additional macro-prudential requirements.

On 28 June 2021 EBA launched a public consultation on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing. The comprehensive revisions aim at implementing the recent amendments to the Capital Requirements Directive (CRD V) and Capital Requirements Regulation (CRR II). The guidelines aim at achieving convergence of practices followed by competent authorities in supervisory stress testing across the EU. It affects all main SREP elements, including (i) business model analysis, (ii) assessment of internal governance and institution-wide control arrangements, (iii) assessment of risks to capital and adequacy of capital to cover these risks, and (iv) assessment of risks to liquidity and funding and adequacy of liquidity resources to cover these risks.

According to the SSM Regulation, the national supervisory authorities remain in charge of carrying out those supervisory tasks which are not given to the ECB (such as, among the others, conducting the function of competent authorities over credit institutions in relation to markets in financial instruments). Therefore, the Bank is also subject to, *inter alia*, CONSOB supervision, given its activities carried out in relation to the sale, placement and marketing of financial instruments.

Single Resolution Mechanism

In August 2014, Regulation (EU) 806/2014 (the "**SRM Regulation**") establishing the single resolution mechanism (the "**SRM**") entered into force. Certain provisions, including those concerning the preparation of resolution plans and provisions relating to the cooperation of the Single Resolution Board ("**SRB**") with national resolution authorities, entered into force on 1 January 2015.

The SRM, which complements the SSM, applies to all banks supervised by the SSM. It mainly consists of the SRB and a Securitisation Regulation Framework ("**SRF**").

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

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

The SRM Regulation was subsequently updated by Regulation (EU) 2019/877 ("**SRM II Regulation**"), as part of the EU Banking Reform Package, published on 7 June 2019 and entered into force on 27 June 2019. In line with the changes to BRRD II (as defined below), the SRM II Regulation which applies from 28 December 2020 introduced several amendments such as changing the MREL for banks and G-SIBs, in order to measure it as a percentage of the total risk-exposure amount and of the leverage ratio exposure measure of the relevant institution. BRRD and SRM Regulation require institutions to meet MREL at all times, which has to be determined by the resolution authority in order to ensure the effectiveness of the bail-in tool and other resolution tools.

The BRRD and the revision of the BRRD framework

The BRRD completes the legislative framework applicable to banks, identifying the powers and tools which national authorities in charge of resolving banking crisis may adopt for the resolution of a bank's crisis or a collapse situation. This was for the purpose of guaranteeing continuity of the essential functions of the institution, reducing to a minimum the collapse impact on the economy and the financial system as well as on costs for taxpayers. On 9 July 2015, the enabling act for the implementation of the BRRD was approved, identifying, *inter alia*, the Bank of Italy, as national resolution authority pursuant to article 3 of the BRRD. On 16 November 2015, contemporaneously with the publication in the Official Journal, Legislative Decrees no. 180 and 181 of 16 November entered into force and respectively implemented the BRRD and adapted the provisions of the Italian Banking Act to the changed legislative framework.

With specific reference to the bail-in instrument, the BRRD has provided a minimum requirement for own funds and eligible liabilities ("**MREL**") in order to ensure that a bank, in case of an application of the bail-in tool, has sufficient liabilities to absorb losses and to assure compliance with the Common Equity Tier 1 requirement provided for the authorisation to exercise the banking business, as well as to generate confidence in the market. Regulatory technical standards specifying the criteria to determine the MREL requirements are set out in Delegated Regulation EU 2015/1450 which was published in the Official Journal of the European Union on 3 September 2016.

In April 2021, Implementing Regulation (EU) 2021/763 on disclosure reporting on MREL and TLAC has been published, providing for: (i) draft uniform disclosure formats for MREL and TLAC disclosure according – respectively – to Articles 45i(6) of the BRRD and 434a of the CRR; and (ii) draft uniform reporting templates, instructions and methodology for MREL and TLAC reporting according – respectively – to Articles 45i(5) of the BRRD and 430(7) of the CRR. Title I of Implementing Regulation (EU) 2021/763 shall apply from 28 June 2021, while Title II shall apply as of 1 June 2021 as regards the disclosures in accordance with Article 437a and point (h) of Article 447 of CRR, and as of the date of application of the disclosure requirements in accordance with the third subparagraph of Article 3(1) of Directive (EU) 2019/879, as regards the disclosures in accordance with Article 45i(3) of BRRD.

The BRRD II has been transposed in Italy by means of the European Delegation Law (Law No. 53/2021) of 22 April 2021, which has delegated the Italian government to adopt the implementing legislative decree. In this respect, on 30 November 2021, the Legislative Decree No. 193, of 8 November 2021, has been published in the Official Gazette of the Republic of Italy.

The BRRD also requires Member States to ensure that national insolvency laws contain a prescribed creditor hierarchy. The insolvency hierarchy directive (Directive (EU) 2017/2399), due to be transposed in Member States by 29 December 2018, amends this hierarchy by introducing a new asset class of non-preferred senior debt that can only be bailed-in in resolution after capital instruments but before senior liabilities. In the Republic of Italy, such directive has been implemented by the Italian Law No. 205/2017 which introduced article 12 *bis* into the Italian Consolidated Banking Act.

Revisions to the BRRD framework

The EU Banking Reform Package includes Directive (EU) 2019/879, which provides for a number of significant revisions to the BRRD (known as "**BRRD II**") published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019. With regard to the date of application, Member States were required to ensure implementation into local law by 28 December 2020 with certain requirements relating to the implementation of the total loss absorbency capacity standard ("**TLAC**") applying from January 2022 while the transitional period for full compliance with MREL requirements is foreseen until 1 January 2024, with interim targets for a linear build-up of MREL set at 1 January 2022. The BRRD II has been transposed under Italian law, in accordance with the European Delegation Law (Law No. 53/2021) of 22 April 2021, by Legislative Decree no. 193 of 8 November 2021, which has mainly amended the provisions set out under Legislative Decree No. 180 of 16 November 2015, the Italian Consolidated Banking Act and the Consolidated Finance Act to take into account the provisions of the BRRD II.

The EU Banking Reform Package includes, amongst other things:

- full implementation of the Financial Stability Board's TLAC standard ("FSB") in the EU and revisions to the existing MREL regime. Additional changes to the MREL framework that include changes to the calculation methodology for MREL, criteria for the eligible liabilities which can be considered as MREL, the introduction of internal MREL and additional reporting and disclosure requirements on institutions;

- the introduction of a new category of "top-tier" banks, being banks which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed Euro 100 billion;

- the introduction of a new moratorium power for resolution authorities and requirements on the contractual stays in resolution; and

- amendments to the article 55 regime in respect of the contractual recognition of bail-in.

In particular, with a view to ensuring full implementation of the TLAC standard in the EU, the EU Banking Reform Package and the BRRD II introduce MREL applicable to G-SIIs with the TLAC standard and to allow resolution authorities, on the basis of bank-specific assessments, to require that G-SIIs comply with a supplementary MREL requirement strictly linked to the resolvability analysis of a given G-SII. Neither the Bank nor any member of BMPS has been identified as a G-SIB in the 2020 list of global systemically important banks published by the FSB on 11 November 2020.

BRRD II introduces a minimum harmonised MREL requirement (also referred to as a Pillar 1 MREL requirement) applicable to G-SIIs only. The BRRD II includes important changes as it introduces a new category of banks, so-called top-tier banks, being banks which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed Euro 100 billion. At the same time, the BRRD II introduces a minimum harmonised MREL requirement (also referred to as a "**Pillar 1 MREL requirement**") which applies to G-SIIs and also top-tier banks. In addition, resolution authorities will be able, on the basis of bank-specific assessments, to require that G-SIIs and top tier banks comply with a supplementary MREL requirement (a "**Pillar 2 MREL requirement**"). A subordination requirement is also generally required for MREL eligible liabilities under BRRD II, but exceptions apply.

In order to ensure compliance with MREL requirements, and in line with the FSB standard on TLAC, the BRRD II provides that in case a bank does not have sufficient eligible liabilities to comply with its MREL requirements, the resultant shortfall is automatically filled up with CET1 Capital that would otherwise be counted towards meeting the combined capital buffer requirement. However, under certain circumstances, BRRD II envisages a nine-month grace period before restrictions to discretionary payments to the holders of regulatory capital instruments senior management of the bank and employees take effect due to a breach of the combined capital buffer requirement.

On 20 May 2020, the SRB published a non-binding policy named "Minimum Requirements for Own Funds and Eligible Liabilities (**MREL**) Policy under the Banking Package", aiming at helping to ensure that MREL is set in the context of fully feasible and credible resolution plans for all types of banks, as well as promoting a level playing field across banks including subsidiaries of non-banking Union (EU) banks. The policy addresses the following topics:

(a) calibration: the policy provides for modifications and extensions of the SRB's approach to MREL calibration in accordance with the framework set out by the EU Banking Reform Package;

(b) subordination for resolution entities: the policy sets the following subordination requirements: (i) Pillar 1 Banks are subject to subordination requirements composed of a non-adjustable Pillar 1 MREL requirement that must be met with own funds instruments and eligible liabilities that are subordinated to all claims arising from excluded liabilities; (ii) Pillar 1 Banks' resolution authorities shall ensure that the subordinated MREL resources of Pillar 1 Banks are equal to at least 8% of total liabilities and own funds (TLOF); and (iii) non Pillar 1 Banks will be subject to a subordination requirement only upon the decision of the resolution authority to avoid a

breach of the No Creditor Worse Off principle, following a bank-specific assessment carried out as part of resolution planning;

(c) internal MREL for non-resolution entities: the policy states that the SRB will progressively expand the scope of non-resolution entities for which it will adopt internal MREL decisions, and it may waive subsidiary institutions qualifying as non-resolution entities from internal MREL at certain conditions. In addition, the policy defines criteria for the SRB's possibility permitting the use of guarantees to meet the internal MREL within the Member State of the resolution entity;

(d) MREL for cooperative groups: the policy sets out minimum conditions to authorise certain types of cooperative networks to use eligible liabilities of associated entities other than the resolution entity to comply with the external MREL, as well as minimum conditions to waive the internal MREL of the legal entities that are part of the cooperative network;

(e) eligibility of liabilities issued under the law of a third country: the policy expands on how liabilities issued under the law of third countries can be considered eligible through contractual recognition; and

(f) transition arrangements: the policy explains the operation of transitional periods up to the 2024 deadline, including binding intermediate targets in 2022 and informative targets in 2023, also stating that transitional arrangements must be bank-specific (since they depend on the MREL tailored to that bank and its resolution plan, and the bank's progress to date in raising MREL-eligible liabilities).

Such "*Minimum Requirements for Own Funds and Eligible Liabilities (MREL) Policy under the Banking Package*" was updated by the SRB in May 2021. The updated policy introduces a number of new elements and refinements, based on the changes required by the Banking Package. In particular, the updated policy introduces:

- the MREL maximum distributable amount (MDA). This allows the SRB to restrict banks' earnings distribution if there are MREL breaches;
- policy criteria to identify systemic subsidiaries for which granting of an internal MREL waiver would raise financial stability concerns (based on the absolute asset size and relative contribution to resolution group); and
- the approach to MREL-eligibility of UK instruments without bail-in clauses.

It also refines:

- the methodology to estimate the Pillar 2 requirements (P2R) post-resolution, i.e. one of the components used for MREL calibration;
- the MREL calibration on preferred vs variant resolution strategy, confirming that the SRB computes MREL in line with the preferred strategy; and
- the MREL calibration methodology for liquidation entities, where the SRB clarifies that the loss absorption amount (LAA) may increase beyond the default adjustment in proportion to financial stability concerns.

In April 2020, the SRB published a letter which was sent to banks under its remit, outlining potential operational relief measures related to the COVID-19 outbreak. Of particular note, the SRB stated that;

(a) it is committed to working on 2020 resolution plans and issuing 2020 decisions on MREL according to the planned deadlines but it will apply a pragmatic and flexible approach to consider, where necessary, postponing less urgent information or data requests related to the 2020 resolution planning cycle; and

(b) it regards the liability data report, the additional liability report and the MREL quarterly template as essential and it expects banks to make every effort to deliver these documents on time but will assess possible leeway in submission dates for other reports, such as those related to critical functions and access to financial market infrastructures.

In July 2020, the EBA published a statement on resolution planning in the light of COVID-19. The EBA stated that it aims to reaffirm that resolution planning is crucial in times of uncertainty to ensure that resolution is a credible option in case of failure. The focus of the statement is ensuring that the current situation is effectively taken into account by resolution authorities while maintaining a “through the cycle” approach and ensuring that resolvability objectives are achieved.

Changes to the BRRD under BRRD II will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

The Regulatory Treatment of NPLs

On 20 March 2017, the ECB published the "*Guidance to banks on non-performing loans*", and on 15 March 2018 the "*Addendum to ECB Guidance to banks on non-performing loans*", both addressed to credit institutions, as defined pursuant to article 4, paragraph 1, of the CRR. These guidance papers are addressed, in general, to all significant institutions subject to direct supervision in the context of the SSM, including their international subsidiaries. The ECB banking supervision identified in the aforementioned guidance a set of practices which are deemed useful to indicate the expectations of ECB in relation to banking supervision. The documents set out measures, processes and best practices which should be integrated in the treatment of NPLs by banks, for which this issue should represent a priority. The ECB expects full adherence by banks to these guidance papers regarding the treatment of NPLs, which is expected to take into account the length of time a loan has been non-performing and the extent and valuation of collateral (if any). In particular, the addendum issued by the ECB on March 2018 provides that, with respect to all the loans that will be qualified as Impaired Loans as from 2018, full coverage is expected for the unsecured portion of the NPL within two years and within seven years for secured portion at the latest.

On 17 April 2019 the European Parliament and the Council has adopted Regulation (EU) 2019/630 which is applicable from 26 April 2019 and introduces common minimum loss coverage levels for newly originated loans that become non-performing. Pursuant to this regulation, where the minimum coverage requirement is not met, the difference between the current coverage level and the requirement should be deducted from a bank's CET1 capital. Thus, the minimum coverage levels act as a "statutory prudential backstop". The required coverage increases gradually depending on how long an exposure has been classified as non-performing, being lower during the first years. In order to facilitate a smooth transition towards the new prudential backstop, the new rules should be applied in relation to exposures originated prior to 26 April 2019 and exposures which were originated prior to 26 April 2019 and are modified by the institution in a way that increases the institution's exposure to the obligor. In

addition, on 26 June 2020, the CRR Quick-fix amending the CRR and Regulation (EU) 2019/876 as regards adjustments in response to the COVID-19 pandemic was published, and provided – *inter alia* - a temporary extension of the preferential treatment under the NPL backstop received by NPLs guaranteed by official export credit agencies (**ECAs**) to NPLs guaranteed by the public sector in the context of measures aimed at mitigating the economic impact of the COVID-19 pandemic, recognising the similar characteristics shared by export credit agencies guarantees and COVID-19 related public guarantees.

Following the adoption of the new regulation on the Pillar 1 treatment of NPE**s**, on 22 August 2019 the ECB revised its supervisory expectations for prudential provisioning of new NPEs specified in the addendum in order to limit the scope to NPEs arising from loans originated before 26 April 2019, which are not subject to Pillar 1 NPE treatment, and to align the treatment with the Pillar 1 framework with reference to: (i) the relevant prudential provisioning time frames; (ii) the progressive path to full implementation; (iii) the split secured exposures; and (iv) the treatment of NPEs guaranteed/insured by an official export credit agency.

On 24 July 2020, as part of the Capital Markets Recovery Package, the European Commission presented amendments to review, *inter alia*, some regulatory constraints in order to facilitate the securitisation of non-performing loans (i.e. increasing the risk sensitivity for NPE securitisations by assigning different risk weights to senior tranche). After the approval by the European Parliament at the end of March, on 6 April 2021, Regulation (EU) 2021/557 which introduces amendments to the Securitisation Regulation and Regulation (EU) 2021/558 amending Regulation (EU) 2013/575 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 crisis were published on the Official Gazette of the European Union. Both Regulations entered into force on 9 April 2021.

In addition, the European Commission published in December 2020 a new Action plan on tackling NPLs. More in detail, in order to prevent a renewed build-up of NPLs on banks' balance sheets, the Commission proposed a series of actions with four main goals: (i) further develop secondary markets for distressed assets (in particular call for finalization of the Directive on credit servicers, credit purchasers and the recovery of collateral – in this respect, it is worth mentioning that on 29 June 2021 a draft overall compromise package concerning the new directive on credit servicers and credit purchasers has been agreed between the European Parliament and the Council and the relevant text law would be formally adopted after the revision of the text by the legal linguists of both institutions; establishing a data hub at European level; reviewing EBA templates to be used during the disposal of NPLs); (ii) Reform the EU's corporate insolvency and debt recovery legislation; (iii) Support the establishment and cooperation of national asset management companies at EU level; (iv) Introduce precautionary public support measures, where needed, to ensure the continued funding of the real economy under the EU's Bank Recovery and Resolution Directive and State aid frameworks.It should also be noted that in response to the COVID-19 pandemic, the ECB extended the preferential treatment foreseen for NPLs guaranteed or insured by Official Export Credit Agencies to non-performing exposures that benefit from guarantees granted by national governments or other public entities, in line with the treatment provided in Regulation (EU) 2020/873. This means that banks would face a 0% minimum coverage expectation for the first seven years of the NPE vintage count.

3. ***New accounting principles and the amendment of applicable accounting principles – IFRS 9, IFRS 15, IFRS 16***

In 2020 the following standards came into force:

- Amendments to References to the Change to the Conceptual Framework (EU reg. 2019/2075)
- Amendments to IAS 1 and IAS 8 – Definition of material (EU reg. 2019/2104)
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (EU reg. 2020/34)
- Amendments to IFRS 3 – Business Combinations (EU reg. 2020/551)
- Amendments to IFRS 16 – COVID-19 Related Rent Concessions (EU reg. 2020/1434)
- The amendments to the accounting standard indicated above are not material for the Group.

As of 30 September 2021, the accounting standard "Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2" (EU Reg. 2021/25) applicable to reporting starting from 1 January 2021 has been endorsed by the European Commission.

On July 2021, Reg. EU 2021/1080 was published. The regulation endorses the documents published by IASB: "Amendments to IFRS3, IAS 16, IAS 37 and Annual Improvements 2018-2020". The proposed amendments are effective starting from 01 January 2022. The Early adoption is permitted, but not applied by the Group. On August 2021, Reg EU 2021/1421 was published; this regulation endorses the documents " COVID-19 Related Rent Concessions beyond 30 June" and extends by one year the period of application of the original amendment to IFRS 16 "COVID-19-Related Rent Concessions", issued and approved in 2020.

As at 30 September 2021, the IASB issued the following standards whose applications are subject to completion of the endorsement process by European Union, which is still ongoing:

- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting Policies (February 2021)
- Amendment to IAS 8 - Definition of accounting Estimates (February 2021)
- Amendment to IAS 12 – Deferred Tax related to Asset and Liabilities arising from a Single Transaction (May 2021)

For more information regarding the application of these amendments, please refer to 2020 Consolidated Financial Statements, Consolidated Half-yearly Report as at 30 June 2021 and Consolidated interim Report as at 30 September 2021 incorporated by reference into this Base Prospectus.

4. *Deposit Guarantee Scheme Directive and Single Resolution Fund*

With reference to the application of: (i) Directive 2014/49/EU of the European Parliament and of the European Council of 16 April 2014 on deposit guarantee schemes; (ii) BRRD; and (iii) Regulation (EU) no. 806/2014 of the European Parliament and the European Council establishing, *inter alia*, the SRF, which as of 1 January 2016 includes at national level, sub-funds to which contributions collected at national level by Member States through their National Resolution Fund ("**NRF**") are allocated, the Bank is bound to provide the financial resources necessary to finance the DGS and the SRF.

As a consequence of such introduction, the FITD, updated its by-laws through a shareholders

resolution on 26 November 2015 anticipating the introduction of the prepayment mechanism (aimed at reaching the aforementioned multi-annual target with the target at 2024).

In this context, the Bank of Italy, in its capacity as national resolution authority, set up the NRF, which collects from banks with registered offices in the Republic of Italy, ordinary and extraordinary contributions, in accordance with the provisions of articles 82 and 83 of Decree 180 (as defined above). The SRF and the NRF may in the future require contributions for an amount that cannot be currently determined.

As of 30 September 2021, no value adjustments have been recognized in profit and loss statements. As of 31 December 2020, value adjustments for Euro 3.6 million (referring only to the investment in Carige) were recognised. The residual amount of the assets in the voluntary scheme, as of 30 September 2021 and 31 December 2020, is equal to Euro 3.3 million (rounded).

Voluntary scheme

For the purpose of overcoming the negative position taken by the European Commission in respect of the use of mandatory contributions to support interventions in favour of banks in crisis, at the end of 2015, in the context of the FITD, the voluntary scheme was established as an additional tool not subject to the restrictions of the EU regime and of the European Commission. The voluntary scheme provides for a maximum amount of Euro 795 million to be used to support interventions in favour of small banks in difficulty and subject to extraordinary administration procedure, in case of concrete recovery perspectives and for the purpose of avoiding higher burdens for the banking system consequent to liquidation or resolution interventions. Such resources are not immediately paid by adhering banks, which simply undertake to disburse them upon request on occasion of specific interventions, up to such maximum amount. The Group adhered to the voluntary scheme and accordingly committed its share of the maximum amount.

On 30 November 2018, the management of the voluntary scheme, approved a new found increase to be immediately used to solve the crisis of Banca Carige S.p.A. ("**Carige**"), through the subscription of Euro 318.2 million of Tier 2 instruments issued by Carige.

The contribution paid by banks adhering to the voluntary scheme represents an asset, recorded in the balance sheet of the participating banks (in the previous financial years the item "financial assets available for sale", while as of 1 January 2018 under the item "other financial assets measured at fair value mandatory" as a consequence of the entry into force of IFRS 9). The recognition of the asset is also supported by the explicit provision contained in FITD's by-laws relating to the voluntary scheme which provides for any realisations deriving from the purchase of equity interests to be reassigned to the banks participating in the same voluntary scheme.

As of 31 December 2020 and 31 December 2019, value adjustments for Euro 3.6 million (referring only to the investment in Carige) and Euro 8 million (referring only to the investment in Carige) were respectively recognised. The residual amount of the asset in the voluntary scheme, as of 31 December 2020, is equal to Euro 3.3 million (rounded), Euro 6.8 million (rounded) as of 31 December 2019.

5. ***Revisions to the Basel III framework***

In December 2017, the Basel Committee published its final set of amendments to its Basel III framework (known informally as "**Basel IV**"). Basel IV is expected to introduce a range of measures, including:

- changes to the standardised approach for the calculation of credit risk;
- limitations to the use of Internal Ratings-Based ("**IRB**") approaches, mainly banks will be allowed to use the Foundation Internal Ratings Based approach and the Standardised Approach with the advanced Internal Ratings Based approach still to be used for specialised lending;
- a new framework for determining an institution's operational risk charge, which will be calculated only by using a new standardised approach;
- an amended set of rules in relation to credit valuation adjustment; and
- an aggregate output capital floor that ensures that an institution's total risk weighted assets generated by IRB models are no lower than 72.5 per cent. of those generated by the standardised approach.

While the final Basel III standards were set to be implemented starting from January 2022 with the output capital floor being phased-in, in light of the Covid-19 pandemic implementation was deferred by one year to January 202.

6. ***Covered Bond Legislative Package***

On 18 December 2019, Directive (EU) 2019/2162 and Regulation (EU) 2019/2160 amending the CRR have been published in the Official Journal of the European Union. They will apply from 8 July 2022.

Directive (EU) 2019/2162 lays down rules on the issuance requirements, structural features, public supervision and publication obligations for covered bonds. Compared with the UCITS, Directive (EU) 2019/2162 provides for a number of more complex structural requirements, such as the dual recourse and the bankruptcy remoteness tools. The Directive at hand also establishes specific requirements for a liquidity reserve and introduces the possibility of joint funding and intragroup pooled covered bond structures in order to facilitate the issuance of covered bonds by small credit institutions. Moreover, the Directive provides the authorities of the Member States with the task of monitoring compliance of covered bond issuances with the abovementioned requirements and regulates the conditions for obtaining the authorisation to carry out the activity of issuance of covered bonds in the context of a covered bond programme.

Regulation (EU) 2019/2160 introduces some amendments to Article 129 of the CRR, providing for additional requirements for covered bonds to be eligible for the relevant preferential treatment. In particular, the Regulation introduces a rule allowing exposures to credit institutions rated in credit quality step 2 up to a maximum of 10% of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution, without the need to consult the EBA. The Regulation also requires a minimum level of overcollateralization in order to mitigate the most relevant risks arising in the case of the issuer’s insolvency or resolution.

Moreover, several additional changes to the LCR Delegated Regulation are proposed in order to align the LCR Delegated Regulation with Article 129 of the CRR, as amended by Regulation (EU) 2019/2160. The consultation remained opened until 24 November 2020.

On 8 May 2021, the European Delegated Law 2019 has entered into force. It delegates the Italian Government to implement – inter alia – Directive (EU) 2019/2162. According to the European Delegated Law 2019:

- the Bank of Italy is the competent authority for the supervision on covered bonds;
- the implementing provisions shall provide for the exercise of the option granted by Article 17 of Directive (EU) 2019/2162, allowing for the issue of covered bonds with extendable maturity structures, and
- the implementing provisions shall grant the Bank of Italy with the power to exercise the option to set for covered bonds a minimum level of overcollateralization lower than the thresholds set out under Article 1 of Regulation (EU) 2019/2162 (i.e. 2% or 5% depending on the assets included in the cover pool).

On 30 November 2021 the Decree 190/2021 implementing Directive (EU) 2019/2162 was published in the Official Gazette No. 285 of 30 November 2021 and entered into force on 1 December 2021. In this respect, it is worth mentioning that the national legislator chose to exercise the following options provided by Directive (EU) 2019/2162: (i) the possibility not to apply the liquidity requirement of the cover pool limited to the period covered by the liquidity requirement provided for in Delegated Regulation (EU) 2015/61; (ii) the possibility of allowing the issuance of covered bonds with extendable maturity structures; (iii) the possibility of allowing the calculation of the liquidity requirement of the cover pool in case of programs with extendable maturity by taking as a reference the final maturity date for the payment of principal.

Moreover, the Decree 190/2021 designates the Bank of Italy as the competent authority for the public supervision of the covered bonds, which is entrusted with the issuing of the implementing regulations by 8 July 2022.

THE GUARANTOR

Introduction

The Guarantor was incorporated in the Republic of Italy on 8 September 2009 pursuant to Law 130 as a limited liability company with a sole quotaholder (*società a responsabilità limitata con unico socio*) under the name "Meti Finance S.r.l." and changed its name into "MPS Covered Bond S.r.l." and modified its corporate object by the resolution of the meeting of the Guarantor Quotaholders held on 11 March 2010. The Guarantor is registered at the Companies' Registry of Treviso-Belluno under registration number 04323680266. The registered office of the Guarantor is at Conegliano (TV) – Italy - Via V. Alfieri, 1, 31015 and its telephone number is 0039 0438 360926. The Guarantor has no employees and no subsidiaries. The Guarantor's by-laws provides for the termination of the same in 31 December 2100 subject to one or more extensions to be resolved, in accordance with the by-laws, by a Quotaholders's resolution. The Guarantor operates under the Italian law.

The LEI of the Guarantor is 8156009A2CCB4953C448.

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 Base Prospectus, the quotaholders of the Guarantor are as follows:

Quotaholders	Quota
SVM Securitisation Vehicles Management S.r.l.[19]	Euro 1,000.00 (10 per cent. of capital)
Banca Monte dei Paschi di Siena S.p.A.	Euro 9,000.00 (90 per cent. of capital)

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

[19] Whose 100 per cent. is held by Stichting Cima. Stichting Cima is a Dutch foundation, whose sole director is Intertrust (Netherlands) B.V.

Name	Position	Principal activities performed outside the Guarantor
Samuele Trombini	Chairman of the Boards of Directors and Managing Director	Samuele Trombini, Banca Monte dei Paschi di Siena S.p.A.
Andrea Fantuz	Director and Managing Director	Andrea Fantuz, Analyst of Banca Finanziaria Internazionale S.p.A.
Barbara Fontani	Director and Managing Director	Barbara Fontani, Banca Monte dei Paschi di Siena S.p.A.

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

Board of Statutory Auditors

Under the Quotaholder's Agrement, the quotaholder's meeting will appoint the controlling body (The Statutory Auditors or the Issuer's Sole Statutory Auditor).

If, at any time, a Board of Statutory Auditors shall be appointed, it shall be composed of three members which shall appointed as follows: one by SVM Securitisation Vehicles Management S.r.l. and two by BMPS (designated one by BMPS and one by SVM Securitisation Vehicles Management S.r.l.). The chairman of the Board of Statutory Auditors shall be one the members appointed by BMPS. The appointment of the Sole Statutory Auditor will be compliant with the Italian legislation.

A Sole Statutory Auditor has been appointed by the quotaholder's meeting.

Conflict of Interest

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

The Quotaholders' Agreement

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

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

Financial Statements

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

Mr. Alberto De Luca, enrolled under number 148374 in the register of statutory auditors (*Albo dei Revisori Legali*) pursuant to Ministerial Decree dated 6.11.2007 (published in the Official

Gazette of the Republic of Italy number 92 of 20 November 2007) and enrolled in the National Counsel of Certified Public Accountants (*Consiglio Nazionale dei Dottori Commercialisti e Esperti Contabili*), whose offices are at Via Vittorio Alfieri 1, 31015 Conegliano (Treviso) Italy, has been appointed to perform the audit of the financial statements of the Guarantor for the period between the end of its first financial year (31 December 2009) and the end of its second financial year (31 December 2010).

KPMG S.p.A. has been appointed on 27 April 2011. KPMG S.p.A. has performed the audit of the financial statements of the Guarantor for the period between the year ended on 31 December 2011 and the year ended on 31 December 2012.

EY S.p.A. (now Ernst & Young S.p.A.), with registered office at Via Lombardia 31, 00187, Rome, Italy and authorized and regulated by the MEF and registered on the special register (of auditing firms held by MEF, has been appointed (i) on 17 June 2013 to perform the audit of the financial statements of the Guarantor for the period between the year ended on 31 December 2013 and the year ended on 31 December 2015, (ii) on 13 April 2016 to perform the audit of the financial statements of the Guarantor for the period between the year ended on 31 December 2016 and the year ended on 31 December 2018, and (iii) on 9 April 2019 to perform the audit of the financial statements of the Guarantor for the period between the year ended on 31 December 2019 and the year ending on 31 December 2021.

PricewaterHouseCoopers S.p.A., with registered office in Milan, Piazza Tre Torri, 2, tax code and Milan Companies' Register entry number 12979880155, a company entered in the Register of Auditors under no. 119644 and authorized and regulated by the MEF and registered in the special register of auditing companies kept by the MEF, was appointed on December 6, 2019, effective as of the Shareholders' Meeting to approve the financial statements as of December 31, 2020, to audit the financial statements of the Guarantor for the period from the fiscal year ending December 31, 2020 to the fiscal year ending December 31, 2022.

The Guarantor has not, from the end of its first financial year (31 December 2009), carried out any business activities nor has incurred in any financial indebtedness (other than those incurred in the context of the Programme). Nevertheless, in accordance with Italian law (requiring all companies to approve a balance sheet within a specified period from the end of each financial year), the Guarantor has prepared its financial statements for the period between the end of its first financial year (31 December 2009) and the end of its twelfth financial year (31 December 2020).

The financial statement of the Guarantor for the year ended on 31 December 2020 (the end of its twelfth financial year), as approved by the meeting of the quotaholders of the Guarantor on 1 April 2021, is incorporated by reference to this Base Prospectus (see section headed "*Documents incorporated by reference*" above).

Montepaschi Group

On 7 May 2010, the Bank of Italy has authorised the purchase by the Issuer of 90 per cent. of the quota capital of the Guarantor. The Guarantor is consolidated in the Montepaschi Group as it is reported in the financial statements as at 31 December 2015. For further information on the Montepaschi Group, please refer to paragraph "*Banca Monte dei Paschi di Siena S.p.A.*" above.

DESCRIPTION OF THE PROGRAMME DOCUMENTS

GUARANTEE

On 18 June 2010, the Guarantor and the Representative of the Bondholders entered into the Guarantee, as amended and restated from time to time, pursuant to which the Guarantor issued, for the benefit of the Bondholders, a first demand, unconditional, irrevocable and independent guarantee to support payments of interest and principal under the Covered Bonds issued by the Issuer under the Programme and of the amounts due to the Other Guarantor Creditors. Under the Guarantee the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Guarantee constitute direct and (following the occurrence of an Issuer Event of Default and the service of a Guarantee Enforcement Notice on the Issuer and the Guarantor or, if earlier, the service on the Issuer and the Guarantor of a Guarantor Default Notice) unconditional, unsubordinated and limited recourse obligations of the Guarantor, backed by the Cover Pool as provided under Law 130, Decree No. 310 and the Bank of Italy Regulations. Pursuant to the terms of the Guarantee, the recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

Under the Guarantee the parties thereof have agreed that as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer, the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall exercise, on an exclusive basis and in compliance with the provisions of article 4 of the Decree No. 310, the rights of the Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds.

4. The Guarantor, pursuant to the Guarantee, shall pay or procure to be paid to the Bondholders:

(1) without prejudice to the effects of a suspension of payments by the Issuer pursuant to article 74 of the Consolidated Banking Act and under article 4, sub-paragraph 4, of Decree No. 310, following the service of a Guarantee Enforcement Notice on the Issuer and on the Guarantor (but prior to a Guarantor Event of Default), on each Guarantor Payment Date that falls on an Interest Payment Date, an amount equal to those Guaranteed Amounts which shall become Due for Payment, but which have not been paid by the Issuer to the relevant Bondholders on the relevant Interest Payment Date; or

(2) following the service of a Guarantor Default Notice on the Guarantor in respect of the Covered Bonds of each Series or Tranche (which shall have become immediately due and repayable), the Guaranteed Amounts.

All payments of Guaranteed Amounts by or on behalf of the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor shall pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Guarantor shall not be obliged to pay any amount to any Bondholder in respect of the amount of such withholding or deduction.

To the extent that the Guarantor makes, or there is made on its behalf, a payment of any amount under the Guarantee, the Guarantor will be fully and automatically subrogated to the Bondholders' rights against the Issuer for the payment of an amount corresponding to the payments made by the Guarantor with respect to the relevant Series or Tranche of Covered Bonds under this Guarantee, to the fullest extent permitted by applicable law.

Governing law

The Guarantee and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

SUBORDINATED LOAN AGREEMENTS

Each of BMPS and BAV, respectively on 25 May 2010 and on 27 May 2011 entered into with the Guarantor the respective Subordinated Loan Agreements, as amended and restated from time to time, pursuant to article 7-*bis* of Law 130 under which each of BMPS and BAV, acting respectively as Principal Subordinated Lender and Additional Subordinated Lender, granted to the Guarantor a term loan facility in an aggregate amount equal to the relevant Total Commitment, increased by any amount required to meet the Tests, for the purposes of (a) funding the purchase price of the Eligible Assets and/or (b) funding the purchase of Top-Up Assets or other Eligible Assets pursuant to the terms of the Master Asset Purchase Agreement and the Cover Pool Management Agreement.

Following the merger by way of incorporation of Banca Antonveneta S.p.A. ("**BAV**") in BMPS with effect as of 28 April 2013 (the "**Merger**") BMPS assumed all rights and obligations of BAV in the capacity as Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

Under the terms of the Subordinated Loan Agreements, the Principal Seller and the Additional Seller, in their capacity, respectively, as Principal Subordinated Lender and Additional Subordinated Lender, will from time to time grant to the Guarantor Term Loans in the form of (i) a Programme Term Loan, or (ii) a Floating Interest Term Loan, or (iii) a Fixed Interest Term Loan.

Each Programme Term Loan will be granted for the purpose of, *inter alia*, (i) funding the purchase price of the Eligible Assets included in the Initial Portfolio and in any New Portfolios to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement, and/or (ii) remedying any breach of the Tests and complying with the 15% Limit with respect to the Top-Up Assets, and/or (iii) funding the purchase price of the Eligible Assets and Top-Up Assets to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement for overcollateralisation purposes and/or funding the redemption of a Floating Interest Term Loan or Fixed Interest Term Loan at the Maturity Date (or Extended Maturity Date, if applicable) of the Corresponding Series or Tranche of Covered Bonds.

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

The rate of interest applicable (x) in respect of each Programme Term Loan for each relevant Loan Interest Period shall be equal to EURIBOR plus a Margin (the "**Base Interest**") and shall be payable to each relevant Subordinated Lender, together with a Premium (if any), on each Guarantor Payment Date in accordance with the applicable Priority of Payments; and (y) in respect of each Floating Interest Term Loan or Fixed Interest Term Loan for each relevant Loan Interest Period shall be equal to the interest computed under the Corresponding Series or Tranche of Covered Bonds (the "**Corresponding Interest**") and shall be payable to each relevant Subordinated Lender on each Guarantor Payment Date following the Guarantor Calculation Date which falls after an Interest Payment Date of the Corresponding Series or Tranche of Covered Bonds in accordance with the applicable Priority of Payments. No Premium shall be payable on the Floating Interest Term Loan(s) or Fixed Interest Term Loan(s), **provided that** following the delivery of Breach of Tests Notice non payment of interest under any Term Loan shall be made by the Guarantor to the Subordinated Lender.

Each Term Loan shall be repaid on each Guarantor Payment Date prior to a Guarantee Enforcement Notice according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, **provided that** such repayment does not result in a breach of any of the Tests and **provided that** no Breach of Tests Notice has been delivered.

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

Each Floating Interest Term Loan or Fixed Interest Term Loan, unless repaid in full prior to such date, shall be repaid, in full or in part, starting from the Guarantor Payment Date falling after the Maturity Date (or, as applicable, the Extended Maturity Date) of the Corresponding Series of Covered Bonds and thereafter on any Guarantor Payment Date, and shall be payable within the limits of the then Guarantor Available Funds and in accordance with the relevant Priority of Payments.

Under the Subordinated Loan Agreements, the parties thereof have agreed that in the event that the Principal Subordinated Lender and the Additional Subordinated Lender's rating fall below "BBB(low)" by DBRS, "BBB-" by Fitch and "Baa3" by Moody's, unless previously repaid in full in accordance with the terms of the Subordinated Loan Agreements, (i) each Programme Term Loan shall be due for repayment on the date falling six months after the Maturity Date or, as applicable, the Extended Maturity Date, of the last maturing Series or Tranche of Covered Bonds issued under the Programme (unless the early redemption of the Programme Term Loan is necessary for the purpose of complying with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations (and to the extent that no purchase of Eligible Assets is possible to this effect the provisions of the Master Assets Purchase Agreement), in accordance with the relevant Priority of Payments; and (ii) each Floating Interest Term Loan or Fixed Interest Term Loan shall be due for repayment, in full or in part, starting from the Guarantor Payment Date falling six months after the Maturity Date or, as applicable, the Extended Maturity Date, of the Series or Tranche of Covered Bonds issued in connection with the relevant Floating Interest Term Loan or Fixed Interest Term Loan and thereafter on each Guarantor Payment Date (unless the early redemption of the Floating Interest Term Loan or Fixed Interest Term Loan is necessary for the purpose of complying with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations (and to the extent that no purchase of Eligible Assets is possible to this effect the provisions of the Master Assets Purchase Agreement a), in accordance with the relevant Priority of Payments.

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

Governing law

The Subordinated Loan Agreements and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

MASTER ASSETS PURCHASE AGREEMENT

On 25 May 2010, BMPS and the Guarantor entered into the Master Assets Purchase Agreement, as amended and restated from time to time in accordance with the combined provisions of articles 4 and 7-*bis* of Law 130, pursuant to which BMPS, in its capacity as Principal Seller, assigned and transferred, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), the Assets comprised in the Initial Portfolio.

On 27 May 2011, BAV acceded, in its capacity as Additional Seller, to the Master Assets Purchase Agreement pursuant to which assigned and transferred, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), a New Portfolio of Assets. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Seller under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

Under the Master Assets Purchase Agreement, upon satisfaction of certain conditions set out therein, each of BMPS and BAV (i) undertook to assign and transfer in the future, without recourse (*pro soluto*), to the Guarantor and the Guarantor undertook to purchase in the future, without recourse (*pro soluto*) from BMPS and BAV, New Portfolios if such transfer is required under the terms of the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Tests and with the 15% Limit with respect to the Top-Up Assets; and (ii) may transfer New Portfolios to the Guarantor, and the Guarantor shall purchase from BMPS and BAV such New Portfolios, in order to supplement the Cover Pool in connection with the issuance by BMPS and BAV of further Series or Tranches of Covered Bonds under the Programme in accordance with the Programme Agreement.

Pursuant to the Master Assets Purchase Agreement, the Guarantor further undertook to purchase any New Portfolios transferred from time to time by any other eligible bank part of the Montepaschi Group which will accede to the Programme as Additional Seller.

5. Prior to the occurrence of a Guarantor Event of Default, Portfolios may only be offered or purchased if the following conditions are satisfied:

(1) the First Series of Covered Bonds (or, as the case may be, the Series of Covered Bonds immediately preceding the assignment of such Portfolios) has been issued and fully subscribed;

(2) a Guarantor Default Notice has not been served on the Guarantor;

(3) with respect to any assignment (i) of Top-Up Assets by the relevant Seller(s) in order to supplement the Cover Pool against the issuance of further Series or Tranche of Covered Bonds, or (ii) made in order to comply with the 15% Limit with respect to the Top-Up Assets, (A) the Guarantor has received from the relevant Seller(s) the amounts

due under the relevant Subordinated Loan Agreement for the payment of the purchase price relating to the assigned Portfolios and (B) no Insolvency Event in respect of the relevant Seller(s) occurred;

(4) with respect to any assignment made to invest Principal Available Funds, which are in excess of the Tests, in Eligible Assets or Top-Up Assets, a Guarantor Breach of Tests Notice or a Guarantee Enforcement Notice has not been served on the Guarantor and/or the Issuer, as the case may be, and sufficient Principal Available Funds are available at each relevant Execution Date;

(5) such transfer will not result in a breach of any requirements of law (including, but not limited to, Law 130, Decree No. 310 and the Bank of Italy Regulations), including compliance of the Cover Pool with the 15% Limit with respect to the Top-Up Assets in accordance with Decree No. 310 and the Bank of Italy Regulations.

The Initial Portfolio Purchase Price payable pursuant to the Master Assets Purchase Agreement is equal to the aggregate Purchase Price of all the Assets included in the Initial Portfolio.

The Purchase Price for the Receivable included in the Initial Portfolio was equal to the sum of the most recent book value (*ultimo valore di iscrizione in bilancio*) of the each Receivable (a) minus the aggregate amount of (i) the accrued interest as at 1 January 2010 (excluded) included in such book value with respect to each Receivable; and (ii) any collections with respect to principal received by the Principal Seller with respect to each Receivable included in the Initial Portfolio starting from 1 January 2010 (included) until the relevant Valuation Date (included); and (b) increased of the aggregate amount of the Accrued Interest of each Receivable included in the Initial Portfolio.

The purchase Price for the Receivables included in the second Portfolio, in the third Portfolio, in the fourth Portfolio, in the BAV Portfolio, in the fifth Portfolio and in the sixth Portfolio was equal to the sum of the Individual Purchase Price of all the Assets included in the relevant Portfolio at the relevant Valuation Date.

BMPS has sold to the Guarantor, and the Guarantor has purchased from BMPS, the Assets comprised in the Initial Portfolio, in the second Portfolio, in the third Portfolio, in the fourth Portfolio, in the fifth Portfolio and in the sixth Portfolio and BAV has sold to the Guarantor, and the Guarantor has purchased from BAV the BAV Portfolio which meet the Common Criteria (described in detail in the section headed "*Description of the Cover Pool*") and the relevant Additional Criteria. Receivables comprised in any New Portfolio to be transferred under the Master Assets Purchase Agreement shall meet, in addition to the Common Criteria, the relevant Specific Criteria and/or any Additional Criteria (both as defined below).

As consideration for the transfer of any New Portfolios, pursuant to the Master Assets Purchase Agreement, the Guarantor will pay to BMPS, or any Additional Seller(s) acceding to the Master Assets Purchase Agreement and the other relevant Programme Documents, an amount equal to the aggregate of the Purchase Price of all the relevant Receivables as at the relevant Valuation Date. The Purchase Price for each Asset included in each New Portfolio will be (X) with respect to each Receivable, the most recent book value (*ultimo valore di iscrizione in bilanci*o) of the relevant Receivable: (a) minus the aggregate amount of (i) the accrued interest obtained at the date of the last financial statement with reference to such Receivable and included in such book value; and (ii) any collections with respect to principal received by the relevant Seller with respect to such Receivable, starting from the date of the most recent financial statement (*ultimo bilancio*) until the relevant Valuation Date (included); and (b) increased of the aggregate amount of the Accrued Interest with respect to such Receivable obtained at the relevant

Valuation Date; or (Y) such other value, pursuant to article 7-*bis*, sub-paragraph 7, of Law 130, as indicated by the Principal Seller (or each Additional Seller(s)) in the relevant Transfer Proposal (also with respect to any further Eligible Assets different from the Receivables or any Top-Up Assets).

6. Pursuant to the Master Assets Purchase Agreement, prior to the service of a Guarantee Enforcement Notice, BMPS and BAV will have the right to repurchase Assets, in accordance with articles 1260 and following of the civil code or in accordance with article 58 of the Consolidated Banking Act, as the case may be, transferred to the Guarantor under the Master Assets Purchase Agreement in the following circumstances:

(1) to purchase Delinquent Assets or Defaulted Assets;

(2) to purchase Excess Assets (to be selected on a random basis);

(3) to purchase Affected Assets;

(4) to purchase Assets which have become non-eligible in accordance with Decree No. 310;

(5) 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

(6) Receivables not included under the Assets under point (a) above, in respect of which there are 6 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with monthly instalments), 2 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with quarterly instalments) or 1 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with semi-annual instalments).

If on any Test Calculation Date or Quarterly Test Calculation Date, as the case may be, a Test Performance Report specifies that the Cover Pool is not in compliance with the relevant Test, then the Principal Seller, (and/or any Additional Seller(s) in respect of each relevant New Portfolio transferred to the Guarantor will either (i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, in accordance with the Master Assets Purchase Agreement and the Cover Pool Management Agreement, to be financed through the proceeds of Term Loans to be granted by the Principal Seller (and/or any Additional Seller(s)) or (ii) substitute any relevant assets in respect of which the right of repurchase can be exercised under the terms of the Master Assets Purchase Agreement with new Eligible Assets, for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report.

After the service of a Guarantee Enforcement Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor may or shall, if necessary in order to effect timely payments under the Covered Bonds, sell the Eligible Assets and the Top-Up 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 Eligible Assets and the Top-Up Assets.

The transfer of the Initial Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 63 of 29 May 2010 and filed for publication in the companies register of Treviso on 03 June 2010.

The transfer of the second Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 143 of 2 December 2010 and filed for publication in the companies register of Treviso on 1 December 2010.

The transfer of the third Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 25 of 3 March 2011 and filed for publication in the companies register of Treviso on 1 March 2011.

The transfer of the BAV Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 63 of 4 June 2011 and filed for publication in the companies register of Treviso on 7 June 2011.

The transfer of the fourth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 111 of 24 September 2011 and filed for publication in the companies register of Treviso on 23 September 2011.

The transfer of the fifth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 73 of 22 June 2013 and filed for publication in the companies register of Treviso on 25 June 2013.

The transfer of the sixth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 110 of 24 September 2015 and filed for publication in the companies register of Treviso on 22 September 2015.

The transfer of the seventh Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 113 of 5 November 2016 and filed for publication in the companies register of Treviso on 4 November 2016.

The transfer of the eighth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 154 of 31 December 2016 and filed for publication in the companies register of Treviso on 29 December 2016.

The transfer of the ninth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte seconda, number 54 of 10 May 2018 and filed for publication in the companies register of Treviso on 7 May 2018.

The transfer of the tenth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte seconda, number 28 of 7 March 2019 and filed for publication in the companies register of Treviso on 1 March 2019.

The transfer of the eleventh Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte seconda, number 124 of 22 October 2019 and filed for publication in the companies register of Treviso on 18 October 2019.

The transfer of the twelfth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte seconda, number 71 of 18 June 2020 and filed for publication in the companies register of Treviso on 16 June 2020.

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

Governing law

The Master Assets Purchase Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

WARRANTY AND INDEMNITY AGREEMENT

On 25 May 2010, BMPS, in its capacity as Principal Seller and the Guarantor entered into the Warranty and Indemnity Agreement, as amended and restated from time to time, pursuant to which BMPS has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself, the Eligible Assets and the Top-Up Assets and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the Assets.

The Warranty and Indemnity Agreement contains representations and warranties given by BMPS as to matters of law and fact affecting BMPS including, without limitation, that BMPS validly exists as a legal entity, has the corporate authority and power to enter into the Programme Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

Pursuant to the Warranty and Indemnity Agreement, the Principal Seller (and each Additional Seller) has agreed to indemnify and hold harmless the Guarantor, its officers or agents or any of its permitted assigns from and against any and all damages, losses, claims, costs and expenses awarded against, or incurred by such parties which arise out of or result from, *inter alia*, (a) a default by BMPS in the performance of any of its obligations under any Programme Document to which it is a party; (b) any representation and warranty given by BMPS under or

pursuant to the Warranty and Indemnity Agreement being false, incomplete or incorrect; (c) any alleged liability and/or claim raised by any third party against the Guarantor, as owner of the Receivables, which arises out of any negligent act or omission by BMPS in relation to the Receivables, the servicing and collection thereof or from any failure by BMPS to perform its obligations under any of the Programme Documents to which it is, or will become, a party; (d) the non-compliance of the terms and conditions of any Mortgage Loan with the provisions of article 1283 of the Civil Code; (e) the fact that the validity or effectiveness of any security, pledge, collateral or other security interest, relating to the Mortgage Loans, has been challenged by way of claw-back (*azione revocatoria*) or otherwise, including, without limitation, pursuant to article 67 of the Bankruptcy Law; (f) any amount of any Receivable not being collected or recovered by the Guarantor as a consequence of the proper and legal exercise by any Debtor and/or insolvency receiver of a Debtor of any grounded right to termination, annullability or withdrawal, or other claims and/or counterclaims, including set off, against BMPS in relation to each Mortgage Loan Agreement, Mortgage Loan, Mortgage, Collateral Security and any other connected act or document, including, without limitation, any claim and/or counterclaim deriving from non-compliance with the Usury law provisions in the granting of the Mortgage Loan.

Governing law

The Warranty and Indemnity Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

MASTER SERVICING AGREEMENT

On 25 May 2010, BMPS, in its capacity as Principal Servicer, and the Guarantor entered into the Master Servicing Agreement, as amended and restated from time to time, pursuant to which (i) the Guarantor has appointed BMPS as Principal Servicer to carry out the administration, management, collection and recovery activities relating to the Assets comprised in each portfolio to be transferred in accordance with the Master Assets Purchase Agreement and to act as "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento*" pursuant to article 2, sub-paragraph 3, of Law 130, and (ii) have agreed, in case an Additional Seller will enter into the Programme, the terms of the appointment of such Additional Seller to act as Additional Servicer in relation to the administration, management and collection activities related to the Assets forming part of each New Portfolio transferred to the Guarantor by such Additional Seller.

On 27 May 2011, BAV, in its capacity as Additional Seller, acceded to the Master Servicing Agreement in its capacity as Additional Servicer. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Servicer under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

The receipt of the Collections is the responsibility of the Principal Servicer and further to the relevant accession to the Master Servicing Agreement, of the relevant Additional Servicer(s), acting as agent (*mandatario*) of the Guarantor. Under the Master Servicing Agreement, the relevant Servicer shall (i) credit to the relevant collection account any and all Collections related to the relevant Assets within the Business Day immediately following receipt, and (ii) starting from the Issue Date of the first Series or Tranche of Covered Bonds, within one Business Day from the day on which the relevant Collections have been credited to the collection account, will credit the relevant amounts to the Main Programme Account.

The Servicer will also be responsible for carrying out, on behalf of the Guarantor, in accordance with the Master Servicing Agreement and the Credit and Collection Policy, any activities related to the management, enforcement and recovery of the Defaulted Receivables and Delinquent Receivables. The Servicer may sub-delegate to one or more entities, further activities in addition to those indicated in sup-paragraph (i) above, subject to the limitations set out in the supervisory regulations and with the prior written notice to the Guarantor, the Representative of the Bondholders and the Rating Agencies, **provided that** such sub-delegation does not prejudice the compliance by the Servicer with its obligations under the Master Servicing Agreement. The Servicer shall remain fully liable *vis-à-vis* the Guarantor for the performance of any activity so delegated.

The Servicer has been authorised, prior to a breach of the Tests and serving of a Breach of Tests Notice and/or Guarantee Enforcement Notice to the Issuer and Guarantor, to reach with the Debtors any settlement agreements or payment extensions or moratorium or similar arrangements (including any renegotiation in relation to the interest rates and margins), in accordance with the provisions of the Credit and Collection Policy.

Following (i) a breach of the Tests and until such breach is continuing, or (ii) the delivery to the Guarantor and Issuer of a Guarantee Enforcement Notice and/or Breach of Tests Notice, the Servicer will not be authorised to reach with any Debtors, to grant any release with respect to the Receivables or enter into any amendment to the Mortgage Loan Agreements, save where required by any applicable laws or expressly authorised by the guarantor and prior notice of the relevant amendment to the Rating Agencies.

The Principal Servicer, in relation to its servicing activities pursuant to the Master Servicing Agreement, has confirmed its willingness to be the autonomous holder (*titolare autonomo del trattamento dei dati personali*) together with the Guarantor, for the processing of personal data in relation to the Receivables, pursuant to the Privacy Law and to be responsible, in such capacity, for processing such data.

The Servicer has represented to the Guarantor that it has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Master Servicing Agreement.

The Principal Servicer has undertaken to prepare and deliver to, *inter alios*, the Guarantor, the Asset Monitor, the Swap Counterparties, the Representative of the Bondholders, the Principal Paying Agent, the Guarantor Corporate Servicer, the Back-Up Servicer Facilitator and the Rating Agencies the Monthly Servicer's Report Date and the Quarterly Servicer's Report Date.

Upon accession to the Master Servicing Agreement (i) each Additional Servicer(s) will prepare and deliver to the Principal Servicer its Servicer's Report substantially in the form of the Monthly Servicer's Report Date or the Quarterly Servicer's Report Date, **provided that** such reports will be prepared and delivered with respect to each relevant New Portfolio which will be assigned and transferred by each Additional Servicer, in its capacity as Additional Seller, in the context of the Programme pursuant to the relevant Master Assets Purchase Agreement, and (ii) upon receipt from each Additional Servicer of the respective Servicer's Report, the Principal Servicer will prepare and deliver to, *inter alios*, the Guarantor, the Asset Monitor, the Swap Counterparties, the Representative of the Bondholders, the Principal Paying Agent, the Guarantor Corporate Servicer, the Back-Up Servicer Facilitator and the Rating Agencies, the Servicer's Report which includes also the information contained in the Servicer's Reports prepared by the Additional Servicer.

On 3 April 2012, the Guarantor has appointed Banca Finanziaria Internazionale S.p.A. as Back-up Servicer Facilitator, and Banca Finanziaria Internazionale S.p.A. has accepted such appointment and has acceded to the Servicing Agreement. Upon the rating of the Servicer's long term unguaranteed, unsubordinated and unsecured obligation would have fallen below Baa3 by Moody's and/or "BBB-" from Fitch, (i) the Back-up Servicer Facilitator would have used its best effort to identify an entity suitable to act as back-up servicer in accordance with the Servicing Agreement (the "**Back-up Servicer**") and (ii) the Guarantor, subject to prior consultation with the Principal Servicer and the Representative of the Bondholders, would have appointed such Back-up Servicer within 45 days from the abovementioned downgrading.

On 18 October 2012, the long term rating of the Principal Servicer's unsecured, unsubordinated and unguaranteed debt obligations has fallen below "Baa3" by Moody's.

Further to the extensions of the timing provided for under the Master Servicing Agreement, on 8 April 2013, the Guarantor appointed a Back-up Servicer which has been identified in Banca Finanziaria Internazionale S.p.A..

The Back-up Servicer would automatically succeed to the Servicer upon termination or resignation of the Servicer pursuant to the Servicing Agreement.

7. The Guarantor may terminate the Servicer's appointment and appoint a successor servicer (the "**Substitute Servicer**") if certain events occur (each a "**Servicer Termination Event**"). The Servicer Termination Events include, *inter alia*, the following events:

(1) 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;

(2) failure on the part of the relevant Servicer(s) to observe or perform any other term, condition, covenant or agreement provided for under the Master Servicing Agreement and the other Programme Documents to which it is a party, and the continuation of such failure for a period of 10 Business Days following receipt by the relevant Servicer(s) of written notice from the Guarantor, **provided that** a failure ascribable to any entities delegated by the Servicer in accordance with the Master Servicing Agreement shall not constitute a Servicer Termination Event unless in case of failure on the part of the Servicer itself;

(3) an Insolvency Event occurs with respect to the Servicer;

(4) 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;

(5) the Servicer is or will be unable to meet the current or future legal requirements and the Bank of Italy's regulations for entities acting as servicers in the context of a covered bonds transaction.

Notice of any termination of the Servicer's appointment shall be given in writing, in accordance with the provisions of the Master Servicing Agreement, by the Guarantor to the Servicer with the prior agreement of the Representative of the Bondholders and shall be effective from the

date of such termination or, if later, when the appointment of a Substitute Servicer becomes effective.

8. The Guarantor may, upon the occurrence of a Servicer Termination Event, appoint as Substitute Servicer any person who, *inter alia*:

(1) meets the requirements of Law 130 and the Bank of Italy to act as Servicer;

(2) has at least three years of experience (whether directly or through subsidiaries) in the administration of mortgage loans in Italy;

(3) has available and is able to use software for the administration of mortgages compatible with that of the Servicer;

(4) has direct access and is able to use professionally, in the carrying out of the administration of the loans, software and hardware utilities which are compatible with those used until the revocation by the relevant Servicer(s) and, in any case, who has access to proper technologies and human resources for the carrying out of the relevant collection and recovery activities relating to the Receivables and the proceeds deriving from the Asset Backed Securities, and perform all other obligations in compliance with the standards provided by the Master Servicing Agreement and the Bank of Italy supervisory regulations (*Istruzioni di Vigilanza della Banca d'Italia*); and

(5) has sufficient assets to ensure the continuous and effective performance of its duties.

Pursuant to the Master Servicing Agreement the Servicer shall not be entitled to resign from its appointment as Servicer prior to the Expiry Date.

Governing law

The Master Servicing Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

CASH ALLOCATION, MANAGEMENT AND PAYMENTS AGREEMENT

On 18 June 2010, the Issuer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent, Principal Seller, Principal Servicer, Principal Subordinated Lender, Guarantor, English Account Bank, Cash Manager, Principal Paying Agent, Italian Back-Up Account Bank, English Back-Up Account Bank, Payments Account Bank, Guarantor Calculation Agent, Guarantor Corporate Servicer, Post-Issuer Default Test Calculation Agent, and Representative of the Bondholders entered into the Cash Allocation, Management and Payments Agreement, as amended and restated from time to time.

On 27 May 2011, BAV, in its capacity as Additional Seller, Additional Servicer and Additional Subordinated Lender, acceded the Cash Allocation, Management and Payments Agreement.

9. Under the terms of the Cash Allocation, Management and Payments Agreement, *inter alia*:

(A) the Guarantor has appointed (i) BMPS as Italian Account Bank and, until the delivery of a Guarantee Enforcement Notice in accordance with the Programme Documents, Pre-Issuer Default Test Calculation Agent; (ii) Banca Monte dei Paschi di Siena S.p.A., as Cash Manager; (iii)

The Bank of New York Mellon (Luxembourg) S.A., Italian Branch as Payments Account Bank and Italian Back-Up Account Bank and, from the date on which a Guarantee Enforcement Notice has been delivered in accordance with the Programme Documents, Principal Paying Agent; (iv) The Bank of New York Mellon, London Branch, English Back-Up Account Bank and (v) Banca Finanziaria Internazionale S.p.A. as Guarantor Calculation Agent and, from the date on which a Guarantee Enforcement Notice has been delivered in accordance with the Programme Documents, Post-Issuer Default Test Calculation Agent;

(B) the Issuer has appointed The Bank of New York Mellon (Luxembourg) S.A., Italian Branch as Principal Paying Agent until the delivery of a Guarantee Enforcement Notice;

(C) the Italian Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the Italian Collection Account, the Italian Securities Collection Account, the Expenses Account and Eligible Investments Securities Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the Italian Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the Cash Allocation, Management and Payments Agreement;

(D) the Cash Manager has agreed, *inter alia*, to invest money standing to the credit of any of the Reserve Account and/or the Main Programme Account to purchase Eligible Investments;

(E) 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;

(F) the Principal Paying Agent has agreed to provide the Issuer and the Guarantor with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payments Agreement and to this purpose, *inter alia*, determine on each Interest Determination Date or as otherwise specified in the Final Terms after the delivery of a Guarantee Enforcement Notice or a Guarantor Default Notice, the relevant Rate of Interest, the Interest Amount and any other amount payable in respect of each Covered Bond of each Series and Tranche and notify the

Issuer, the Guarantor, the Guarantor Calculation Agent, the Principal Servicer and the Representative of the Bondholders of such determination;

(G) the Payments Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, subject to the delivery of a Guarantee Enforcement Notice, the Payments Account, until the earlier of the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms. Under the terms of the Cash Allocation, Management and Payments Agreement, the Payments Account Bank and the Guarantor have undertaken that the Payments Accounts shall be operational by no later than 5 Business Day after the date on which a Guarantee Enforcement Notice is delivered;

(H) the Principal Paying Agent has agreed, *inter alia*, that (A) prior to the delivery of a Guarantee Enforcement Notice, it will make payments of principal and interest in respect of the Covered Bonds on behalf of the Issuer in accordance with the relevant Final Terms and the provisions of the Cash, Allocation, Management and Payments Agreement which regulate the payments through Monte Titoli; and (B) following the delivery of a Guarantee Enforcement Notice and/or a Guarantor Default Notice, on each Business Day preceding each Guarantor Payment Date which corresponds to an Interest Payment Date and/or a Maturity Date and/or an Extended Maturity Date or on any date on which a payment on the Covered Bonds has to be made in accordance with the relevant Final Terms and the provisions of the Guarantee, it will make payments from the Payments Account of any Interest Amount and/or Redemption Amount in respect of any Series or Tranche of Covered Bonds outstanding on behalf of the Guarantor in accordance with the Guarantee and the provisions of the Cash, Allocation, Management and Payments Agreement which regulate the payments through Monte Titoli (**provided that** it shall not be obliged (but only entitled) to make any such payments if it has not received the full amount of any payment due to it.

(I) the Guarantor Calculation Agent has agreed to provide the Guarantor with calculation services with respect to the Accounts and the Guarantor Available Funds and prepare and deliver to the Principal Servicer for such purpose the Payments Report, which shall, *inter alia* (i) take into account any calculations made under the Swap Agreements in relation to payments due or to become due

by the next following Calculation Date; and (ii) reflect the occurrence of any (a) Segregation Event if a Breach of Tests Notice has been delivered and/or (b) any Issuer Event of Default if a Guarantee Enforcement Notice has been delivered.

Pursuant to clause 3.8 of the Cash Allocation, Management and Payments Agreement, upon any entity belonging to the Montepaschi Group acceding to the Programme as Additional Seller in accordance with the Programme Documents, the Guarantor shall open a specific collection account with an Eligible Institution in Italy and, subject to the terms of this Agreement, shall at all times maintain, until the date on which all Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their terms and conditions, such specific collection account for the purpose of crediting thereto any Collections and Recoveries in respect of the Assets transferred by the relevant Additional Seller and, if appropriate, a specific securities account for the purpose of depositing any Asset Backed Securities and any Top-Up Assets represented by bonds, debentures, notes or other financial instruments in book entry form, transferred by the relevant Additional Seller. In accordance with such provision BAV has opened with the Italian Account Bank such a specific collection account (the "**BAV Collection Account**").

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke its appointment of any Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Agent (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. Prior to the delivery of a Guarantee Enforcement Notice, the Issuer may revoke its appointment of the Principal Paying Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Principal Paying Agent (with a copy to the Representative of the Bondholders). Any Agent may resign from its appointment under the Cash Allocation, Management and Payment Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Bondholders subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payment Agreement, **provided that** notice of such resignation has been given to the Rating Agencies by the Guarantor or the Representative of the Bondholders (or the resigning Agent) and a valid substitute has been appointed.

Governing law

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

THE ENGLISH ACCOUNT BANK AGREEMENT

On 18 June 2010, Issuer, Principal Servicer, English Account Bank, Guarantor Calculation Agent, Guarantor Corporate Servicer, Cash Manager and Representative of the Bondholders entered into the English Account Bank Agreement, as amended and restated from time to time.

10. Under the terms of the English Account Bank Agreement, *inter alia*:

(A) the Guarantor has appointed Banca Monte dei Paschi di Siena S.p.A., as English Account Bank and Cash Manager;

(B) the Cash Manager has agreed to give to the English Account Bank, on behalf of the Guarantor, all directions necessary to enable the English Account Bank to operate the English Accounts in accordance with the terms of the English Account Bank Agreement;

(C) the English Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the Main Programme Account and the Reserve Account to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the English Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the English Account Bank Agreement including that the English Account Bank will, *inter alia*: (a) prior to the delivery of a Guarantee Enforcement Notice, on each Guarantor Payment Date, pay from the Main Programme Account the amounts specified in the Payments Report to the parties indicated therein, (b) following the delivery of a Guarantee Enforcement Notice or of a Guarantor Default Notice, pay from the Main Programme Account to the Payments Account, the funds, specified in the Payments Report or Post Guarantor Default Notice Report, as the case may be, to be used by the Principal Paying Agent in order to make payments of amounts due under the Covered Bonds and pay from the Main Programme Account the amounts specified in the Payments Report or Post Guarantor Default Notice Report, as the case may be, to the parties indicated therein.

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke its appointment of the English Account Bank or the Cash Manager by giving not less than three months' written notice to the English Account Bank or the Cash Manager (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. The English Account Bank or the Cash Manager may resign from its appointment under the English Account Bank Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor, the Rating Agencies and the Representative of the Bondholders subject to and conditional upon certain conditions set out in the English Account Bank Agreement, **provided that** a valid substitute has been appointed.

Governing law

The English Account Bank Agreement any non-contractual obligations arising out of or in connection with it are governed by English law.

THE SWAP AGREEMENTS

Covered Bond Swap Agreements

The Guarantor may, but is not obliged to, enter into one or more Covered Bond Swap Agreements on each Issue Date with one or more Covered Bond Swap Providers to hedge certain interest rate, currency and other risks in respect of amounts received by the Guarantor under the Cover Pool and the Asset Swap Agreements and amounts payable by the Guarantor under, prior to the service of a Guarantee Enforcement Notice, the Subordinated Loan and, following a Guarantee Enforcement Notice, the Covered Bonds. The aggregate notional amount of the Covered Bond Swap Agreement(s) for each Series or Tranche of Covered Bonds shall be the nominal amount on issue of such Series or Tranche of Covered Bonds.

Each Covered Bond Swap Agreement currently in place or which may be entered into in the future has, or will have, the following characteristics.

Under the Covered Bond Swap Agreements, the Guarantor will pay to the Covered Bond Swap Providers on each Guarantor Payment Date the notional amount (being the principal amount outstanding of the relevant Series or Tranche of Covered Bonds) multiplied by three month EURIBOR plus a margin. In return the Covered Bond Swap Provider(s) will pay to the Guarantor on each Interest Payment Date the same notional amount multiplied by a rate linked to the interest rate payable on such Series or Tranche of Covered Bonds.

Each Covered Bond Swap Agreement is scheduled to terminate on the Maturity Date of the Covered Bonds of the relevant Series or Tranche and may or may not take account of any extension of the Maturity Date under the terms of such Covered Bonds as specified in the relevant Covered Bond Swap Agreement. The occurrence of certain other termination events contained in a Covered Bond Swap Agreement may cause it to terminate prior to its scheduled termination date, as described in more detail below.

In addition, for issues in a currency other than Euro, the Guarantor may enter into one or more cross currency swaps to mitigate currency risks in respect of amounts received by the Guarantor under the Cover Pool and the Asset Swap Agreements and amounts payable by the Guarantor following a Guarantee Enforcement Notice, under the Covered Bonds.

Asset Swap Agreements

Some of the Mortgage Loans in the Cover Pool purchased by the Guarantor from time to time will pay a variable rate of interest and other Mortgage Loans will pay a fixed rate of interest. The Guarantor may, but is not obliged to, enter into one or more Asset Swap Agreements with one or more Asset Swap Providers to hedge the risks linked to interest it receives on the Cover Pool to ensure that it has sufficient funds to meet its quarterly payment obligations.

As of the date of this Base Prospectus, the Guarantor has not entered into an Asset Swap Agreement.

If entered into, it is anticipated that the Asset Swap Agreement will have the following characteristics.

The aggregate notional amount of the Asset Swap Agreement shall be the value of the Cover Pool outstanding from time to time excluding any Defaulted Loans (the "**Asset Swap Notional**").

The Guarantor shall pay to the Asset Swap Provider all the interest collections it receives (both fixed and floating) from the Cover Pool and receive from the Asset Swap Provider the Asset Swap Notional multiplied by three month EURIBOR plus a margin of 125 basis points (linked

to the weighted average margin of the initial Cover Pool) which may be revised from time to time by the Parties.

The Asset Swap Agreement is scheduled to terminate on the earlier of (i) the date on which the outstanding balance of the Cover Pool is zero (ii) the final maturity date of the longest Mortgage Loan included in the Cover Pool (iii) 31 December 2055 and (iv) the date on which all Covered Bonds are redeemed in full and no further Series or Tranches are to be issue. The occurrence of certain other termination events contained in the Asset Swap Agreement may cause it to terminate prior to its scheduled termination date, as described in more detail below.

If any Additional Seller joins the Programme, then it may (subject to it being suitably rated or supported by a suitably rated entity) enter into an Asset Swap Agreement with the Guarantor in respect of the Assets in the Cover Pool transferred by it. If, however, any such Additional Seller or its credit support provider is not so rated, another entity with the required rating may enter into an Asset Swap Agreement with the Guarantor in respect of the Assets in the Cover Pool transferred by such Additional Seller.

Rating Downgrade Event

11. Under the terms of each Swap Agreement, in the event that the rating(s) of a Swap Provider or its credit support provider are downgraded by a Rating Agency below the rating(s) specified in the relevant Swap Agreement (in accordance with the criteria of the Rating Agencies), then such Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures which may include:

(1) providing collateral for its obligations under the Swap Agreement, or

(2) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency in order to maintain the rating of the Covered Bonds, or

(3) procuring another entity, with the ratings meeting the relevant Rating Agency's criteria in order to maintain the rating of the Covered Bonds, to become co obligor or guarantor in respect of such Swap Provider's obligations under the Swap Agreement, or

(4) taking such other action as agreed with the relevant Rating Agency **provided that** it will not adversely affect the ratings of the then outstanding Series or Tranches of Covered Bonds.

A failure by the relevant Swap Provider to take such steps within the time periods specified in the Swap Agreement will allow the Guarantor to terminate the relevant Swap Agreement(s).

Any Swap Provider that does not, on the day of entry into a Swap Agreement, have the adequate rating shall have its obligations to the Guarantor under such Swap Agreement guaranteed by an appropriately rated entity.

Additional Termination Events

12. A Swap Agreement may also be terminated early in certain other circumstances, including:

(1) at the option of either party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement, **provided that** this

additional termination event will not apply if the failure to pay any amounts due under such Swap Agreement is due to the non-availability of Guarantor Available Funds;

(2) upon the occurrence of an insolvency of either party to the Swap Agreement, or its credit support provider (if any), or the merger of one of the parties without an assumption of the obligations under the relevant Swap Agreement;

(3) there is a change of law or change in application of any relevant law which results in the Guarantor or the Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under the Swap Agreement and the Swap Provider thereby being required under the terms of the Swap Agreement to gross up payments made to the Guarantor, or to receive net payments from the Guarantor (which is not required under the terms of the Swap Agreement to gross up payments made to the Swap Provider); and

(4) there is a change in law which results in the illegality of the obligations to be performed by either party under the Swap Agreements.

13. The following are also expected to constitute additional termination events, in whole or in part, as the case may be, with respect to the Guarantor in all the Swap Agreements:

(A) amendment to the Transaction Documents without the prior written consent of the relevant Swap Provider when such Swap Provider is of the reasonable opinion that it is materially adversely affected as a result of such amendment;

(B) in respect of any Covered Bond Swap Agreement, redemption and prepayment (in whole or in part) of any relevant Series or Tranche of Covered Bonds;

(C) in respect of any Covered Bond Swap Agreement, purchase and cancellation (in whole or in part) of any relevant Series or Tranche of Covered Bonds; and

(D) in respect of any Asset Swap Agreements, sale of any of the Mortgage Loans.

Upon the termination of a Swap Agreement, the Guarantor or the Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this termination payment will be calculated and may be made in Euro or, if applicable, the currency of the related Series or Tranche of Covered Bonds if issued in a currency other than Euro.

Credit Support Agreement

If it enters into a Swap Agreement, the Guarantor will also enter into with each Swap Provider a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer English Law) to the ISDA Master Agreement (each, a "**Credit Support Agreement**"). Each Credit Support Agreement will provide that, from time to time, if required to do so following its downgrade or the downgrade of its credit support provider and subject to the conditions specified in the Credit Support Agreement, the relevant Swap Provider will make transfers of collateral to the Guarantor in support of its obligations under the Swap Agreement (the "**Swap**

Collateral") and the Guarantor will be obliged to return equivalent collateral in accordance with the terms of the Credit Support Agreement. Each Credit Support Agreement will be governed by English Law.

Swap Collateral required to be posted by the relevant Swap Provider pursuant to the terms of the Credit Support Agreement may be delivered in the form of cash or securities. Cash amounts will be paid into an account designated a "**Swap Collateral Cash Account**" and securities will be transferred to an account designated a "**Swap Collateral Custody Account**". References to a Swap Collateral Cash Account or to a Swap Collateral Custody Account and to payments from such accounts are deemed to be a reference to payments from such accounts as and when opened by the Guarantor.

If a Swap Collateral Cash Account and/or a Swap Collateral Custody Account are opened, cash and securities (and all income in respect thereof) transferred as collateral will only be available to be applied in returning collateral (and income thereon) or in satisfaction of amounts owing by the relevant Swap Provider in accordance with the terms of the Credit Support Agreement.

Any Swap Collateral will be returned by the Guarantor to the relevant Swap Provider directly in accordance with the terms of the Credit Support Agreement and not under the Priorities of Payments.

Withholding Tax

Each Swap Provider will be obliged to make payments pursuant to the terms of its Swap Agreement without any withholding or deductions of taxes unless required by law. If any such withholding or deduction is required by law, the Swap Provider will, subject to certain conditions, be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Guarantor will equal the full amount the Guarantor would have received had no such withholding or deduction been required. The Guarantor is similarly obliged to make to make payments pursuant to the terms of the Swap Agreement without any withholding or deductions of taxes unless required by law. However, if any such withholding or deduction is required by law, the Guarantor will not be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Swap Provider will equal the full amount the Swap Provider would have received had no such withholding or deduction been required.

Transfer of Obligations

A Swap Provider may, at its own discretion and at its own expense, novate its rights and obligations under a Swap Agreement to any third party with the appropriate ratings, **provided that**, among other things, when the transferee is in a different jurisdiction from the transferor, such transfer will not adversely affect the ratings of any then outstanding relevant Series or Tranche of Covered Bonds and such transferee agrees to be bound by, *inter alia*, the terms of the security to which the relevant Swap Agreement is subject, on substantially the same terms as the Swap Provider.

Governing law

The Swap Agreements any non-contractual obligations arising out of or in connection with them are governed by English Law.

MANDATE AGREEMENT

On 18 June 2010, the Guarantor and the Representative of the Bondholders entered into the Mandate Agreement, as amended and supplemented on 17 June 2011, under which, subject to a Guarantor Default Notice being served or upon failure by the Guarantor to exercise its rights under the Programme Documents and fulfilment of certain conditions, the Representative of the Bondholders, acting in such capacity, shall be authorised to exercise, in the name and on behalf of the Guarantor, all the Guarantor's non-monetary rights arising out of the Programme Documents to which the Guarantor is a party.

Governing law

The Mandate Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

INTERCREDITOR AGREEMENT

On 18 June 2010, the Guarantor and the Other Guarantor Creditors entered into the Intercreditor Agreement, as amended and restated from time to time. On 27 May 2011 BAV acceded to the Intercreditor Agreement in its capacity as Additional Seller, Additional Servicer and Additional Subordinated Lender. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Servicer, Additional Servicer and Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV. Banca Finanziaria Internazionale S.p.A. acceded (i) on 3 April 2012 as Back-Up Servicer Facilitator; and (ii) on 8 April 2013 as Back-up Servicer. Under the Intercreditor Agreement provision is made as to the application of the proceeds from Collections in respect of the Cover Pool and as to the circumstances in which the Representative of the Bondholders will be entitled, in the interest of the Bondholders, to exercise certain of the Guarantor's rights in respect of the Cover Pool and the Programme Documents.

In the Intercreditor Agreement the Other Guarantor Creditors have agreed, *inter alia*: to the order of priority of payments to be made out of the Guarantor Available Funds; that the obligations owed by the Guarantor to the Bondholders and, in general, to the Other Guarantor Creditors are limited recourse obligations of the Guarantor; and that the Bondholders and the Other Guarantor Creditors have a claim against the Guarantor only to the extent of the Guarantor Available Funds.

Under the terms of the Intercreditor Agreement, the Guarantor has undertaken, following the service of a Guarantor Default Notice, to comply with all directions of the Representative of the Bondholders, acting pursuant to the Conditions, in relation to the management and administration of the Cover Pool.

Each of the Other Guarantor Creditors has agreed in the Intercreditor Agreement that in the exercise of its powers, authorities, duties and discretions the Representative of the Bondholders shall have regard to the interests of both the Bondholders and the Other Guarantor Creditors but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interests of the Bondholders. The actions of the Representative of the Bondholders will be binding on each of the Other Guarantor Creditors.

Under the Intercreditor Agreement, each of the Other Guarantor Creditors has appointed the Representative of the Bondholders, as their agent (*mandatario con rappresentanza*), so that the Representative of the Bondholders may, in their name and behalf and also in the interests of and for the benefit of the Bondholders (who make a similar appointment pursuant to the Programme Agreements and the Conditions), *inter alia*, enter into the Deed of Pledge and, if necessary pursuant to the terms of the Intercreditor Agreement, into a Deed of Charge. In such capacity, the Representative of the Bondholders, with effect from the date when the Covered Bonds have become due and payable (following a claim to the Guarantor or a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or the enforcement of the Guarantee if so instructed by the Bondholders or the exercise of any other rights of enforcement conferred to the Representative of the Bondholders), may exercise all of the Bondholders and Other Guarantor Creditors' right, title and interest in and to and in respect of the assets charged under the Deed of Pledge (and any Deed of Charge (if any)) and do any act, matter or thing which the Representative of the Bondholders considers necessary for the protection of the Bondholders and Other Guarantor Creditors' rights under any of the Programme Documents including the power to receive from the Issuer or the Guarantor any and all moneys payable by the Issuer or the Guarantor to any Bondholder or Other Guarantor Creditors. In any event, the Representative of the Bondholders shall not be bound to take any of the above steps unless it has been indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

The parties to the Intercreditor Agreement have acknowledged and agreed that any Additional Seller may assign Eligible Assets and Top-Up Assets to the Guarantor, subject to satisfaction of certain conditions which will include the execution and/or accession to certain Programme Documents or other acts, deeds, documents and the notice to the Rating Agencies and the Joint-Arrangers. Any such Additional Seller may become party to the Intercreditor Agreement from time to time by signing an accession letter and, in addition, any Additional Seller(s) shall be required to assume certain specific undertakings as the continuation of the Programme, or any provision of law, may require (including, but not limited to, assuming the same undertakings of the Issuer and the Principal Seller set out in the Cover Pool Management Agreement and/or in the Subordinated Loan Agreement and/or in the Master Servicing Agreement, as the case may be.

The parties to the Intercreditor Agreement have acknowledged and agreed the provisions of the Terms and Conditions and the Guarantee pursuant to which, if the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the relevant Final Terms and the Guarantor or the Guarantor Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series or Tranche of Covered Bonds on the Extension Determination Date, then such Series become a Pass Through Series and payment of the unpaid amount by the Guarantor under the Guarantee shall be deferred until the Extended Maturity Date **provided that** any amount representing the Final Redemption Amount of such Pass Through Series due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any relevant Guarantor Payment Date thereafter up to (and including) the relevant Extended Maturity Date. Following the delivery of a Guarantee Enforcement Notice and upon breach of the Amortisation Test, all Series of Covered Bonds will become Pass Through Series.

Governing law

The Intercreditor Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

GUARANTOR CORPORATE SERVICES AGREEMENT

Under the Corporate Services Agreement entered into on 18 June 2010 between the Guarantor Corporate Servicer and the Guarantor, the Guarantor Corporate Servicer has agreed to provide certain corporate and administrative services to the Guarantor.

Governing law

The Guarantor Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

PROGRAMME AGREEMENT

On 18 June 2010, the Issuer, the Guarantor, the Representative of the Bondholders and the Dealers (as appointed from time to time), entered into the Programme Agreement pursuant to which the parties thereof have recorded the arrangements agreed between them in relation to the issue by the Issuer and the subscription by the Dealers from time to time of Covered Bonds issued under the Programme.

On 27 May 2011 BAV acceded to the Programme Agreement in its capacity as Additional Seller.

Under the Programme Agreement, the Issuer and the Dealers have agreed that any Covered Bonds of any Series or Tranche which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series or Tranche.

Pursuant to the Programme Agreement, before the Issuer reaches its agreement with any Dealer for the issue and purchase of any Series or Tranche of Covered Bonds under the Programme, each Dealer shall have received, and found satisfactory (in its reasonable opinion), all of the documents and confirmations described in schedule 1 (*Initial Conditions Precedent*) of the Programme Agreement constituting the initial conditions precedent and the conditions precedent set out under clause 3.2 (*Conditions precedent to the issue of any Series or Tranche of Covered Bonds*) of the Programme Agreement, as applicable to the relevant Series, shall have been satisfied.

According to the terms of the Programme Agreement, the Issuer may nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular Series or Tranche of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

In addition, under the Programme Agreement, the parties thereof have agreed to certain terms regulating, *inter alia*, the performance of any stabilisation action which may be carried out in connection with the issue of any Series or Tranche of Covered Bonds.

Governing law

The Programme Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

COVER POOL MANAGEMENT AGREEMENT

On 18 June 2010, Issuer, Principal Seller, Principal Servicer, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender, Guarantor, Guarantor Calculation Agent, Post-Issuer Default Test Calculation Agent and the Representative of the Bondholders entered into the Cover Pool Management Agreement, as amended and restated from time to time, pursuant to which they have agreed certain terms regulating, *inter alia*, the performance of the Tests and the purchase and sale by the Guarantor of the Eligible Assets and Top-Up Assets included in the Cover Pool.

On 27 May 2011 BAV acceded to the Cover Pool Management Agreement in its capacity as Additional Seller, Additional Servicer and Additional Subordinated Lender. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Servicer, Additional Servicer and Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

Under the Cover Pool Management Agreement the Issuer also in its capacity as Principal Seller and each Additional Seller(s) have jointly and severally undertaken to procure that: 1) starting from the First Issue Date and until the earlier of (a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and (b) the date on which a Guarantee Enforcement Notice is delivered, (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date, any of the Mandatory Test was breached, each of the Mandatory Tests (as described in detail in section "*Credit structure - Tests*" below) is met with respect to the Cover Pool; and 2) starting from the First Issue Date and until the earlier of (a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and (b) the date on which a Guarantee Enforcement Notice is delivered, each of the Issuer, also in its capacity as Principal Seller, and each Additional Seller(s), has undertaken to procure that, on any Test Calculation Date, the Asset Coverage Test (as described in detail in section "*Credit structure - Tests*" below) is met with respect to the Cover Pool.

In addition, the Guarantor has undertaken to procure that starting from the date on which a Guarantee Enforcement Notice is delivered and until the earlier of: (a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and (b) the date on which a Guarantor Default Notice is delivered, on any Test Calculation Date, the Amortisation Test (as described in detail in section "*Credit structure - Tests*" below) is met with respect to the Cover Pool.

The Pre-Issuer Default Test Calculation Agent has agreed to prepare and deliver, on each Test Performance Report Date prior to the delivery of a Guarantee Enforcement Notice, to the Issuer, the Guarantor, the Representative of the Bondholders, the Asset Monitor, the Guarantor Calculation Agent, the Principal Seller and each Additional Seller(s), the Principal Servicer and each Additional Servicer(s) and the Rating Agencies, a report setting out the calculations

carried out by it with respect of the Mandatory Tests and the Asset Coverage Test, as appropriate, (the "**Pre-Issuer Default Test Performance Report**").

The Post-Issuer Default Test Calculation Agent has agreed to prepare and deliver, on each Test Performance Report Date following the delivery of a Guarantee Enforcement Notice, to the Guarantor, the Representative of the Bondholders, the Asset Monitor, the Guarantor Calculation Agent, the Principal Seller and any Additional Seller(s), the Principal Servicer and any Additional Servicer(s) and the Rating Agencies, a report setting out the calculations carried out by it with respect of the Amortisation Tests (the "**Post Issuer Default Test Performance Report**").

If, on each Test Performance Report Date, the Pre-Issuer Default Test Calculation Report specifies the breach of any of the Mandatory Tests and/or the Asset Coverage, the Guarantor will: (i) within the Test Grace Period, or (ii) if a Breach of Tests Notice had already been delivered, within the Test Remedy Period, purchase Top-Up Assets or other Eligible Assets either by way of purchase or substitution, from the Principal Seller or Additional Seller (if any), in each case in accordance with the Master Assets Purchase Agreement and in an amount sufficient to ensure, also taking into account the information provided by the Pre-Issuer Default Test Calculation Agent in its notification of the breach, that as of the subsequent Test Calculation Date, all Tests will be satisfied with respect to the Cover Pool, as evidenced in the relevant Test Performance Report.

The parties to the Cover Pool Management Agreement have acknowledged that the aggregate amount of Top Up Assets included in the Cover Pool following such purchases may not be in excess of 15 per cent. of the aggregate outstanding principal amount of the Cover Pool or any other limit set out in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310. Should any such limit be breached at any time, the Issuer shall remedy as soon as possible to such breach, **provided that**, in the meanwhile, any Top-Up Assets exceeding such 15% Limit will not be considered in the calculation of the Tests.

Following the delivery of a Breach of Tests Notice, but prior to the delivery of a Guarantee Enforcement Notice, if within the Test Remedy Period the relevant Mandatory Tests and Asset Coverage Test is/are met according to the information included in the relevant Pre-Issuer Default Test Performance Report (unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to deliver a subsequent Breach of Tests Notice at any time thereafter to the extent a further Segregation Event occurs), the Representative of the Bondholders will promptly deliver to the Issuer, the Guarantor, the Guarantor Calculation Agent, the Principal Seller and any Additional Seller(s), the Principal Servicer and any Additional Servicer(s), the Asset Monitor and the Rating Agencies, a notice informing such parties that the Breach of Test Notice then outstanding has been revoked (the "**Breach of Tests Cure Notice**").

After the service of a Guarantee Enforcement Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor shall, upon instructions of the Portfolio Manager (as defined below) and **provided that** the Representative of the Bondholders has been duly informed, use its best effort to sell the Eligible Assets and/or Top-Up Assets included in the Cover Pool. The Eligible Assets and Top-Up Assets (any such Eligible Assets and Top-Up Assets, the "**Selected Assets**") will be selected from the Cover Pool on a random basis by the Principal Servicer on behalf of the Guarantor and the proceeds from any sale of Selected Assets

will be credited to the Main Programme Account and applied as set out in the applicable Priority of Payments.

14. The Guarantor (or the Principal Servicer on behalf of the Guarantor) shall use its best efforts to sell the Eligible Assets and/or Top-Up Assets as follows:

(1) following the service of a Guarantee Enforcement Notice, within at least (**provided that** the Guarantor may commence before) the date falling (a) 30 days after the service of a Guarantee Enforcement Notice following a non-payment referred under Condition 11.2(a) or (b) in any other case of Guarantee Enforcement Notice delivered other than for a non-payment on a Series of Covered Bonds, six months prior to the Maturity Date of the Earliest Maturing Covered Bonds (the "**Earliest Maturing Sale Date**") and up to the earlier of (a) the date on which a breach of the Amortisation Test occurred, (b) the date on which the Pass Through Series of Covered Bonds have been redeemed in full and (c) the date on which a Guarantor Default Notice is delivered. The Guarantor shall use its best effort to sell the Selected Assets in an amount as close as possible to the amount necessary (i) to redeem in full the Pass Through Series and/or, only on the Earliest Maturing Sale Date, the Earliest Maturing Covered Bonds and (ii) to pay any interest amount due in respect of the Covered Bonds net of any amounts standing to the credit of the Programme Accounts, **provided that**, (1) prior to and following the sale of such Selected Assets, the Amortisation Test is complied with and (2) the Guarantor and the Portfolio Manager shall use their best effort to sell the Selected Assets, at the first attempt, at a price that ensures that the ratio between the aggregate Outstanding Principal Balance of the Cover Pool and the Outstanding Principal Amount of all Series of Covered Bonds remains unaltered following the sale of the relevant Selected Assets and repayment of the Pass Through Series and/or Earliest Maturing Covered Bonds (as the case may be). If the proceeds of the sale of Selected Assets raised on the first attempt are insufficient for the purposes set out above, the Guarantor shall repeat its attempt to sell the Selected Assets every sixth months thereafter until the earlier of (i) the date on which the Pass Through Series of Covered Bonds have been redeemed in full and (ii) the date on which a Guarantor Default Notice is delivered; and

(2) following the service of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice), if a breach of the Amortisation Test occurs as specified in the relevant Test Performance Report, starting from the date falling 30 calendar days after the date on which a Test Performance Report specifies a breach of the Amortisation Test and in an amount as close as possible to the amount necessary (i) to redeem in full the Pass Through Series and (ii) to pay any interest amount due in respect of the Covered Bonds net of any amounts standing to the credit of the Programme Accounts. If the proceeds of the sale of the Eligible Assets and/or Top-Up Assets raised on the first attempt are insufficient for the purposes set out above, the Guarantor shall repeat its attempt to sell Eligible Assets and/or Top-Up Assets every sixth months thereafter until the earlier of (i) the date on which the Pass Through Series of Covered Bonds have been redeemed in full and (ii) the date on which a Guarantor Default Notice is delivered;

(3) following the service of a Guarantor Default Notice the Guarantor, all the asset included in the Cover Pool, **provided that** the Guarantor will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

With respect to any sale to be carried out in accordance with the Cover Pool Management Agreement, within calendar 20 days following the delivery of a Guarantee Enforcement Notice, or as soon as practicable if necessary to effect timely payments under the Covered Bonds, the Guarantor will, through a tender process, appoint a portfolio manager (the "**Portfolio Manager**") of recognised standing on a basis intended to incentivise the Portfolio Manager to help the Guarantor to achieve the best price for the sale of the Assets (if such terms are commercially available in the market) and to advise it in relation to the sale of the Assets to purchasers (except where any of the Principal Seller and any Additional Seller (if any) (other than in case of *liquidazione coatta amministrativa* of such Principal Seller and/or Additional Seller (if any)) is buying the Assets in accordance with its right of pre-emption under the Master Assets Purchase Agreement).

Under the Cover Pool Management Agreement, the parties have acknowledge that, prior to the occurrence of a Segregation Event, or if earlier, the delivery of a Guarantee Enforcement Notice, the Principal Seller and/or the Additional Seller has the right, pursuant the Master Assets Purchase Agreement, to repurchase any Excess Assets transferred to the Guarantor **provided that** no Tests may be breached as a result of any repurchase under such clause and any such purchase may occur only in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

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

Governing law

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

DEED OF PLEDGE

On 18 June 2010, the Guarantor and the Representative of the Bondholders entered into the Deed of Pledge under which, without prejudice and in addition to any security, guarantee and other right provided by Law 130 securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor has pledged in favour of the Bondholders and the Other Guarantor Creditors all monetary claims and rights and all the amount arising (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Guarantor is or will be entitled to from time to time pursuant to certain Programme Documents, with the exclusion of the Cover Pool and the Collections. The security created pursuant to the Deed of Pledge will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Pledge any non-contractual obligations arising out of or in connection with it are governed by Italian law.

ASSET MONITOR AGREEMENT

Please see section "*The Asset Monitor*" below.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts under the Guarantee until the occurrence of an Issuer Event of Default and service by the Representative of the Bondholders on the Issuer and on the Guarantor of a Guarantee Enforcement Notice. The Issuer will not be relying on payments by the Guarantor in respect of the Term Loans or receipt of Interest Available Funds or Principal Available Funds from the Cover Pool in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Bondholders, as follows:

- the Guarantee provides credit support for the benefit of the Bondholders;
- the Mandatory Tests and, following the delivery of a Guarantee Enforcement Notice, the Amortisation Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;
- prior to the delivery of a Guarantee Enforcement Notice, the Asset Coverage Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds following the service of a Guarantee Enforcement Notice, applying for the purpose of such coverage an Asset Percentage factor determined in order to provide a degree of over-collateralisation with respect to the Cover Pool;
- the Swap Agreements are intended to hedge certain interest rate, current or other risks in respect of amounts received and amounts payable by the Guarantor;
- a Reserve Account will be established which will build up over time using excess cash flow from Interest Available Funds; and
- under the terms of the Cash Allocation, Management and Payment Agreement, the Cash Manager has agreed to invest the moneys standing to the credit of the Main Programme Account and the Reserve Account in purchasing Eligible Investments.

Certain of these factors are considered more fully in the remainder of this section.

Guarantee

The Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme in accordance with the relevant Priority of Payments. The Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment pursuant to Condition 12.2 (*Issuer Event of Default*) following the delivery of a Guarantee Enforcement Notice. In this circumstance (and until a Guarantor Event of Default occurs and a Guarantor Default Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment. Payments to be made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

See further "*Description of the Programme Documents - Guarantee*", as regards the terms of the Guarantee. See "*Cashflows - Guarantee Priority of Payments*", as regards the payment of

amounts payable by the Guarantor to Bondholders and other creditors following the occurrence of an Issuer Event of Default.

Tests

Under the terms of the Cover Pool Management Agreement, the Issuer and the Additional Seller(s) must ensure that on each Test Calculation Date and/or Quarterly Calculation Date, as the case may be, the Cover Pool is in compliance with the relevant Tests described below. If on any Test Calculation Date or Quarterly Test Calculation Date, as the case may be, the relevant Test Performance Report specifies that the Cover Pool is not in compliance with the relevant Test, then the Principal Seller, (and/or any Additional Seller(s) in respect of each relevant New Portfolio transferred to the Guarantor) will either (i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, in accordance with the Master Assets Purchase Agreement and the Cover Pool Management Agreement, to be financed through the proceeds of Term Loans to be granted by the Principal Seller (and/or any Additional Seller, if any) or (ii) substitute any relevant assets in respect of which the right of repurchase can be exercised under the terms of the Master Assets Purchase Agreement with new Eligible Assets, for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report.

If, within the Test Grace Period the relevant breach of the Tests is not remedied in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Breach of Test Notice and as a consequence (i) no further Series or Tranche of Covered Bonds may be issued by the Issuer; (ii) there shall be no further payments to the Subordinated Lender under any relevant Term Loan, other than where necessary for the purpose of complying with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations as better specified in the Cover Pool Management Agreement (and to the extent that no purchase of Eligible Assets is possible to this effect in accordance with the provisions of the Master Assets Purchase Agreement and the Cover Pool Management Agreement and/or in compliance with the limits set out in the Bank of Italy Regulations); (iii) the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid using the proceeds of a Term Loan or, with respect to Eligible Assets only, to the extent necessary to comply with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations as better specified in the Cover Pool Management Agreement, the Guarantor Available Funds; and (iv) payments due under the Covered Bonds will continue to be made by the Issuer until a Guarantee Enforcement Notice has been delivered.

MANDATORY TESTS

In order to ensure that the Cover Pool is sufficient to repay the Covered Bonds, the Issuer, the Principal Seller, any Additional Seller(s) (if any) shall ensure that the Mandatory Tests, being (i) the Nominal Value Test, (ii) the Net Present Value Test and (iii) the Interest Coverage Test, are satisfied in accordance with article 3 of Decree No. 310 and the provisions of this Agreement.

15. Starting from the First Issue Date and until the earlier of:

(1) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and

(2) the date on which a Guarantee Enforcement Notice is delivered;

the Issuer, also in its capacity as Principal Seller, and any Additional Seller(s) (if any), jointly and severally undertake to procure that (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, each of the Mandatory Tests described in this Clause 2 is met with respect to the Cover Pool.

(A) Nominal Value Test

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

For the purpose of the Nominal Value Test, the Outstanding Principal Balance of the Cover Pool shall be considered as an amount equal to the "**Nominal Value**" and shall be, on each Quarterly Test Calculation Date (or following the breach of any of the Mandatory Test, on each relevant Test Calculation Date), at least equal to the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable). The Nominal Value Test shall be met if:

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

where,

"**A**" is the Outstanding Principal Balance of each Eligible Assets (taking into account the loan to value limit imposed by law) and Top Up Assets comprised in the Cover Pool as at the relevant Quarterly Test Calculation Date (or following the breach of any of the Mandatory Test, as at the relevant Test Calculation Date);

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

"**OBG**" means the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable).

The calculation above will be performed without taking into account any Top-Up Assets exceeding the 15% Limit.

The Nominal Value Test will always be deemed as met to the extent that the Asset Coverage Test is met, as of the relevant Quarterly Test Calculation Date or the relevant Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached.

(B) *Net Present Value Test*

The Pre-Issuer Default Test Calculation Agent shall verify (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, that the net present value of the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of all the costs to be borne by the Guarantor (including the costs of any nature expected or due with respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms.

The Net Present Value Test shall be met if:

A+B+C-D≥NPVOBG

where,

"**A**" is the net present value of all Eligible Assets (taking into account the loan to value limit imposed by law) and Top Up Assets comprised in the Cover Pool;

"**B**" is the net present value of each Swap Agreement;

"**C**" is the aggregate amount of the Principal Available Funds;

"**D**" is the net present value amount of any transaction costs to be borne by the Guarantor (including the costs of any nature expected to be borne or due with respect to any Swap Agreement); and

"**NPVOBG**" is the sum of the net present value of each Covered Bonds outstanding under the Programme.

The calculation above will be performed without taking into account any Top-Up Assets exceeding the 15% Limit.

(C) *Interest Coverage Test*

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

The Interest Coverage Test shall be met if:

(A+B+C+D-E) ≥ IOBG

where,

"**A**" is (i) the interest component of all the Instalments falling due and payable from the relevant Quarterly Test Calculation Date (or following the breach of any of the Mandatory Test, on each relevant Test Calculation Date) to the date falling 12 months thereafter (taking into account the loan to value limit imposed by law) and (ii) all other amounts (other than principal amount) to be received in respect of the Eligible Assets and Top Up Assets comprised in the Cover Pool (other than those under letter (i) above) to the date falling 12 months thereafter;

"**B**" is any net interest amount expected to be received by the Guarantor under the Covered Bond Swap Agreement from the relevant Guarantor Calculation Date to the date falling 12 months thereafter;

"**C**" is any net interest amount expected to be received by the Guarantor under the Asset Swap Agreement from the relevant Guarantor Calculation Date to the date falling 12 months thereafter;

"**D**" is any interest expected to accrue in respect of the Principal Available Funds from the relevant Guarantor Calculation Date to the date falling 12 months thereafter;

"**E**" is the amount of all senior costs expected to be borne by the Guarantor during the period starting from the relevant Guarantor Calculation Date and ending on the date falling 12 months thereafter, under item from *First* to *Fourth* of the Pre-Issuer Default Interest Priority of Payments;

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

ASSET COVERAGE TEST

16. Starting from the First Issue Date and until the earlier of:

(1) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and

(2) the date on which a Guarantee Enforcement Notice is delivered (and, in case the Issuer Event of Default consists of an Article 74 Event, to the extent that an Article 74 Event Cure Notice has been served);

the Issuer, also in its capacity as Principal Seller, and any Additional Seller(s) (if any), jointly and severally undertake to procure that, on any Test Calculation Date, the Asset Coverage Test is met with respect to the Cover Pool.

For the purposes of the Asset Coverage Test, the Pre-Issuer Default Test Calculation Agent shall verify that the Adjusted Aggregate Asset Amount is, on each Test Calculation Date prior to the delivery of an Issuer Default Notice, at least equal to the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable).

The Asset Coverage Test shall be met if:

A-X+B+C-Z-Y-W≥OBG

where,

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

where

17. "**MIN**" is the sum of the "**LTV Adjusted Principal Balance**" of each Mortgage Loan in the Cover Pool, which shall be the lower of (1) the actual Outstanding Principal Balance of the relevant Mortgage Loan in the Cover Pool as calculated on the last day of the immediately preceding Calculation Period, and (2) the Latest Valuation relating to that Mortgage Loan multiplied by M, where M is:

(1) equal to 80 per cent. for all the Receivables arising from Mortgage Loans (i) having no unpaid Instalments or (ii) Instalments not paid for less than 90 calendar days or (iii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" programme and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for less than 90 calendar days or (iv) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree No. 185 of 29 November 2008, as converted into law through Law No. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period **provided that**, as of the relevant Test Calculation Date, such suspension period is lower than 90 calendar days;

(2) equal to 40 per cent. for all the Receivables arising from Mortgage Loans (i) having Instalments not paid for more than 90 calendar days but less than 180 calendar days or (ii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" programme and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for more than 90 calendar days but less than 180 calendar days or (iii) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree No. 185 of 29 November 2008, as converted into law through Law No. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period **provided that**, as of the relevant Test Calculation Date, such suspension period is greater than 90 calendar days but lower than 180 calendar days; and

(3) equal to 0 per cent. for all the Receivables arising from Mortgage Loans (i) having Instalments not paid for more than 180 calendar days) or (ii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" programme and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for more than 180 calendar days or (iii) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree No. 185 of 29 November 2008, as converted into law through Law No. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano*

Famiglie), during the suspension period **provided that**, as of the relevant Test Calculation Date, such suspension period is longer than 180 calendar days;

"**X**" is equal to the amount to be deducted from the LTV Adjusted Principal Balance of any Mortgage Loans in the Cover Pool in respect of which any of the following occurred during the immediately preceding Calculation Period: (a) the relevant Mortgage Loan was, in the immediately preceding Calculation Period, in breach of the representations and warranties contained in the Warranty and Indemnity Agreement (any such Mortgage Loan an "**Affected Loan**"); or (b) the relevant Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Assets Purchase Agreement and/or such relevant Servicer was, in any preceding Calculation Period, in breach of a material term of the Master Servicing Agreement.

Such amount shall, in all cases, be equal to (i) nil, as long as the Issuer's short term rating or the Issuer's long term rating is at least, respectively, "F1" or "A" by Fitch or the Issuer's short term rating is at least "P-1" or the Counterparty risk rating (if available) is at least "Baa3(cr)" by Moody's or the Issuer's long term rating is at least "BBB" by DBRS, **provided that** the relevant Seller has indemnified the Guarantor or otherwise cured such breach, to the extent required by the terms of the Warranty and Indemnity Agreement or the relevant Seller or Servicer has otherwise cured such breach in accordance with the relevant Programme Documents; (ii)(A) in respect of the Affected Loan, an amount equal to the LTV Adjusted Principal Balance of the relevant Affected Loan or Affected Loans (as calculated on the last day of the immediately preceding Calculation Period); or (ii)(B) in respect of the Mortgage Loan referred to in letter (b) above, an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Guarantor Calculation Agent without double counting and to be reduced by any amount paid, in cash or in kind, to the Guarantor by the relevant Seller to indemnify the Guarantor for such financial loss) (any such loss a "**Breach Related Loss**");

"**AP**" is the Asset Percentage;

and

"**B**" is the aggregate amount of the Principal Available Funds;

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

"**Z**" is the weighted average remaining maturity of all Covered Bonds multiplied by the Principal Amount Outstanding of the Covered Bonds (or the Euro Equivalent, if applicable) multiplied by the Negative Carry Factor;

"**Y**" is equal to nil, as long as the Issuer's short term rating or the Issuer's long term rating is, respectively, at least "F1" and "A" by Fitch or the Issuer's short term rating is at least "P-1" or the deposit rating is at least "Baa3" by Moody's or the Issuer's long term rating is in accordance with the Minimum DBRS Rating by DBRS, otherwise it is equal to the Potential Set-Off Amounts (unless the calculation of such Potential Set-Off Amounts is no longer required in accordance with the Rating Agencies' criteria from time to time applicable);

"**W**" is equal to nil, as long as the Issuer's short term rating or the Issuer's long term rating is, respectively, at least "F1" and "A" by Fitch or the Issuer's short term rating is at least "P-1" or the Counterparty risk rating (if available) is at least "Baa3(cr)" by Moody's or the Issuer's long term rating is in accordance with the Minimum DBRS Rating by DBRS, otherwise it is equal

to the Potential Commingling Amount (unless the calculation of such Potential Commingling Amount is no longer required in accordance with the Rating Agencies' criteria from time to time applicable).

The calculation above will be performed without taking into account any Top-Up Assets exceeding the 15% Limit.

"**Potential Commingling Amount**" means an amount of collection which may be subject to commingling risk in case of an Insolvency Event of the Servicer, as calculated by the Pre-Issuer Default Test Calculation Agent in an amount which shall not prejudice the rating assigned from time to time to the Covered Bonds in accordance with the criteria of the Rating Agencies.

For the avoidance of doubt, it is understood that, if upon a downgrading of the Issuer's rating assigned (1) by Fitch below "F1" with respect to the Issuer's short term rating or "A", with respect to the Issuer's long term rating, or (2) by Moody's below "P-1" with respect to the Issuer's short term rating, or "Baa3(cr)" with respect to the Counterparty risk rating (if available) or (3) by DBRS below the Minimum DBRS Rating with respect to the Issuer's long term rating and the remedies provided for under clause 5.2.1 of the Master Servicing Agreement have been put in place, the amount appropriate for the purposes of the definition of "Potential Commingling Amount" shall be equal to nil. If on the contrary the remedies provided for under clause 5.2.1 of the Master Servicing Agreement have not been put in place than the Potential Commingling Amount shall be deducted from the Asset Coverage Test.

"**Potential Set-Off Amounts**" means the aggregate outstanding principal balance of the Cover Pool that could potentially be lost as a result of the relevant Debtors exercising their set-off rights. Such amount will be calculated, only starting from the date on which the Issuer's short term rating or the Issuer's long term rating assigned by Fitch falls below, respectively, "F1" or "A" or the Issuer's short term rating or the deposit rating assigned by Moody's falls below, respectively, "P-1" and "Baa3" or the Issuer's long term rating falls below the Minimum DBRS Rating by DBRS, by the Pre-Issuer Default Test Calculation Agent in an amount which shall not prejudice the rating assigned from time to time to the Covered Bonds in accordance with the criteria of the Rating Agencies.

"**OBG**" means the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable).

AMORTISATION TEST

18. Starting from the date on which a Guarantee Enforcement Notice is delivered and until the earlier of

(1) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and

(2) the date on which a Guarantor Default Notice is delivered;

the Guarantor undertakes to procure that on any Test Calculation Date, the Amortisation Test is met with respect to the Cover Pool, **provided that**, in case the Issuer Event of Default consists of an Article 74 Event, no Article 74 Event Cure Notice has been served.

For the purpose of the Amortisation Test, the Post-Issuer Default Test Calculation Agent shall verify that, on each Test Calculation Date, the outstanding principal balance of the Cover Pool is higher than or equal to the Euro Equivalent of the Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms at the relevant Test Calculation Date.

The Amortisation Test shall be met if:

$$A+B+C-Z \geq OBG$$

where,

"**A**" is equal to MIN multiplied by Guarantee Asset Percentage (GAp)

For the purposes of the calculation of the Amortisation Test, the Guarantee Asset Percentage will be calculated as the ratio granting an overcollateralisation equal to 75 per cent. of the overcollateralisation resulting from the Asset Percentage used on the last Test Calculation Date preceding the service of a Guarantee Enforcement Notice. Thus the calculation of the Guarantee Asset Percentage is made on the basis of the following formula:

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

where

"**AP**" is the Asset Percentage used on the last Test Calculation Date preceding the service of a Guarantee Enforcement Notice.

"**MIN**" is the lower of:

(i) 1. the actual Outstanding Principal Balance of each Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period; and

(ii) 2. the Latest Valuation multiplied by M (where M is:

(a) equal to 100 per cent. for all the Receivables arising from Mortgage Loans (i) having no unpaid Instalments or (ii) Instalments not paid for less than 90 calendar days or (iii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" programme and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for less than 90 calendar days or (iv) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree No. 185 of 29 November 2008, as converted into law through Law No. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period **provided that**, as of the relevant Test Calculation Date, such suspension period is lower than 90 calendar days;

(b) equal to 60 per cent. for all the Receivables arising from Mortgage Loans (i) having Instalments not paid for more than 90 calendar days but less than 180

calendar days or (ii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" programme and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for more than 90 calendar days but less than 180 calendar days or (iii) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree No. 185 of 29 November 2008, as converted into law through Law No. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period **provided that**, as of the relevant Test Calculation Date, such suspension period is greater than 90 calendar days but lower than 180 calendar days; and

(c) equal to 40 per cent. for all the Receivables arising from Mortgage Loans (i) having Instalments not paid for more than 180 calendar days) or (ii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" programme and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for more than 180 calendar days or (iii) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree No. 185 of 29 November 2008, as converted into law through Law No. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period **provided that**, as of the relevant Test Calculation Date, such suspension period is longer than 180 calendar days.

"**B**" the aggregate amount of the Principal Available Funds;

"**C**" is the aggregate outstanding principal balance of any Eligible Assets (other than those under letter (A) above); and or Top-Up Assets (not exceeding the 15% Limit);

"**Z**" is the weighted average remaining maturity of all Covered Bonds multiplied by the Principal Amount Outstanding of the Covered Bonds (or the Euro Equivalent, if applicable) multiplied by the "**Negative Carry Factor**"; and

"**OBG**" means the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable).

Breach of Tests

19. If on any Test Calculation Date or Quarterly Test Calculation Date, as the case may be, a Test Performance Report specifies that the Cover Pool is not in compliance with the relevant Test, then the Principal Seller, (and/or any Additional Seller(s) in respect of each relevant New Portfolio transferred to the Guarantor, will either:

(A) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, in accordance with

the Master Assets Purchase Agreement and the Cover Pool Management Agreement, to be financed through the proceeds of Term Loans to be granted by the Principal Seller (and/or any Additional Seller(s)); or

(B) substitute any relevant assets in respect of which the right of repurchase can be exercised under the terms of the Master Assets Purchase Agreement with new Eligible Assets, for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, or

(C) take any other action that may be deemed appropriate to allow the relevant Tests to be cured on the next Test Calculation Date.

Failure to remedy Tests

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

If, after the delivery of a Breach of Test Notice, the relevant breach of the Tests is not remedied, within the Test Remedy Period, in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Guarantee Enforcement Notice.

If, after the delivery of a Guarantee Enforcement Notice (**provided that**, should such Issuer Default Notice consist of an Article 74 Event, an Article 74 Event Cure Notice has not been served), a breach of the Amortisation Test occurs, all Series of Covered Bonds will become immediately Pass Through Series.

Upon receipt of a Guarantee Enforcement Notice, the Guarantor shall dispose of the assets included in the Cover Pool.

Reserve Account

The Reserve Account is held in the name of the Guarantor and will build up over time using excess cash flows remaining on each Guarantor Payment Date after payments required to be made on such date have been made. On each Guarantor Payment Date, in accordance with the Priority of Payments, available funds shall be deposited by the Issuer in the Reserve Account until the Reserve Amount equals the Required Reserve Amount for such Guarantor Payment Date. The Reserve Amount over and above the Required Reserve Amount will be used on each Guarantor Payment Date together with other Guarantor Available Funds, for making the payments required by the Priorities of Payment.

CASHFLOWS

As described above under "*Credit Structure*", until a Guarantee Enforcement Notice is served on the Guarantor, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the Guarantor.

This section summarises the cashflows of the Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Programme Accounts and their order of priority (all such orders of priority, the "**Priority of Payments**") (a) prior to an Issuer Event of Default and a Guarantor Event of Default, (b) following an Issuer Event of Default (but prior to a Guarantor Event of Default) and (c) following a Guarantor Event of Default.

Definitions

For the purposes hereof the Guarantor Available Funds are constituted by the Interest Available Funds and the Principal Available Funds, which will be calculated by BMPS on each Calculation Date.

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

    (A) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Main Programme Account during the immediately preceding Collection Period;

    (B) all recoveries in the nature of interest received by the 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 Programme 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 a Guarantee Enforcement Notice, on the Guarantor, any amounts standing to the credit of the Reserve Account;

    (E) any interest amounts standing to the credit of the Programme Accounts;

    (F) all interest amounts received from the Eligible Investments;

    (G) subject to item (ix) below, any amounts received under the Asset Swap Agreement and the Covered Bond Swap Agreement,

21. **provided that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the

next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Guarantor Calculation Date, (i) to make payments in respect of interest due and payable, *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and *pro rata* in respect of each relevant Series or Tranche of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Guarantor Calculation Agent may reasonably determine, or otherwise;

(i) subject to item (ix) below, any amounts received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts;

(ii) any swap termination payments received from a Swap Provider under any Swap Agreement;

22. **provided that**, prior to the occurrence of a Guarantor Event of Default, such amounts will be, to the extent permitted by the relevant Swap Agreement, net of any cost necessary to replace the swap provider and find an eligible swap counterparty to enter into a replacement swap agreement;

(i) all interest amounts received from the Principal Seller (or any Additional Seller, if any) by the Guarantor pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

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

(iii) 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.

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

(i) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(ii) all other recoveries in respect of principal received by the Principal Servicer (and any Additional Seller, if any) and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(iii) all principal amounts received by the Guarantor from the Seller pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

(iv) the proceeds of any disposal of Assets and any disinvestment of Assets or Eligible Investments;

(v) any amounts granted by the Seller under the Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Top-Up Asset;

(vi) all amounts in respect of principal (if any) received under any Swap Agreements other than any Swap Collateral Excluded Amounts;

(vii) any amounts paid out of item *Ninth* of the Pre-Issuer Default Interest Priority of Payments; and

(viii) any principal amounts standing to the credit of the Programme Accounts.

Pre-Issuer Default Interest Priority of Payments

24. The Interest Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. (*First*), (a) to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. (*Second*), to pay any amount due and payable to the Representative of the Bondholders;

3. (*Third*), to pay, *pro rata* and *pari passu*, any amount due and payable to the Principal Servicer, the Additional Servicer(s) (if any), the Back-Up Servicer (if any), the Italian Account Bank, the English Account Bank, the Payments Account Bank, the Cash Manager, the Guarantor Calculation Agent, the Pre-Issuer Default Test Calculation Agent, the Guarantor Corporate Servicer, the Italian Back-Up Account Bank and the English Back-Up Account Bank;

4. (*Fourth*), *pro rata* and *pari passu*, to pay, or make a provision for payment of such proportion of, (i) any interest amounts due to the Asset Swap Provider and (ii) any interest amounts due to the Covered Bond Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement (including, in both cases, any termination payments due and payable by the Guarantor except where the swap counterparty is the Defaulting Party or the sole Affected Party (the "**Excluded Swap Termination Amounts**"));

5. (*Fifth*), to credit to the Reserve Account an amount required to ensure that the Reserve Amount is funded up to the Required Reserve Amount, as calculated on the immediately preceding Guarantor Calculation Date;

6. (*Sixth*), to pay any Loan Interest due and payable on such Guarantor Payment Date on each Term Loan to the Subordinated Lender(s) pursuant to the terms of the Subordinated Loan Agreement, **provided that** (i) no Segregation Event has occurred and is continuing on such Guarantor Payment Date; and (ii) if a Segregation Event has occurred and is continuing, any amount of interest on the Covered Bonds has been duly and timely paid by the Issuer;

7. (*Seventh*), upon the occurrence of a Servicer Termination Event, to credit all remaining Interest Available Funds to the Main Programme Account until such Servicer Termination Event is either remedied or waived by the Representative of the Bondholders or a new servicer is appointed;

8. (*Eighth*), to pay *pro rata* and *pari passu* in accordance with the respective amounts thereof any Excluded Swap Termination Amounts;

9. (*Ninth*), to transfer to the Principal Available Funds an amount equal to the Interest Shortfall Amount, if any, allocated on the immediately preceding Guarantor Payment Date under item First of the Pre-Issuer Default Principal Priority of Payments and on any preceding Guarantor Payment Dates and not already repaid;

10. (*Tenth*), to pay to the Principal Seller and to the Additional Seller(s) (if any), any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Pre-Issuer Default Interest Priority of Payments;

11. (*Eleventh*), *pari passu* and *pro rata* according to the respective amounts thereof, (i) to pay any Premium on the Programme Term Loans and (ii) to repay any Excess Term Loan Amount, **provided that** no Segregation Event has occurred and is continuing.

Pre-Issuer Default Principal Priority of Payments

25. The Principal Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. (*First*), to pay any amount payable as Interest Shortfall Amount;

2. (*Second*), to acquire New Portfolios and/or Top-Up Assets and/or other Eligible Assets (other than those funded through the proceeds of a Term Loan);

3. (*Third*), to pay, *pari passu* and *pro rata* in accordance with the respective amounts thereof: (a) any principal amounts due or to become due and payable to the relevant Swap Providers *pro rata* and *pari passu* in respect of each relevant Swap Agreement; and (b) (where appropriate, after taking into account any amounts in respect of principal to be received from a Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Guarantor Calculation Agent may reasonably determine) on each Guarantor Payment Date that falls on an Interest Payment Date, the amounts (in respect of principal) due or to become due and payable under the Term Loan, provided in any case no Segregation Event has occurred and is continuing and/or, where applicable, **provided that** no amounts shall be applied to make a payment in respect of a Term Loan if the principal amounts outstanding under the relevant Series or Tranche of Covered Bonds which have fallen Due for Payment on such relevant Guarantor Payment Date have not been repaid in full by the Issuer.

Guarantee Priority of Payments

26. Following the delivery of a Guarantee Enforcement Notice, the Guarantor Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. (*First*), (a) to pay, *pari passu* and *pro rata*, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such

amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. (*Second*), to pay any amount due and payable to the Representative of the Bondholders;

3. (*Third*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable to the Principal Servicer, the Additional Servicer(s) (if any), the Back-Up Servicer (if any), the Italian Account Bank, the Guarantor Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the Principal Paying Agent, the Paying Agent(s) (if any), the Luxembourg Listing and Paying Agent, the Portfolio Manager (if any), the Pre-Issuer Default Test Calculation Agent, the Post-Issuer Default Test Calculation Agent, the Italian Back-Up Account Bank, the English Back-Up Account Bank and the Payments Account Bank;

4. (*Fourth*), *pari passu* and *pro rata* according to the respective amounts thereof, (i) any amount due to the Asset Swap Provider (including any termination payment due and payable by the Guarantor other than any Excluded Swap Termination Amounts); (ii) any interest amounts due to the Covered Bond Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (iii) on any Guarantor Payment Date, any interest due and payable on such Guarantor Payment Date (or that will become due and payable on the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Pass Through Series, Series or Tranche of Covered Bonds *pari passu* and *pro rata* in respect of each such Pass Through Series, Series or Tranche of Covered Bonds;

5. (*Fifth*), *pari passu* and *pro rata* (a) in or towards payment on the Guarantor Payment Date or to make a provision for payment of such proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Guarantor Calculation Agent may reasonably determine, of the amounts in respect of principal due or to become due and payable to the relevant Swap Provider *pro rata* and *pari passu* in respect of each relevant Swap Agreement (including any termination payment due and payable by the Guarantor under the relevant Swap Agreement, other than any Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; (b) *pari passu* and *pro rata* among any Pass Through Series, Series or Tranche of Covered Bonds, in or towards payment or to make a provision for payment, on each Guarantor Payment Date (where appropriate, after taking into account any amounts in respect of principal to be received from a Covered Bond Swap Provider) of principal amounts (that are payable on any Pass Through Series and due and payable in respect of any other Series or Tranche of Covered Bonds on such Guarantor Payment Date or that will become payable on any Pass Through Series and due and payable in respect of any other Series or Tranche of Covered Bonds up to the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of such Pass Through Series, Series or Tranche of Covered Bonds;

6. (*Sixth*), until each Series or Tranche of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series or Tranche of Covered Bonds), to credit any remaining amounts to the Main Programme Account;

7. (*Seventh*), to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

8. (*Eighth*), to pay to the Principal Seller and to the Additional Seller(s) (if any) any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Guarantee Priority of Payments;

9. (*Ninth*), to pay *pari passu* and *pro rata* according to the respective amounts thereof any interest and principal amount outstanding and Premium (if any), on each Term Loan under the Subordinated Loan Agreement(s).

Post-enforcement Priority of Payments

27. Following a Guarantor Event of Default, the making of a demand under the Guarantee and the delivery of a Guarantor Default Notice by the Representative of the Bondholders, the Guarantor Available Funds shall be applied, on each Guarantor Payment Date, in making the following payments in the following order of priority:

1. (*First*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);

2. (*Second*), to pay any amount due and payable to the Representative of the Bondholders;

3. (*Third*), to pay, *pro rata* and *pari passu*, (i) any amount due and payable to the Principal Servicer, the Additional Servicer(s) (if any), the Back-Up Servicer (if any), the Italian Account Bank, the Guarantor Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the Principal Paying Agent, the Paying Agent(s) (if any), the Portfolio Manager (if any), the Italian Back-Up Account Bank, the English Back-Up Account Bank and the Payments Account Bank; (ii) amounts due to the Covered Bond Swap Provider(s) and the Asset Swap Provider and any other Swap Provider(s) (if any) other than any Excluded Swap Termination Amount; and (iii) amounts due under the Guarantee in respect of each Pass Through Series, Series or Tranche of Covered Bonds;

4. (*Fourth*), to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

5. (*Fifth*), to pay to the Principal Seller and to the Additional Seller(s) (if any) any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Post-enforcement Priority of Payments;

6. (*Sixth*), to pay or repay any amounts outstanding under the Subordinated Loan Agreement(s).

DESCRIPTION OF THE COVER POOL

The Cover Pool is and will be comprised of (a) Mortgage Loans and the related collateral and (b) Asset Backed Securities, assigned to the Guarantor by the Principal Seller and/or the Additional Seller(s) in accordance with the terms of the Master Assets Purchase Agreement, (ii) any proceeds arising from the Swap Agreements and (iii) any other Eligible Assets in accordance with Law 130, the Decree No. 310 and the Bank of Italy Regulations and any other Top-Up Assets.

As at the date of this Base Prospectus, the Initial Portfolio and each New Portfolio (the "**Portfolio**") consists of Residential Mortgage Loans transferred by the Principal Seller and by Banca Antonveneta S.p.A., as Additional Seller to the Guarantor in accordance with the terms of the Master Assets Purchase Agreement, as more fully described under "*Description of the Programme Documents - Master Assets Purchase Agreement*".

The Debtors of the Receivables comprised in the Cover Pool were 152.975,00 as at 30 September 2021 and none of them has a debt equal to or higher than 20 per cent. of the value of the Cover Pool.

No revaluation of the relevant properties has been made by BMPS for the purpose of any issue under the Programme. Any valuation has been performed only as at the date of the origination of any Mortgage Loan.

The Cover Pool has characteristics that demonstrate capacity to produce funds to service any payment due and payable on the Covered Bonds.

As at 30 September 2021, the latest maturing asset within the Cover Pool will expire on 31 March 2059.

As at 31 December 2020, the total amount of assets within the Cover Pool is € 11.884.558.293.

Eligibility Criteria

The sale of the Receivables and their related Security Interest and the transfer of any other Eligible Assets and Top-Up Asset to the Guarantor will be subject to various conditions (the "**Eligibility Criteria**") being satisfied on the relevant Valuation Date (except as otherwise indicated). The Eligibility Criteria with respect to each asset type will vary from time to time but will at all times include criteria so that both Italian law and Rating Agencies requirements are met. In addition, under the Master Assets Purchase Agreement it is established that the parties may amend the Criteria, **provided that** any such amendment shall be notified to the Representative of the Bondholders and the Rating Agencies.

Common Criteria for the transfer of the Receivables

The Receivables transferred and to be transferred from time to time to the Guarantor pursuant to the Master Assets Purchase Agreement shall and will meet the following criteria (the "**Common Criteria**") (to be deemed cumulative unless otherwise provided) on each relevant Valuation Date (or at such other date specified below):

28. **Receivables arising from Mortgage Loans**:

1. which are residential mortgage receivables, in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage

loans secured by the same Real Estate Asset, does not exceed 80 per cent. of the value of the Real Estate Asset as at the relevant date of new valuation (*data di rivalutazione*), in accordance with Decree No. 310 and to which the 35 per cent. risk weighting applies;

2. that did not provide at the time of disbursement for any subsidy or other benefit in relation to principal or interest (*mutui agevolati*);

3. that have not been granted to public entities (*enti pubblici*), clerical entities (*enti ecclesiastici*) or public consortium (*consorzi pubblici*);

4. that are not consumer loans (*crediti al consumo*);

5. that are not *mutui agrari* pursuant to articles 43, 44 and 45 of the Consolidated Banking Act;

6. that are secured by a mortgage created over Real Estate Assets in accordance with applicable laws and regulations which are located in the Republic of Italy;

7. the payment of which is secured by a first economic ranking mortgage (*ipoteca di primo grado economico*), such term meaning (i) a first legal ranking mortgage (*ipoteca di primo grado legale*) or (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is the Seller and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage, or (C) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is the Seller (even if the obligations secured by such ranking priority mortgage(s) have not been fully satisfied) and the Receivables secured by the prior ranking priority mortgages arise from Mortgage Loans meeting the Criteria;

8. in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to article 67 of the Bankruptcy Law and, if applicable, of art. 39, fourth paragraph of the Consolidated Banking Act;

9. that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

10. for which at least an Instalment inclusive of principal has been paid before the Valuation Date (i.e. Mortgage Loans that are not in the pre-amortising phase);

11. in respect of which all other previous Instalments falling due before the transfer date have been fully paid or, as of the transfer date, did not have any Instalment pending for 30 days or more than 30 days from its due date;

12. that are governed by Italian law;

13. that have not been granted to individuals that as of the origination date were employees or former (*a riposo*) employees of Montepaschi Group (including also loans granted to

two or more individuals, one of which was an employee or a manager of Montepaschi Group as of the transfer date);

14. that are denominated in Euro;

15. which provide for the payment by the Debtor of monthly, quarterly or semi-annual Instalments;

16. which are not additional mortgage loans (*mutui suppletivi*) (each being a mortgage loan secured with a mortgage over Real Estate Assets already mortgaged in connection with another mortgage loan (*mutuo fondiario*) granted by Banca Monte dei Paschi di Siena S.p.A.).

Common Criteria for the transfer of the Asset Backed Securities

29. The Asset Backed Securities to be transferred from time to time to the Guarantor pursuant to the Master Assets Purchase Agreement shall and will meet the following Common Criteria (to be deemed cumulative unless otherwise provided) on each relevant Valuation Date (or at such other date specified below):

1. "asset backed" securities issued in the context of securitisation transactions made pursuant to Law 130 of 30 April 1999, **provided that** at least 95 per cent. of the relevant securitised assets are receivables and securities as indicated in paragraphs a), b) and c) of article 2 of Decree of the Italian Ministry for the Economy and Finance No. 310 of 14 December 2006;

2. for which a risk weight not exceeding 20 per cent. is applicable in accordance with the rules regulating the standardised approach for determination of the financial requirements of the banks with respect to the credit risk, pursuant to European Directive number 48 of 2006 (*Disciplina prudenziale – metodo standardizzato*);

3. compliance with the requirements set out by the ECB Guidelines.

Specific Criteria for the transfer of the Receivables

The Receivables included in each Portfolio (other than the Initial Portfolio) to be transferred from time to time to the Guarantor under the Master Assets Purchase Agreement shall meet, in addition to the Common Criteria, further specific criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below) listed in the Master Assets Purchase Agreement relating to, *inter alia*, the amount of disbursement, the execution date, the disbursement date, the instalments, the relevant Mortgage Loan Agreements, the relevant Real Estate Assets, the relevant guarantor, the category of natural persons (*persone fisiche*) to which they have been granted, the ratio.

THE ASSET MONITOR

The Bank of Italy Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Guarantee.

Pursuant to the Bank of Italy Regulations, the asset monitor must be an independent auditor, enrolled with the special register of accounting firms held by the MEF and shall be independent from the Issuer and/or the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed also to the Statutory Auditors of the Issuer.

ASSET MONITOR ENGAGEMENT LETTER

Pursuant to an engagement letter (the "**Asset Monitor Engagement Letter**") entered into on 18 June 2010, as subsequently amended on 22 April 2015, the Issuer has appointed Deloitte & Touche S.p.A., a *società per azioni* incorporated under the laws of Italy, having its registered office at Milan, 20144, Via Tortona 25, Italy, fiscal code and enrolment with the companies register of Milan, No. 03049560166, and included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at no. 132587, as initial asset monitor (the "**Asset Monitor**") in order to perform, subject to receipt of the relevant information from the Issuer, specific agreed upon procedures concerning, *inter alia*, the control of (i) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the calculation performed by the Issuer in respect of the Mandatory Tests and Asset Coverage Test; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

Under the Asset Monitor Engagement Letter, the Asset Monitor shall, on an annual basis, deliver to the Issuer an annual report detailing the procedures performed under the Asset Monitor Engagement Letter.

The Asset Monitor Engagement Letter provides for certain matters such as the payment of fees and expenses to the Asset Monitor, the resignation of the Asset Monitor and the replacement by the Guarantor of the Asset Monitor.

Governing law

The Asset Monitor Agreement is governed by Italian law.

ASSET MONITOR AGREEMENT

The Asset Monitor, will, pursuant to an asset monitor agreement entered into on 18 June 2010 (the "**Asset Monitor Agreement**") between the Issuer, the Guarantor, the Asset Monitor and the Representative of the Bondholders and subject to due receipt of the information to be provided by the Pre-Issuer Default Test Calculation Agent or the Post-Issuer Default Test Calculation Agent to the Asset Monitor, respectively, prior to the delivery of a Guarantee Enforcement Notice and after the delivery of a Guarantee Enforcement Notice, verify the arithmetic accuracy of the calculations performed by the Pre-Issuer Default Test Calculation Agent with respect to the Mandatory Tests and the Asset Coverage Test and the Post-Issuer

Default Test Calculation Agent with respect to the Amortisation Test pursuant to the Cover Pool Management Agreement with respect to the Amortisation Test.

In addition, on or prior to each Asset Monitor Report Date, the Asset Monitor shall deliver to the Guarantor, the Post-Issuer Default Test Calculation Agent, the Representative of the Bondholders and the Issuer a report in the form set out in the Asset Monitor Agreement.

The Asset Monitor Agreement provides for certain matters such as the payment of fees and expenses to the Asset Monitor, the limited recourse nature of the payment obligation of the Guarantor *vis-à-vis* the Asset Monitor, the resignation of the Asset Monitor and the replacement by the Guarantor of the Asset Monitor.

Governing law

The Asset Monitor Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

The following is a general description of the Securitisation and Covered Bond Law (as defined below). It does not purport to be a complete analysis of the legislation described below or of the other considerations relating to the Covered Bonds arising from Italian laws and regulations. Furthermore, this overview is based on Italian Legislation as in effect on the date of this Base Prospectus, which may be subject to change, potentially with retroactive effect. This description will not be updated to reflect changes in laws. Accordingly, prospective Covered Bondholders should consult their own advisers as to the risks arising from Italian legislations that may affect any assessment by them of the Covered Bonds.

The Securitisation and Covered Bond Law

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- Article 7-*bis* and article 7-*ter* of the Law No. 130 of 30 April 1999 (as amended and supplemented from time to time, the "**Securitisation and Covered Bond Law**");
- the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under Decree No. 310 (the "**Decree No. 310**");
- the C.I.C.R. Decree dated 12 April 2007; and
- Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (*Circolare* No. 285 of 17 December 2013), as amended and supplemented from time to time (the "**Bank of Italy Regulations**").

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the Securitisation and Covered Bond Law 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. Further amendments have been provided for by Law Decree no. 145 of 23 December 2013 as converted with amendments into Law n. 9 of 21 February 2014 and Law Decree no. 91 of 24 June 2014 as converted with amendments into Law No. 116 of 11 August 2014 and most recently by Legislative Decree no. 190 of 5 November 2021 (the "**Decree 190**"), which transposed into the Italian legal framework Directive (EU) 109/2162. Furthermore, the Decree 190 designates the Bank of Italy as the competent authority for the public supervision of the covered bonds, which is entrusted with the issuing of the implementing regulations by 8 July 2022. Furthermore, article 3, paragraph 2, of the Decree 190 provides that the implementing measures of the Title I-bis of Law 130, as amended, will be adopted by 8 July 2022. In this respect, the provisions of Law 130, as amended by Decree 190, will be applied to covered bonds issued as of the date of entry into force of the implementing measures as referred to under article 3, paragraph 2, of Decree 190. On the other hand, on the basis of the current interpretation of Decree 190, articles 7-bis, 7-ter and 7-quarter of Law 130 (before being amended by Decree 190), and the relevant implementing measures, will continue to apply to any series or tranche of covered bonds issued before the earlier of (i) 8 July 2022 or (ii) the entry into force of the implementing measures of the Decree 190.

The Bank of Italy published new supervisory regulations on banks in December 2013 (*Circolare* of the Bank of Italy No. 285 of 17 December 2013) which came into force on 1 January 2014, implementing CRD IV Package and setting out additional local prudential rules concerning matters not harmonised on EU level. Following the publication on 24 June 2014 of the 5th update to Circular of the Bank of Italy No. 285 of 17 December 2013, which added a new Chapter 3 ("*Obbligazioni bancarie garantite*") in Part III contained therein, the provisions set forth under Title V, Chapter 3 of *Circolare* No. 263 of 27 December 2006 have been abrogated.

The Bank of Italy Regulations, among other things, regulate:

- the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;
- limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;
- criteria to be adopted in the integration of the assets constituting the cover pools;
- the identification of the cases in which the integration is permitted and its limits; and
- monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

Basic structure of a covered bond issue

The structure provided under Article 7-*bis* with respect to the issue of covered bonds may be summarised as follows:

- a bank transfers a pool of eligible assets (*i.e.* the cover pool) to an Article 7-*bis* special purpose vehicle (the "**Guarantor**");
- the bank grants the Guarantor a subordinated loan in order to fund the payment by the Guarantor of the purchase price due for the cover pool;
- the bank issues the covered bonds which are supported by a first demand, unconditional and irrevocable guarantee issued by the Guarantor for the exclusive benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction. The Guarantee is backed by the entire cover pool held by the Guarantor.

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

The Italian legislator chose to implement the new legislation on covered bonds by supplementing the Securitisation and Covered Bond Law, thus basing the new structure on a well established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the Guarantor is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchaser of assets eligible for cover pools and the person giving

guarantees in the context of covered bond transactions.

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The guarantee

The Decree No. 310 provides that the guarantee issued by the Guarantor for the benefit of the bondholders must be irrevocable, first-demand, unconditional and independent from the obligations of the issuer of the covered bonds. Furthermore, upon the occurrence of a default by the issuer in respect of its payment obligations under the covered bonds, the Guarantor must provide for the payment of the amounts due under the covered bonds, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool. The acceleration of the issuer's payment obligations under the covered bonds will not therefore result in a corresponding acceleration of the Guarantor 's payment obligations under the guarantee (thereby preserving the maturity profile of the covered bonds).

Upon an insolvency of the issuer, the Guarantor will be solely responsible for the payment obligations of the issuer owed to the covered bond holders, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool. In addition, the Guarantor will be exclusively entitled to exercise the rights of the covered bond holders vis à vis the issuer's bankruptcy in accordance with the applicable bankruptcy law. Any amounts recovered by the Guarantor from the bankruptcy of the issuer become part of the cover pool.

Finally, if a moratorium is imposed on the issuer's payments, the Guarantor will fulfil the issuer's payment obligations, with respect to amounts which are due and payable and with limited recourse to the cover pool. The Guarantor will then have recourse against the issuer for any such payments.

Segregation and subordination

Article 7-*bis* provides that the assets comprised in the cover pool and the amounts paid by the debtor with respect to the receivables and/or debt securities included in the cover pool are exclusively designated and segregated by law for the benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction.

In addition, Article 7-*bis* expressly provides that the claim for reimbursement of the loan granted to the Guarantor to fund the purchase of assets in the cover pool is subordinated to the rights of the covered bond holders 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 (*i.e.* Royal Decree No. 267 of 16 March 1942).

In addition to the above, any payments made by an assigned debtor to the Guarantor may not be subject to any claw-back action according to Article 65 of the Italian Bankruptcy Law.

The Issuing Bank

The Bank of Italy Regulations provide that covered bonds may only be issued by banks which individually satisfy, or which belong to banking groups which, on a consolidated basis:

- have own funds of at least Euro 250,000,000; and
- have a minimum total capital ratio of not less than 9 per cent.

Banks not complying with the above mentioned requirements may set up covered bond programmes only prior notice to the Bank of Italy, which may start an administrative process to assess the compliance with the required requirements.

The Bank of Italy Regulations specify that the requirements above also apply to the bank acting as cover pool provider (in the case of structures in which separate entities act respectively as issuing bank and as cover pool provider).

The Bank of Italy Regulations furthermore provide that the total amount of eligible assets that a bank may transfer to cover pools in the context of covered bond transactions is subject to limitations linked to the tier 1 ratio and common equity tier 1 ratio of the individual bank (or of the relevant banking group, if applicable) as follows:

	Ratios	**Transfer Limitations**
"A" range	- Tier 1 ratio ≥ 9%; and - Common Equity Tier 1 ratio ≥ 8%	No limitation
"B" range	- Tier 1 ratio ≥ 8%; and - Common Equity Tier 1 ratio ≥ 7%	Up to 60% of eligible assets may be transferred
"C" range	- Tier 1 ratio ≥ 7%; and - Common Equity Tier 1 ratio ≥ 6%	Up to 25% of eligible assets may be transferred

The Bank of Italy Regulations 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 tier 1 ratio but falls within the "c" range with respect to its common equity tier 1 ratio, the relevant bank will be subject to the transfer limitations applicable to the "c" range.

In addition to the above, certain further amendments have been introduced in respect of the monitoring activities to be performed by the asset monitor.

The Cover Pool

For a description of the assets which are considered eligible for inclusion in a cover pool under Article 7-*bis*, see "*Description of the Cover Pool – Eligibility Criteria*"..

Ratio between cover pool value and covered bond outstanding amount

The Decree No. 310 provides that the cover pool provider and the issuer must continually ensure that, throughout the transaction:

- the aggregate nominal value of the cover pool is at least equal to the nominal amount of the relevant outstanding covered bonds;

- the net present value of the cover pool (net of all the transaction costs borne by the Guarantor, including in relation to hedging arrangements) is at least equal to the net present value of the relevant outstanding covered bonds;

- the interest and other revenues deriving from the cover pool (net of all the transaction costs borne by the Guarantor) are sufficient to cover interest and costs due by the issuer with respect to the relevant outstanding covered bonds, taking into account any hedging agreements entered into in connection with the transaction.

In respect of the above, under the Bank of Italy Regulations, strict monitoring procedures are imposed on banks for the monitoring of the transaction and of the adequacy of the guarantee on the cover pool. Such activities must be carried out both by the relevant bank and by an asset monitor, to be appointed by the bank, which is an independent accounting firm. The asset monitor must prepare and deliver to the issuing bank's s board of auditors, on an annual basis, a report detailing its monitoring activity and the relevant findings.

The Bank of Italy Regulations 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, among other things, on the evaluations supplied by the asset monitor.

In addition to the above, the Bank of Italy Regulations provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction carried out the completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

In order to ensure that the monitoring activities above may be appropriately implemented, the Bank of Italy Regulations require that the entities participating in covered bond transactions be bound by appropriate contractual undertakings to communicate to the issuing bank, the cover pool provider and the entity acting as servicer in relation to the cover pool assets all the necessary information with respect to the cover pool assets and their performance

Substitution of assets

The Decree No. 310 and the Bank of Italy Regulations 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 per cent. risk weight is applicable in accordance with the

prudential regulations' standardised approach; and

- the transfer of debt securities, having a residual life of less than one year, issued by the Qualified Banks.

The Decree No. 310 and the Bank of Italy Regulations, however, provide that the assets described in the last two paragraphs above, cannot exceed 15 per cent. of the aggregate nominal value of the cover pool. This 15 per cent. limitation must be satisfied throughout the transaction and, accordingly, the substitution of cover pool assets may also be carried out in order to ensure that the composition of the assets comprised in the cover pool continues to comply with the relevant threshold.

The Bank of Italy Regulations 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.

The provision described above would imply, as a main consequence, that banks issuing covered bonds will be entitled to include the receivables transferred to the cover pool as on-balance receivables for the purpose of tax deductions applicable to reserves for the depreciation on receivables in accordance with Article 106 of Presidential Decree No. 917 of 22 December 1986..

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Republic of Italy

Tax treatment of Covered Bonds issued by the Issuer

The Decree No. 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities issued, *inter alia*, by Italian resident banks (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**"). The provisions of Decree No. 239 only apply to Covered Bonds issued by the Issuer which qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Italian resident Bondholders

Pursuant to Decree No. 239, where an Italian resident Bondholders, who is the beneficial owner of the Covered Bonds, is:

(a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless the investor has entrusted the management of his financial assets, including the Covered Bonds, to an authorised intermediary and has opted for the so called "*regime del risparmio gestito"* (the "**Asset Management Regime**") according to article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended and supplemented from time to time ("**Decree No. 461**")) – see under "*Capital gains tax*" below for an analysis of such regime); or

(b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations; or

(c) a private or public institution other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, with the exclusion of collective investments funds; or

(d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Covered Bonds, accrued during the relevant holding period, are subject to a tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent., either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Covered Bonds. In the event that the Bondholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of Covered Bonds received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in article 1, paragraphs 100 – 114, of Law No. 232 of 11 December 2016 ("**Law No. 232**") and Article 1, paragraphs 211-215, of Law No. 145 of 30 December 2018 (**Law No. 145**) and Article 13-*bis* of Law Decree No. 124 of 26 October 2019 ("**Law Decree No. 124**"), all as amended and applicable from time to time. Pursuant to Article 1, paragraphs 219-225-*bis* of Law n. 178 of 30 December 2020 ("**Finance Act 2021**") as amended and applicable from time to time, it is further provided that Italian resident individuals investing in long-term individual savings account compliant with Article 13-bis, paragraph 2-bis of Decree 124 may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realized in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (e.g. including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

Where an Italian resident Bondholder is a company or similar commercial entity (including limited partnership qualified as *società in nome collettivo* or *società in accomandita semplice* and private and public institutions carrying out commercial activities and holding the Covered Bonds in connection with this kind of activities), or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected, and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Bondholder's income tax return and are therefore subject to Italian corporate income taxation (and, in certain circumstances, depending on the "*status*" of the Bondholder, also to IRAP (the regional tax on productive activities). Interest on the Covered Bonds that are not deposited with an authorised intermediary, received by the above persons is subject to a 26 per cent. *imposta sostitutiva* levied as provisional tax.

Where a Bondholder is an Italian resident real estate investment fund or a real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, Interest accrued on the Covered Bonds will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or the real estate SICAF is subject to tax, in the hands of the unitholder, depending on the *status* and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the "**Fund**"), a SICAV or a non-real estate SICAF and either (i) the Fund, the SICAV or the non-

real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority and the relevant Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund, the SICAV or the non-real estate SICAF, accrued at the end of each tax period. The Fund, the SICAV or the non-real estate SICAF will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Substitute Tax**").

Where an Italian resident Bondholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005 ("**Decree No. 252**")) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds).

Subject to certain conditions (including minimum holding period) and limitations, Interest relating to the Covered Bonds may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in article 1, paragraphs 100 – 114, of Law No. 232 and Article 1, paragraphs 211-215, of Law No. 145 and in Article 13-*bis* of Law Decree No. 124, all as amended and applicable from time to time.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds are not deposited with an authorised Italian Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the Bondholders or, absent that by the Issuer paying the Interest.

Non-Italian resident Bondholders

Where the Bondholder is a non-Italian resident beneficial owner of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected, payment of Interest in respect of the Covered Bonds will not be subject to *imposta sostitutiva* **provided that** the non-Italian resident beneficial owner is:

(a) resident, for tax purposes in a State or territory included in the list of States or territories allowing an adequate exchange of information with Italy and listed in the Italian Ministerial Decree dated 4 September 1996 as amended and supplemented from time

to time (the "**White List**"). According to article 11, par. 4, let. c), of Decree No. 239, the White List will be updated every six months period; or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or

(d) an "institutional investor", whether or not subject to tax, which is established in a country included in the White List.

In order to ensure payment of Interest in respect of the Covered Bonds without the application of 26 per cent. *imposta sostitutiva*, non-Italian resident Bondholders indicated above must be the beneficial owners of the payments of Interest and must:

(a) deposit in due time, directly or indirectly, the Covered Bonds with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a self-statement, which remains valid until withdrawn or revoked, in which the Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities established in accordance with international agreements ratified in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

Failure of a non-resident Bondholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments.

Non-resident Bondholders who are subject to *imposta sostitutiva* might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Bondholder.

Payments made by an Italian resident guarantor

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

In accordance with another interpretation, any such payment made by the Italian resident guarantor may be subject to a withholding tax at a rate of 26 per cent. levied as a final tax or provisional tax depending on the "*status*" of the Bondholder, pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Bondholders, a final withholding tax may be applied at 26 per cent. Double taxation treaties entered into by the Republic Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

Fungible issues

Pursuant to article 11, paragraph 2 of Decree No. 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Covered Bonds multiplied by the number of years of the duration of the Covered Bonds.

Atypical securities

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, securities similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

In the case of Covered Bonds issued by an Italian resident issuer, where the Bondholder is:

(a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected;

(b) an Italian company or a similar Italian commercial entity;

(c) a permanent establishment in Italy of a foreign entity to which the Covered Bonds are connected;

(d) an Italian commercial partnership; or

(e) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the withholding tax on interest, premium and other income relating to Covered Bonds qualifying as "*titoli atipici*", if those Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in article 1, paragraphs 100-114, of Law No. 232 and Article 1, paragraphs 211-215, of Law No. 145 and

in Article 13-*bis* of Law Decree No. 124, all as amended and applicable from time to time. Pursuant to Article 1, paragraphs 219-225-*bis* of the Finance Act 2021 as amended and applicable from time to time, it is further provided that Italian resident individuals investing in long-term individual savings account compliant with Article 13-bis, paragraph 2-bis of Decree 124 may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realized in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (e.g. including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

In all other cases, including when the Bondholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Bondholders, the 26 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Italian resident Bondholders

Any gain obtained from the sale or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the "*status*" of the Bondholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Covered Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Covered Bonds are connected.

Where a Bondholder is (i) an Italian resident individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected, (ii) an Italian resident partnership not carrying out commercial activities, or (iii) an Italian private or public institution not carrying out mainly or exclusively commercial activities, any capital gain realised by such Bondholder from the sale or redemption of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent.

In respect of the application of *imposta sostitutiva* on capital gains, taxpayers may opt for one of the three regimes described below:

(a) Under the "tax declaration regime" (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Bondholders any given fiscal year. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Covered Bonds carried out during any given tax year. Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

(b) As an alternative to the tax declaration regime, holders of the Covered Bonds who are:

   i. Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity;

ii. Italian resident partnerships not carrying out commercial activities; and

iii. Italian private or public institutions not carrying out mainly or exclusively commercial activities,

may elect for the administrative savings regime ("*regime del risparmio amministrato*") to pay the *imposta sostitutiva* separately on capital gains realised on each sale, transfer or redemption of the Covered Bonds. Such separate taxation of capital gains is allowed subject to (i) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the administrative savings regime being timely made in writing by the relevant Bondholder. The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale, transfer or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the holder of the Covered Bonds, deducting a corresponding amount from the proceeds to be credited to the holder of the Covered Bonds or using funds provided by the holder of the Covered Bonds. Under the administrative savings regime, where a sale or transfer or redemption of the Covered Bonds results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Covered Bonds within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the administrative savings regime, the realised capital gain is not required to be included in the annual income tax return of the Bondholder and the Bondholder remains anonymous.

(c) Alternatively to the above described regimes, the aforementioned Bondholders may elect for the Asset Management Regime (the "*risparmio gestito*" regime), under which any capital gains realised upon sale, transfer or redemption by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Covered Bonds) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Also under the asset management regime the realised capital gain is not required to be included in the annual income tax return of the Bondholder and the Bondholder remains anonymous.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Covered Bonds realised upon sale, transfer or redemption by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in article 1, paragraph 100 – 114, of Law No. 232 and Article 1, paragraphs 211-215, of Law No. 145 and in Article 13-*bis* of Law Decree No. 124, all as amended and applicable from time to time. Pursuant to Article 1, paragraphs 219-225-*bis* of the Finance Act 2021 as amended and applicable from time to time, it is further provided that Italian resident individuals investing in long-term individual savings account compliant with Article 13-bis, paragraph 2-bis of Decree

124 may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realized in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (e.g. including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

Where a Bondholder is an Italian resident real estate investment fund or a real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. The income of the real estate fund or the SICAF is subject to tax, in the hands of the unitholder or shareholder, depending on the *status* and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units or share.

Any capital gains realised by a Bondholder who is an Italian Fund, a SICAV or a non-real estate SICAF will be included in the result of the relevant portfolio accrued at the end of the tax period. The Fund, SICAV or non-real estate SICAF will not be subject to taxation on such increase, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where an Italian resident Bondholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252) and the Covered Bonds are deposited with an Italian resident intermediary, any capital gains realised upon sale, transfer or redemption of the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include capital gains accrued on the Covered Bonds).

Subject to certain limitations and requirements (including minimum holding period), capital gains in respect of Covered Bonds realized upon sale, transfer or redemption by Italian pension fund may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in article 1, paragraphs 100 – 114, of Law No. 232 and Article 1, paragraphs 211-215, of Law No. 145 and in Article 13-*bis* of Law Decree No. 124, all as amended and applicable from time to time.

Non-Italian resident Bondholders

Capital gains realised by non-Italian resident Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale or redemption of Covered Bonds issued by an Italian resident issuer and traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale, transfer or redemption of Covered Bonds issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, **provided that** the beneficial owner of the Covered Bonds is:

(a) resident in a State or territory included in the White List as defined above; and

(b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

The same exemption applies where the non-Italian resident beneficial owners of the Covered Bonds are (i) international entities or organizations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors, whether or not subject to tax, established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

If none of the conditions above is met, capital gains realised by non-Italian resident Bondholders from the sale, transfer or redemption of Covered Bonds issued by an Italian resident issuer and not traded on regulated markets are subject to the imposta sostitutiva at the current rate of 26 per cent. However, Bondholders may benefit from an applicable tax treaty with the Republic of Italy providing that capital gains realised upon the sale, transfer or redemption of the Covered Bonds are to be taxed only in the country of tax residence of the recipient.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected elect for the asset management regime or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply **provided that** they timely file with the Italian authorised financial intermediary a self-declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Inheritance and gift taxes

Transfers of any valuable asset (including shares, Covered Bonds or other securities) as a result of death or donation are taxed as follows:

(a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding Euro 1,000,000;

(b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding Euro 100,000; and

(c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

Moreover, an anti-avoidance rule is provided for by Law No. 383 of 18 October 2001 for any gift of assets (such as the Covered Bonds) which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Covered Bonds for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the "case of use" (*caso d'uso*) or in case of "explicit reference" (*enunciazione*) or voluntary registration (*registrazione volontaria*).

Stamp Duty

Pursuant to article 13 par. 2-*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as amended by article 1 par. 581 of Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed €14,000 for taxpayers other than individuals. This stamp duty is determined on the market value or – in the absence of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Covered Bonds). Stamp duty applies both to Italian resident Bondholders and to non-Italian resident Bondholders, to the extent that the Covered Bonds are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable *pro rata*.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 9 February 2011, as subsequently amended, supplemented and restated) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to article 19 of Decree No. 201/2011, as amended and supplemented from time to time, Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions holding financial assets – including the Covered Bonds – outside of the Italian territory are required to pay in their own annual tax declaration a wealth tax (**IVAFE**) at the rate of 0.2 per cent. The wealth tax cannot exceed €14,000 for taxpayers which are not individuals. In this case the above mentioned stamp duty provided for by Article 13 par. 2-*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972 does not apply.

The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory.

Financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries pursuant to an administration agreement. In this case, the above mentioned stamp duty provided for by Article 13 par. 2-*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972 does apply.

Tax Monitoring

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax the amount of investments (including the Covered Bonds) directly or indirectly held abroad. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Covered Bonds deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through the intervention of qualified Italian financial intermediaries, upon condition that the items of income derived from the Covered Bonds have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

United States Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain US payments by a "foreign financial institution", or "**FFI**" (as defined by FATCA)) to persons that fail to meet certain certification, reporting or related requirements.

This withholding would not apply to payments on the Covered Bonds prior to the date that is two years after the publication of the final U.S. Treasury regulations defining the term foreign passthru payment and would only potentially apply to payments in respect of (i) any Covered Bonds characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal income tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Covered Bonds characterized as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Covered Bonds are issued on or before the grandfathering date, and additional Covered Bonds of the same series are issued after that date, the additional Covered Bonds may not be treated as grandfathered, which may have negative consequences for the existing Covered Bonds, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives (or, in the case of certain exempt entities, a "**Nonreporting FI**"). Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Italy have entered into an IGA (the "**US-Italy IGA**") based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI or Nonreporting FI pursuant to the US-Italy IGA it does not anticipate that it will be not obliged to deduct any FATCA Withholding on payments it makes on the Covered Bonds. There can be no assurance, however, that in the future the Issuer will not be required to deduct FATCA Withholding from payments it makes on the Covered Bonds. Accordingly, the Issuer and financial institutions through which payments on the Covered Bonds are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Covered Bonds is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Covered Bonds are cleared through Monte Titoli, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Covered Bonds by the Issuer, any paying agent and Monte Titoli, given that each of the entities in the payment chain between the Issuer and the participants in Monte Titoli is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Covered Bonds.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Covered Bonds. FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Covered Bonds. In the event any withholding or deduction would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

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Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the

course of the management of a professional or business undertaking, municipal business tax may apply as well.

Taxation of the Bondholders

Withholding Tax

(i) **Non-resident Bondholders**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Bondholders, nor on accrued but unpaid interest in respect of the Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident Bondholders.

(ii) **Resident Bondholders**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Bondholders, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident Bondholders.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payment under the Covered Bonds coming within the scope of the Relibi Law will be subject to withholding tax of 20 per cent.

In addition, pursuant to the Relibi Law, Luxembourg resident individuals can opt to self-declare and pay a 20 per cent. tax on payment of interest or similar incomes made or ascribed by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area. The 20 per cent. tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Income Taxation

(i) **Non-resident Bondholders**

A non-resident Bondholder, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Covered Bonds are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Covered Bonds. A gain realised by such non-resident Bondholder on the sale or disposal, in any form whatsoever, of the Covered Bonds is further not subject to Luxembourg income tax.

A non-resident corporate Bondholder or a non-resident individual Bondholder acting in the course of the management of a professional or business undertaking, which/who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Covered Bonds are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Covered Bonds and on any gains realised upon the sale or disposal, in any form whatsoever, of the Covered Bonds.

(ii) **Resident Bondholders**

Bondholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

A resident corporate Bondholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Covered Bonds, in its taxable income for Luxembourg income tax assessment purposes.

A resident Bondholder that is governed by the law of 11 May 2007 on family estate management companies as amended, or by the law of 17 December 2010 on undertakings for collective investment as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 23 July 2016 on reserved alternative investment funds and which does not fall under the special tax regime set out in article 48 thereof is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Covered Bonds.

A resident individual Bondholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Covered Bonds, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual Bondholder has opted for the application of a 20 per cent. tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State).

A gain realised by a resident individual Bondholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Covered Bonds is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Covered Bonds were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

A resident individual Bondholder acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

Net Wealth Taxation

A corporate Bondholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which whom such Covered Bonds are attributable, is subject to Luxembourg wealth tax on these Covered Bonds, except if the Bondholder is governed by the law of 11 May 2007 on family estate management companies as amended, or by the law of 17 December 2010 on undertakings for collective investment as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended, or is a reserved alternative investment funds within the meaning of the law of 23 July 2016.

However, please note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

This minimum net wealth tax amounts to EUR 4,815, if the relevant corporate Bondholder holds assets such as fixed financial assets, receivables owed to affiliated companies, transferable securities, postal checking accounts, checks and cash, in a proportion that exceeds 90 per cent. of its total balance sheet value and if the total balance sheet value of these very assets exceeds EUR 350,000. Alternatively, if the relevant corporate Bondholder holds 90 per cent. or less of financial assets or if those financial assets do not exceed EUR 350,000, a minimum net wealth tax varying between EUR 535 and EUR 32,100 would apply depending on the size of its balance sheet.

An individual Bondholder, whether she/he is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Covered Bonds.

Other Taxes

In principle, neither the issuance nor the transfer, repurchase or redemption of Covered Bonds will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or *ad valorem* registration duty may be due upon the registration of the Covered Bonds in Luxembourg in the case where the Covered Bonds are either (i) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*) or (iii) registered on a voluntary basis.

Where a Bondholder is a resident of Luxembourg for tax purposes at the time of her/his death, the Covered Bonds are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Covered Bonds if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

Residence

A Bondholder will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of such Covered Bond or the execution, performance, delivery and/or enforcement of that or any other Covered Bond.

SUBSCRIPTION AND SALE

Covered Bonds may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Programme Agreement dated 18 June 2010 (as amended on 20 December 2013, the "**Programme Agreement**") and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series or Tranche of Covered Bonds.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms*.

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Covered Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer further agrees, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of Covered Bonds comprising any Series or Tranche, offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it

has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II;

(c) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

Unless the Final Terms in respect of any Covered Bonds specifies "*Prohibition of Sales to EEA Retail Investors*" as "Not applicable", in relation to each Member State if the EEA (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Member State except that it may make an offer of such Covered Bonds to the public in that Relevant State:

- *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

- *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

- *Other exempt offers*: at any time in any other circumstances falling within article 1(4) of the Prospectus Regulation,

  provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to article 3 of the Prospectus Regulation or supplement a prospectus pursuant to article 23 of the Prospectus Regulation.

  For the purposes of this provision, (i) the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to

purchase or subscribe for the Covered Bonds and (ii) the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129."

Prohibition of sales to UK Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) *Qualified investors*: a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) *Fewer than 150 offerees*: a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) *Other exempt offers:* not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Covered Bonds to the public in the United Kingdom:

- at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Covered Bonds referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression "**an offer of Covered Bonds to the public**" in relation to any Covered Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds; and
- the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Selling Restrictions addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) *No deposit-taking*: in relation to any Covered Bonds which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) *Financial Promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

Italy

The offering of the Covered Bonds has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24

February 1998, as amended (the " **Financial Laws Consolidation Act** ") as implemented by article 35, paragraph 1(d) of CONSOB Regulation No. 20307 of 15 February 2018, as amended ("**CONSOB Regulation No. 20307**") and/or Italian CONSOB regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to article 1 of the Prospectus Regulation, article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws and regulations.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Laws Consolidation Act, CONSOB Regulation No. 16190 of 29 October 2007 and the Consolidated Banking Act (in each case as amended from time to time);

(ii) in compliance with article 129 of the Consolidated Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Covered Bonds in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

Switzerland

Each Dealer has acknowledged that in Switzerland, this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in Covered Bonds described herein. Accordingly, each Dealer has represented and agreed that the Covered Bonds have not been and will not be publicly offered, sold or advertised, directly or indirectly, by it in, into or from Switzerland and will not be listed by it on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations nor a

simplified prospectus as such term is understood pursuant to article 5 of the Swiss Collective Investment Scheme Act, and neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Base Prospectus nor any other offering or marketing material relating to the offering of the Covered Bonds has been or will be filed by the Issuer or any Dealer with or approved by any Swiss regulatory authority. Covered Bonds issued under the Programme do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act and are not subject to the approval of, or supervision by, any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority, and investors in the Covered Bonds will not benefit from protection or supervision by any Swiss regulatory authority.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the Dealers. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

GENERAL INFORMATION

Approval, Listing and Admission to Trading

This Base Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Regulation by the *Commission de Surveillance du Secteur Financier* ("**CSSF**") in its capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Regulation. Application has been made for Covered Bonds issued under the Programme to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Covered Bonds may be issued pursuant to the Programme which will be unlisted or be admitted to listing, trading and/or quotation by such other competent authority, stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Base Prospectus; and (ii) a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Regulation; and (iii) if so required by the competent authority of such Member State, a translation into the official language(s) of such Member State of a summary of this Base Prospectus.

Authorisations

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by a resolution of the board of directors of the Issuer dated 6 May 2010 and the giving of the Guarantee has been duly authorised by a resolution of the board of directors of the Guarantor dated 18 May 2010.

The increase of the Programme Limit has been authorised by the resolution of the board of directors of the Issuer dated 5 October 2017. The annual update of the Programme has been authorised by the resolution of the board of directors of the Issuer dated 9 February 2021.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

Legal and Arbitration Proceedings

Save as disclosed in (i) the "*Banca Monte dei Paschi di Siena S.p.A.*" section, paragraph 11 (*Legal Proceedings*), (ii) in the section "*Risk Factors – Risk Factors relating to the Issuer and the Group"*, in paragraph *"Risks deriving from judicial and administrative proceedings*", and (iii) paragraph "*Main types of legal risks*" on pages 83-85 of the BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020*,* neither BMPS nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BMPS is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of BMPS or the Group and the Guarantor.

Trend Information / No Significant Change

Save as disclosed in the section "*Risk Factors – Risk Factors relating to the Issuer and the Group*", under paragraphs "*Risks associated with the general economic/financial scenario*" on

pages 27-29 of this Base Prospectus with respect to the impact of COVID-19, "*Risks associated with capital adequacy*" pages 32-39 of this Base Prospectus, "*Risks deriving from judicial and administrative proceedings*" pages 46-48 of this Base Prospectus and "*Risks associated with possible aggregations*" pages 51-52 of this Base Prospectus, since 30 September 2021 there has been no significant change in the financial performance or position of the Issuer and/or the Group and since 31 December 2020 there has been no material adverse change in the prospects of the Issuer and/or the Group.

Since 31 December 2020 there has been no material adverse change in the prospects of the Guarantor and there has been no significant change in the financial performance or position of the Guarantor.

Minimum denomination

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, such Covered Bonds will not have a denomination of less than €100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer:

(i) the by-laws of the Issuer (which is also available on: https://www.gruppomps.it/static/upload/sta/statuto_eng_april_2019.pdf) and the constitutive documents of the Guarantor;

(ii) 2020 Consolidated Financial Statements;

(iii) 2020 Separate Financial Statements;

(iv) 2020 Guarantor Annual Financial Statements;

(v) 2020 Guarantor Independent Auditor's report;

(vi) BMPS Unaudited Consolidated Interim Financial Report as at 30 June 2021;

(vii) BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2021;

(viii) the consolidated audited annual financial statements of the Issuer as at and for the year ended on December 2019;

(ix) the annual financial statements of the Guarantor as at and for the year ended on December 2019;

(x) the financial statements of the Guarantor as at and for the year ended on 31 December 2019;

(xi) the auditors' reports for the Guarantor for the financial year ended on 31 December 2019;

(xii) the press release of the Issuer headed "*Banca Monte dei Paschi di Siena Board of Directors approves the 2022-2026 Strategic Plan*" and published on 17 December 2021;

(xiii) a copy of the terms and conditions and the rules of the organisation of the covered bondholder set out under base prospectus approved on 22 July 2020;

(xiv) any future Sustainability Bond Framework together with the relevant Second Party Opinion;

(xv) a copy of this Base Prospectus;

(xvi) any future offering circular, prospectuses, information memoranda and supplements to this Base Prospectus including Final Terms and any other documents incorporated herein or therein by reference;

Copies of all such documents shall also be available to Bondholders at the following website https://www.gruppomps.it/.

It being understood that this Base Prospectus, any supplement to this Base Prospectus, Final Terms and documents incorporated by reference shall remain publicly available in electronic form for at least 10 (ten) years after the relevant publication.

Auditors

On 29 April 2011 the Issuer has appointed EY S.p.A., with registered office at Via Lombardia 31, 00187, Rome, Italy, independent registered public accounting firm, authorized and regulated by the MEF and registered on the special register of auditing firms held by the MEF and a member of Assirevi Associazione Italiana Revisori Contabili, the Italian Auditors Association. EY S.p.A. has audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for the year ended on 31 December 2019.

On 11 April 2019, the Issuer's shareholders meeting appointed PricewaterhouseCoopers S.p.A., with registered office at Piazza Tre Torri 2, Milan, Italy, independent registered public accounting firm, registered under no. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the MEF, in compliance with the provisions of Legislative Decree of 27 January 2010, No. 39. and a member of Assirevi Associazione Italiana Revisori Contabili, the Italian Auditors Association, as auditor for the financial years 2020-2028.

EY S.p.A. has been appointed on 9 April 2019 to perform the audit of the financial statements of the Guarantor for the period between the year ended on 31 December 2019 and the year ending on 31 December 2021.

On 6 December 2019, the Guarantor's shareholders meeting terminated the appointment of EY S.p.A. and appointed PricewaterhouseCoopers S.p.A., appointed as auditor for the financial years 2020-2022.

Publication on the Internet

This Base Prospectus, any supplement thereto and the Final Terms will be available on the internet site of the Luxembourg Stock Exchange, at https://www.bourse.lu.

In any case, copy of this Base Prospectus together with any supplement thereto, if any, or further Prospectus, will remain publicly available in electronic form for at least 10 years on https://www.gruppomps.it/investor-relations/programmi-di-emissione-e-prospetti/emissioni-internazionali-obbligazioni-mps-2020-emtn-e-obg.html.

Material Contracts

Neither the Issuer nor the Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Bondholders.

Clearing of the Covered Bonds

The Covered Bonds issued in bearer and dematerialised form have been accepted for clearance through Monte Titoli, Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms. The relevant Conditions and/or Final Terms shall specify (i) any other clearing system for the Covered Bonds issued in bearer and dematerialised form as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information or (ii) with respect to Covered Bonds issued in any of the other form which may be indicated in the relevant Conditions and/or Final Terms, the indication of the agent or registrar through which payments to the Bondholders will be performed.

Yield

In relation to any Tranche of Fixed Rate Covered Bonds and Zero Coupon Bonds, an indication of the yield in respect of such Covered Bonds will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Covered Bonds on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Covered Bonds and will not be an indication of future yield.

Dealers Transacting with the Issuer

MPS Capital Services Banca per le Imprese S.p.A. belongs to the Monte dei Paschi Group and is subject to control and guidelines of Banca Monte dei Paschi di Siena S.p.A..

Besides, certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in lending, advisory, corporate finance services investment banking and/or commercial banking transactions (including the provision of loan facilities) and other related transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business and/or for companies involved directly or indirectly in the sector in which the Issuer and/or its affiliates operate, and for which such Dealers have received or may receive customary fees, commissions, reimbursement of expenses and indemnification. Certain of the Dealers may also have positions, deals or make markets in the Covered Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Dealers and/or their affiliates may receive allocations of the Covered Bonds (subject to customary closing conditions), which could affect future trading of the Covered Bonds. If any of the Dealers or their affiliates has a lending relationship with the Issuer, certain of the Dealers or their affiliates routinely or may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GLOSSARY

"**15% Limit**" means the limit of 15 per cent. (of the aggregate outstanding principal amount of the Cover Pool) of Top-Up Assets that may be included in the Cover Pool unless otherwise permitted by law or applicable regulation.

"**Accrual Yield**" has the meaning given in the relevant Final Terms.

"**Accrued Interest**" means, as of any Valuation Date and in relation to any Eligible Asset to be assigned as at that date, the portion of the Interest Instalment accrued, but not yet due, as at such date.

"**Additional Criteria**" means the further criteria which can be identified pursuant to clause 2.3.2(c) of the Master Assets Purchase Agreement.

"**Additional Seller**" means any entity being part of the Montepaschi Group that may transfer one or more New Portfolios to the Guarantor following the accession to the Programme pursuant to the Programme Documents.

"**Additional Servicer**" means each Additional Seller which has been appointed as servicer in relation to the Assets transferred to the Guarantor, following the accession to the Programme and to the Master Servicing Agreement, pursuant to the Programme Documents.

"**Additional Subordinated Lender**" means each Additional Seller in its capacity as additional subordinated lender, pursuant to the relevant Subordinated Loan Agreement.

"**Adjustment Purchase Price**" means the purchase price adjusted on the basis of calculations carried out pursuant to clause 7 of the Master Assets Purchase Agreement.

"**Affected Assets**" has the meaning ascribed to the term "*Attivi Interessati*" in the Warranty and Indemnity Agreement.

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

"**Adjusted Aggregate Asset Amount**" means the amount calculated pursuant to the formula set out in clause 3.3 of the Cover Pool Management Agreement.

"**Amortisation Test**" means the Test as indicated in clause 4 of the Cover Pool Management Agreement.

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

"**Asset Backed Securities**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310 the asset backed securities for which a risk weight not exceeding 20 per cent. is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach - **provided that** at least 95 per cent. of the relevant securitised assets are:

(i) Residential Mortgage Loans;

(ii) Commercial Mortgage Loans;

(iii) Public Entity Receivables or Public Entity Securities.

and, in any case, complying with the requirements of the ECB Guidelines.

"**Asset Coverage Test**" has the meaning as indicated pursuant to clause 3 of the Cover Pool Management Agreement.

"**Asset Monitor**" means Deloitte & Touche S.p.A. in its capacity as asset monitor pursuant to the Asset Monitor Engagement Letter and the Asset Monitor Agreement.

"**Asset Monitor Agreement**" means the agreement entered on 18 June 2010 between, *inter alios*, the Asset Monitor, the Issuer and the Guarantor, as amended from time to time.

"**Asset Monitor Engagement Letter**" means the engagement letter entered into, on 18 June 2010, as subsequently amended on 22 April 2015, 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 No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iii) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

"**Asset Monitor Report Date**" means any date on which the Asset Monitor shall deliver a report including the results of the verifications carried out by it under the terms of the Asset Monitor Agreement.

"**Asset Percentage**" means the lower of (i) 83.00 per cent. and (ii) such other percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agencies (after procuring the level of overcollateralisation in line with the target rating). Such new figure of the Asset Percentage shall be set out in the Payments Report and shall thus form part of the calculation of the Asset Coverage Test. Notwithstanding the above, in the event the Issuer chooses not to apply such other percentage figure (item (ii) above) of the Asset Percentage, this will not result in a breach of the Asset Coverage Test.

"**Asset Swap Agreement**" means any asset swap agreement which may be entered into between an Asset Swap Provider and the Guarantor.

"**Asset Swap Provider**" means any entity acting as swap counterparty under an Asset Swap Agreement.

"**Back-Up Account Bank**" means any of the Italian Back-Up Account Bank and the English Back-Up Account Bank.

"**Back-Up Servicer**" means Banca Finanziaria Internazionale S.p.A. or any other company that will be appointed in such capacity by the Guarantor, together with the Representative of the Bondholders, pursuant to clause 10.1 of the Master Servicing Agreement.

"**Back-up Servicer Facilitator**" means Banca Finanziaria Internazionale S.p.A. or any other entity acting in such capacity pursuant to the Servicing Agreement.

"**Bank of Italy Regulations**" means the regulations No. 285 issued by the Bank of Italy on 17 December 2013, as supplemented from time to time.

"**Bankruptcy Law**" means Royal Decree No. 267 of 16 March 1942, as subsequently amended and supplemented.

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

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

"**Bondholders**" means the holders from time to time of the Covered Bonds included in each Series or Tranche of Covered Bonds.

"**Breach of Tests Cure Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement.

"**Breach of Test Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement following the infringement of one of the Tests prior to an Issuer Event of Default and/or a Guarantor Event of Default.

"**Business Day**" means any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Luxembourg and London and on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET 2) (or any successor thereto) is open.

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

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

"**Calculation Amount**" is the amount used for the calculation of interest amounts and redemption amounts for the relevant covered bonds as specified in the relevant Final Terms.

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

"**Call Option**" has the meaning given in the relevant Final Terms.

"**Cash Allocation, Management and Payments Agreement**" means the cash allocation, management and payments agreement entered on 18 June 2010 between, *inter alios*, the Guarantor, the Representative of the Bondholders, the Paying Agent(s), the Italian Account Bank and the English Account Bank, as amended from time to time.

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

"**Cash Manager Report**" means the report produced by the Cash Manager pursuant to the Cash Allocation, Management and Payments Agreement.

"**Cessation of Business**" means, with respect to the Issuer, the loss of the banking licence.

"**Civil Code**" means the Italian civil code, enacted by Royal Decree No. 262 of 16 March 1942, as subsequently amended and supplemented.

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

"**Collateral Account(s)**" means any other cash and/or securities account (different from the Guarantor's Accounts) opened by the Guarantor pursuant to clause 7.4 of the Intercreditor Agreement.

"**Collateral Security**" means any security (including any loan mortgage insurance and excluding Mortgages) granted to the Principal Seller (or any Additional Seller(s), if any) by any Debtor in order to guarantee the payment and/or redemption of any amounts due under the relevant Mortgages Loan Agreement.

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

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

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

"**Commercial Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310 a commercial mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher-ranking mortgage loans secured by the same property does not exceed 60 per cent. and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"**Common Criteria**" means the criteria listed in schedule 1 to the Master Assets Purchase Agreement.

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

"**Consolidated Banking Act**" means Legislative Decree No. 385 of 1 September 1993, as subsequently amended and supplemented.

"**Contractual Rights**" has the meaning given to it pursuant to the Mandate Agreement.

"**Corporate Services Agreement**" means the corporate services agreement entered on 18 June 2010 between, *inter alios*, the Guarantor and the Guarantor Corporate Servicer.

"**Corresponding Interest**" has the meaning given to the term "Interesse Collegato" in the Subordinated Loan Agreement.

"**Corresponding Series or Tranche of Covered Bonds**" means, in respect of a Fixed Interest Term Loan or a Floating Interest Term Loan, the Series or Tranche of Covered Bonds issued or to be issued pursuant to the Programme and notified by the Subordinated Lender to the Guarantor in the relevant Term Loan Proposal.

"**Cover Pool**" means the cover pool constituted by (i) Receivables; (ii) any other Eligible Assets; and (iii) any Top-Up Assets.

"**Cover Pool Management Agreement**" means the Cover Pool management agreement entered on 18 June 2010 between, *inter alios*, the Issuer, the Guarantor, the Principal Seller, the Pre-Issuer Default Test Calculation Agent, the Post-Issuer Default Test Calculation Agent, the Guarantor Calculation Agent and the Representative of the Bondholders, as amended from time to time.

"**Covered Bond Swap Agreement**" means each International Swaps and Derivatives Association ("**ISDA**") 1992 Master Agreement (*Multicurrency Cross Border*) (together with the Schedule and credit support annex thereto and the confirmations evidencing interest rate swap transactions thereunder) entered into from time to time between the Guarantor and a Covered Bond Swap Provider, as amended from time to time.

"**Covered Bond Swap Provider**" means any entity acting as covered bond swap provider under a Covered Bond Swap Agreement to the Guarantor and "**Covered Bond Swap Providers**" means more than one of them.

"**Covered Bonds**" means the Covered Bonds (*Obbligazioni Bancarie Garantite*) of each Series or Tranche issued or to be issued by the Issuer in the context of the Programme.

"**Credit and Collection Policy**" means the procedures for the management, collection and recovery of the Receivables attached as schedule 3 to the Master Servicing Agreement.

"**Criteria**" means, collectively, the Common Criteria, the Specific Criteria and any Additional Criteria pursuant to the terms of the Master Assets Purchase Agreement.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in the Terms and Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;

(ii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

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

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

where:

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

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

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

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

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30";

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

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

where:

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

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

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

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

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

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

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

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 GmbH.

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

DBRS	Moody's	S&P	Fitch
AAA	Aaa	AAA	AAA
AA(high)	Aa1	AA+	AA+
AA	Aa2	AA	AA
AA(low)	Aa3	AA-	AA-
A(high)	A1	A+	A+
A	A2	A	A
A(low)	A3	A-	A-
BBB(high)	Baa1	BBB+	BBB+
BBB	Baa2	BBB	BBB
BBB(low)	Baa3	BBB-	BBB-
BB(high)	Ba1	BB+	BB+
BB	Ba2	BB	BB
BB(low)	Ba3	BB-	BB-
B(high)	B1	B+	B+
B	B2	B	B
B(low)	B3	B-	B-
CCC(high)	Caa1	CCC+	CCC+
CCC	Caa2	CCC	CCC
CCC(low)	Caa3	CCC-	CCC-
CC	Ca	CC	CC
C	C	D	D

"**DBRS Rating**" is any of the following:

- Public rating
- Private rating

- Internal assessment

(2) if a Fitch public rating, a Moody's public rating and an S&P public rating in respect of the Eligible Investment or the Eligible Institution (each, a "**Public Long Term Rating**") are all available at such date, the DBRS Rating will be the DBRS Equivalent Rating of such Public Long Term Rating remaining after disregarding the highest and lowest of such Public Long Term Ratings from such rating agencies (**provided that** if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below). For this purpose, if more than one Public Long Term Rating has the same highest DBRS Equivalent Rating or the same lowest DBRS Equivalent Rating, then in each case one of such Public Long Term Ratings shall be so disregarded;

(3) if the DBRS Rating cannot be determined under (a) above, but Public Long Term Ratings of the Eligible Investment by any two of Fitch, Moody's and S&P are available at such date, the DBRS Equivalent Rating of the lower such Public Long Term Rating (**provided that** if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below); and

(4) if the DBRS Rating cannot be determined under (a) and (b) above, but Public Long Term Ratings by any one of Fitch, Moody's and S&P are available at such date, then the DBRS Equivalent Rating will be such Public Long Term Rating (**provided that** if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below).

If at any time the DBRS Rating cannot be determined under subparagraphs (a) to (c) above, the DBRS Rating will be deemed to be of "C" at such time.

"**Dealers**" means Barclays Bank Ireland PLC, MPS Capital Services Banca per le Imprese S.p.A. and NatWest Markets N.V., and any other entity that will be appointed as such by the Issuer by means of the subscription of a letter under the terms or substantially under the terms provided in schedule 6 of the Programme Agreement.

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

"**Decree No. 239**" means the Italian Legislative Decree No. 239 of 1 April 1996, as subsequently amended and supplemented.

"**Decree No. 310**" means the ministerial decree No. 310 of 14 December 2006 issued by the Ministry of the Economy and Finance, as subsequently amended and supplemented.

"**Deed of Pledge**" means the Italian law deed of pledge entered on 18 June 2010.

"**Defaulted Asset Backed Securities**" means any Asset Backed Securities in respect of which an insolvency event or another event contractually indicated as event of default by the relevant issuer has occurred and is continuing pursuant to the relevant terms and conditions.

"**Defaulted Assets**" means, collectively, the Defaulted Receivables and the Defaulted Asset Backed Securities.

"**Defaulted Receivables**" means any Receivable (i) which has been classified as "defaulted" (*credito in sofferenza*) pursuant to the Bank of Italy's supervisory regulations (*Istruzioni di Vigilanza della Banca d'Italia*) and the Credit and Collection Policy; or (ii) in respect of which there are 12 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with monthly instalments), 7 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with quarterly instalments) or 4 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with semi-annual instalments).

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

"**Delinquent Assets**" means the Delinquent Receivables.

"**Delinquent Receivables**" means any Receivable (i) which has been classified as "delinquent" (*credito ad incaglio*) pursuant to the Bank of Italy's supervisory regulations (*Istruzioni di Vigilanza della Banca d'Italia*) and the Credit and Collection Policy, or (ii) in respect of which there are 7 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with monthly instalments), 5 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with quarterly instalments) or 3 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with semi-annual instalments), or (iii) deriving from Mortgage Loans which have been restructured in connection with the accession to the "*Combatti la crisi*" program.

"**Documentation**" means (i) any documentation relating to the Receivables comprised in the Portfolio; (ii) any documentation relating to the operations of securitisation in the context of which the Asset Backed Securities have been issued pursuant to Law 130; and (iii) any other documents relating to Eligible Assets and/or Top-Up Assets transferred from time to time by each Seller in the context of the Programme.

"**Drawdown Date**" means the date indicated in each Term Loan Proposal on which a Term Loan is granted pursuant to the Subordinated Loan Agreement (or, in respect of any Additional Subordinated Lenders, pursuant to the relevant Subordinated Loan Agreement) during the Subordinated Loan Availability Period.

"**Due for Payment**" means the requirement for the Guarantor to pay any Guaranteed Amounts following the delivery of a Guarantee Enforcement Notice after the occurrence of certain Issuer 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 (being the relevant Maturity Date or Extended Maturity Date, as the case may be); and(ii) following the occurrence of a Guarantor Event of Default, the date on which the Guarantor Default Notice is served on the Guarantor.

"**Earliest Maturing Covered Bonds**" means, at any time, the Series or Tranche of Covered Bonds that has or have the earliest Maturity Date (if the relevant Series or Tranche of Covered Bonds is not subject to an Extended Maturity Date) or Extended Maturity Date (if the relevant Series or Tranche of Covered Bonds is subject to an Extended Maturity Date) as specified in the relevant Final Terms.

"**Early Redemption Amount (Tax)**" means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

"**Early Termination Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series or Tranche or such other amount as may be specified in, or determined in accordance with, the Terms and Conditions or the relevant Final Terms.

"**ECB Guidelines**" means the Guideline of the European Central Bank of 20 September 2011 (ECB/2011/14), published on the Official Gazette of the European Union No. 331 of 14 December 2011, as amended by the Guideline of the European Central Bank on 26 November 2012 (ECB/2012/25) published on the Official Gazette of the European Union No. 348 on 18 December 2012, both relating to monetary policy instruments and procedures of the Eurosystem, and the decisions of the European Central Bank dated, respectively, 20 March 2013 (ECB/2013/6), on the rules concerning the use as collateral for Eurosystem monetary policy operations of own-use uncovered government-guaranteed bank bonds, and 26 September 2013 on additional measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2013/35), as subsequently amended and supplemented.

"**Eligible Assets**" means the following assets contemplated under article 2, sub-paragraph 1, of Decree No. 310:

(i) Residential Mortgage Loans;

(ii) Asset Backed Securities.

"**Eligible Institution**" means any credit institution incorporated under the laws of any state which is a member of the EEA or of the United States, whose short-term unsecured and unsubordinated debt obligations with respect to DBRS have a DBRS Rating or DBRS Equivalent Rating equal to the Minimum DBRS Rating, at least "F-1" by Fitch and at least "P-1" by Moody's and whose long-term unsecured and unsubordinated debt obligations are rated at least "A" by Fitch and at least "P-1" by Moody's no long term Moody's rating, (**provided that**, if any of the above credit institutions is on rating watch negative, it shall be treated as one notch below its current Fitch rating) or any other rating level from time to time provided for in the Rating Agencies' criteria.

"**Eligible Investment**" means any investment denominated in Euro (unless a suitable hedging is in place) that has a maturity date falling, or which is redeemable at par together with accrued unpaid interest, no later than the next following Eligible Investment Liquidation Date and that is an obligation of a company incorporated in, or a sovereign issuer of, a Qualifying Country (as defined below), **provided that** in case of downgrade below such rating level the securities will be sold, if it could be achieved without a loss, otherwise the securities shall be allowed to mature, and is one or more of the following obligations or securities (including, without limitation, any obligations or securities for which the Cash Manager or the Representative of the Bondholders or an affiliate of any of them provides services):

(i) direct obligations of any agency or instrumentality of a sovereign of a Qualifying Country, the obligations of which agency or instrumentality are unconditionally and irrevocably guaranteed in full by a Qualifying Country, a "Qualifying Country" being a country rated at the time of such investment or contractual commitment providing for such investment in such obligations, at least "AA-" or "F1+" by Fitch, "Aa3" and "P-1" by Moody's and AA (low) or R-1 (middle) by DBRS;

(ii) demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any depositary institution or trust company (including, without limitation, the English Account Bank and the Italian Account Bank) incorporated under the laws of a Qualifying Country with, in each case, a maturity of no more than 30 days (and in any case falling prior to the immediately following Eligible Investment Liquidation Date) and subject to supervision and examination by governmental banking authorities, **provided that** the commercial paper and/or the debt obligations of such depositary institution or trust company (or, in the case of the principal depositary institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of at least "A" and "F1" by Fitch,"A2" and "P-1" by Moody's and with respect to DBRS rated according to the "DBRS A" table;

(iii) any security rated at least (A) "P-1" by Moody's, "A" and "F1" by Fitch and with respect to DBRS according to the DBRS A, if the relevant maturity is up to 30 calendar days, (B) "P-1" by Moody's and "AA-" or "F1+" by Fitch and with respect to DBRS according DBRS B table, if the relevant maturity is up to 365 calendar days **provided that**, in all cases, the maximum aggregate total exposures in general to classes of assets with certain ratings by the Ratings Agencies will, if requested by any Rating Agencies, be limited to the maximum percentages specified by any such Rating Agencies;

(iv) any Top-Up Asset and/or Public Entity Securities and/or Asset Backed Securities, **provided that**, in all cases, such investments shall from time to time comply with Rating Agencies' criteria;

(v) subject to the rating of the Covered Bonds not being affected, unleveraged repurchase obligations with respect to: (1) commercial paper or other short-term obligations having, at the time of such investment, a credit rating of at least "AA-" or "F1+" by Fitch, "Aa3" and "P-1" by Moody's and a maturity of not more than 180 days from their date of issuance and with respect to DBRS, a credit rating of the counterparty according to the DBRS A and DBRS B tables; (2) off-shore money market funds rated, at all times, "AAA/V-1" by Fitch and "Aaa/MR1+" by Moody's and with respect to DBRS, a credit rating of the counterparty according to the tables DBRS A and DBRS B; and (3) any other investment similar to those described in paragraphs (1) and (2) above: (a) **provided that** any such other investment will not affect the rating of the Covered Bonds; and (b) which has the same rating as the investment described in paragraphs (1) and (2) above, **provided that**, (x) in any event, none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in any such instruments at any time and (y) title to the securities underlying such repurchase transactions (in the period between the execution of the relevant repurchase transactions and their respective maturity) effectively passes (as confirmed by a non qualified legal opinion by a primary standing law firm) to the Issuer and the obligations of the relevant counterparty are not related to the performance of the underlying securities.

DBRS A Table:

Eligible Investments with a maturity up to 30 days: CB Rating	**Eligible Investment Rating**
AAA	A or R-1(middle)

AA (high)	A or R-1(middle)
AA	A or R-1(middle)
AA (low)	A or R-1(middle)
A (high)	BBB (high) or R-2 (high)
A	BBB or R-2 (middle)
A (low)	BBB (low) or R-2 (low)
BBB (high)	BBB (low) or R-2 (low)
BBB	BBB (low) or R-2 (low)
BBB (low)	BBB (low) or R-2 (low)
BB (high)	BB (high) or R-3
BB	BB or R-4
BB (low)	BB (low) or R-4

DBRS B Table:

Maximum maturity	CB rated at least AA (low)	CB rated between A (high) and A (low)	CB rated BBB (high) and below
90 days	AA (low) or R-1 (middle)	A (low) or R-1 (low)	BBB (low) or R-2 (middle)
180 days	AA or R-1 (high)	A or R-1 (low)	BBB or R-2 (high)
365 days	AAA or R-1 (high)	A (high) or R-1 (middle)	BBB or R-2 (high)

"**Eligible Investment Date**" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, any Business Day immediately after a Guarantor Payment Date.

"**Eligible Investment Liquidation Date**" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, two Business Days before the Guarantor Calculation Date immediately following the relevant Eligible Investment Date.

"**Eligible Investments Securities Account**" means the securities account number 284175,31 opened in the name of the Guarantor with the Italian Account Bank or any other substitutive account that may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**English Account**" means each of the Main Programme Account and the Reserve Account, and "English Accounts" means all of them.

"**English Account Bank**" means Banca Monte dei Paschi di Siena S.p.A..

"**English Account Bank Agreement**" means the English Account Bank agreement entered on 18 June 2010 between, *inter alios*, the Issuer, the Guarantor, the Italian Account Bank, the English Account Bank and the Representative of the Bondholders, as amended from time to time.

"**English Back-Up Account Bank**" means The Bank of New York Mellon, London Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payments Agreement.

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

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

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

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

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

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

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

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

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

"**Excess Term Loan Amount**" means any amount equal to the Accrued Interest collected by the Guarantor, as specified in the relevant Servicer's Reports.

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

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

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

"**Extended Maturity Date**" means, in relation to a specific Series or Tranche of Covered Bonds, the date falling 38 years after the relevant Maturity Date.

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

"**Final Redemption Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series.

"**Final Terms**" means, in relation to any issue of any Series or Tranche of Covered Bonds, the relevant terms contained in the applicable Programme Documents and, in case of any Series or Tranche of Covered Bonds to be admitted to listing, the final terms submitted to the appropriate listing authority on or before the Issue Date of the applicable Series or Tranche of Covered Bonds.

"**Financial Laws Consolidation Act**" means Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented from time to time.

"**First Interest Payment Date**" means the date specified in the relevant Final Terms.

"**First Issue Date**" means the Issue Date of the first Covered Bonds issued under the Programme.

"**First Loan Interest Period**" means, in relation to any Term Loan, the period starting on the relevant Drawdown Date (exclusive) and ending on the first following Guarantor Payment Date (inclusive).

"**First Series of Covered Bonds**" means the first Series of Covered Bonds issued by the Issuer in the context of the Programme.

"**First Tranche of Covered Bonds**" means if applicable the first Tranche of Covered Bonds issued by the Issuer in the context of the issuance of the First Series of Covered Bonds.

"**Fitch**" means Fitch Ratings Ireland Limited.

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

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

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

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

"**Floating Rate Provisions**" has the meaning given in the relevant Final Terms.

"**FSMA**" means the Financial Services and Markets Act 2000, as amended from time to time.

"**Guarantee**" means the guarantee granted by the Guarantor for the purpose of guaranteeing the payments owed by the Issuer to the Bondholders and to the Other Guarantor Creditors pursuant to Law 130, Decree No. 310 and the Bank of Italy Regulations.

"**Guarantee Enforcement Notice**" means the notice to be served by the Representative of the Bondholders upon occurrence of certain Issuer Event of Default as better specified in Condition 12.2 (*Issuer Event of Default*).

"**Guarantee Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied on each Guarantor Payment Date, following the delivery of a Guarantee Enforcement Notice and prior to the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

"**Guaranteed Amounts**" means the Redemption Amount, the Interest Amount and any other amounts due from time to time by the Issuer to the Bondholders with respect to each Series or Tranche of Covered Bonds, including, for avoidance of doubt and without double counting, any amount that have been already paid timely by (or on behalf of) the Issuer to the Bondholders, to the extent it was clawed-back thereafter by a bankruptcy receiver, liquidator or other duly appointed officer upon opening of any bankruptcy proceedings or other similar insolvency proceedings of the Issuer.

"**Guaranteed Obligations**" means the payment obligations with respect to the Guaranteed Amounts.

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

"**Guarantor's Accounts**" means, collectively, the Italian Collection Account, the Italian Securities Collection Account, the Main Programme Account, the Expenses Account, the Eligible Investments Securities Account and any other account opened in the context of the Programme with the exception of any Collateral Account(s) as defined pursuant to clause 7.4 of the Intercreditor Agreement.

"**Guarantor Available Funds**" means, collectively, the Interest Available Funds and the Principal Available Funds.

"**Guarantor Calculation Agent**" means Banca Finanziaria Internazionale S.p.A. or any other entity acting in such capacity pursuant to the terms of the Cover Pool Management Agreement.

"**Guarantor Calculation Date**" means the date falling on the 22nd calendar day of March, June, September and December, or, if such day is not a Business Day, the immediately succeeding Business Day.

"**Guarantor Corporate Servicer**" means Banca Finanziaria Internazionale S.p.A. or any other entity acting in such capacity pursuant to the terms of the Corporate Services Agreement.

"**Guarantor Default Notice**" means the notice to be served by the Representative of the Bondholders in case of a Guarantor Event of Default.

"**Guarantor Event of Default**" has the meaning given to it in the Terms and Conditions of the Covered Bonds.

"**Guarantor Payment Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling 5 Business Days after the Guarantor Calculation Date of March, June, September and December or, if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

"**Guarantor's Rights**" means the Guarantor's rights under the Programme Documents.

"**IFRS**" means international financial reporting and accounting standards issued by the International Accounting Standards Board (IASB).

"**Individual Purchase Price**" means:

(i) with respect to each Receivable transferred pursuant to the Master Assets Purchase Agreements, the most recent book value (*ultimo valore di iscrizione in bilancio*) of the relevant Receivable:

(A) *minus* the aggregate amount of (1) the accrued interest obtained at the date of the last financial statement with reference to such Receivable and included in such book value; and (2) any collections with respect to principal received by the relevant Seller with respect to such Receivable, starting from the date of the most recent financial statement (*ultimo bilancio*) until the relevant Valuation Date (included); and

(B) increased of the aggregate amount of the Accrued Interest with respect to such Receivable obtained at the relevant Valuation Date;

(ii) such other value, pursuant to article 7-*bis*, sub-paragraph 7, of Law 130, as indicated by the Principal Seller (or each Additional Seller, if any) in the relevant Transfer Proposal (also with respect to any further Eligible Assets different from the Receivables or any Top-Up Assets).

"**Initial Portfolio**" means the first portfolio of Receivables and related Security Interests to be purchased by the Guarantor pursuant to the Master Assets Purchase Agreement.

"**Initial Portfolio Purchase Price**" means the consideration paid by the Guarantor to the Principal Seller for the transfer of the Initial Portfolio, calculated in accordance with clause 5.1 of the Master Assets Purchase Agreement.

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

(i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*" and "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a pignoramento or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company, entity or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Programme Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to article 74 of the Consolidated Banking Act); or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2484 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or

(v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business.

(vi) such company, entity or corporation becomes subject to any proceedings resulting from the implementation of directive 2014/59/UE of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**"),

"**Instalment**" means with respect to each Mortgage Loan Agreement, each instalment due from the relevant Debtor thereunder and which consists of an Interest Instalment and a Principal Instalment.

"**Instalment Amount**" has the meaning set out in Condition 9(h) (*Redemption and Purchase - Redemption by instalments)*.

"**Insurance Policies**" means (i) each insurance policy taken out with the insurance companies in relation to each Real Estate Asset and each Mortgage Loan or (ii) any possible "umbrella" insurance policy in relation to the Real Estate Assets which have lost their previous relevant insurance coverage.

"**Intercreditor Agreement**" means the intercreditor agreement entered on 18 June 2010 between, *inter alios*, the Guarantor and the Other Guarantor Creditors, as amended from time to time.

"**Interest Amount**" means, in relation to any Series or Tranche of Covered Bonds and an Interest Period, the amount of interest payable in respect of that Series or Tranche for that Interest Period.

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

(i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Main Programme Account during the immediately preceding Collection Period;

(ii) all recoveries in the nature of interest received by the Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Programme Accounts during the immediately preceding Collection Period;

(iv) any amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount, and following the service of a Guarantee Enforcement Notice, on the Guarantor, any amounts standing to the credit of the Reserve Account;

(v) any interest amounts standing to the credit of the Programme Accounts;

(vi) all interest amounts received from the Eligible Investments;

(vii) subject to item (ix) below, any amounts received under the Asset Swap Agreement and the Covered Bond Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Guarantor Calculation Date, (i) to

make payments in respect of interest due and payable, *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and *pro rata* in respect of each relevant Series or Tranche of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Guarantor Calculation Agent may reasonably determine, or otherwise;

(viii) subject to item (ix) below, any amounts received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts;

(ix) any swap termination payments received from a Swap Provider under any Swap Agreement;

provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will be, to the extent permitted by the relevant Swap Agreement, net of any cost necessary to replace the swap provider and find an eligible swap counterparty to enter into a replacement swap agreement;

(x) all interest amounts received from the Principal Seller (or any Additional Seller, if any) by the Guarantor pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

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

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

"**Interest Commencement Date**" means the Issue Date of the relevant Series or Tranche of Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

"**Interest Coverage Test**" has the meaning as indicated pursuant to clause 2.4 of the Cover Pool Management Agreement.

"**Interest Determination Date**" has the meaning given in the relevant Final Terms.

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

31. "**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest

Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"**Interest Shortfall Amount**" means, on any Guarantor Payment Date, an amount equal to the difference, if positive, between (a) the aggregate amounts payable (but for the operation of clause 13 (*Enforcement of Security, Non Petition and Limited Recourse*) of the Intercreditor Agreement) under items *First* to *Fifth* of the Pre-Issuer Default Interest Priority of Payments; and (b) the Interest Available Funds (net of such Interest Shortfall Amount) on such Guarantor Payment Date.

"**ISDA Definitions**" has the meaning given in the relevant Final Terms.

"**ISDA Determination**" has the meaning given in the relevant Final Terms.

"**Issue Date**" means each date on which a Series or Tranche of Covered Bonds is issued.

"**Issuer**" means BMPS.

"**Issuer Event of Default**" has the meaning given to it in the Terms and Conditions of the Covered Bonds.

"**Issuer Default Notice**" means the notice to be served by the Representative of the Bondholders to upon occurrence of certain Issuer Event of Default as better specified in Condition 12.2 (*Issuer Event of Default*).

"**Istruzioni di Vigilanza**" means the regulations for banks issued by the Bank of Italy on 21 April 1999 with Circular No. 229, as subsequently amended and supplemented.

"***Istruzioni di Vigilanza per gli Intermediari Finanziari***" means the regulations for financial intermediaries issued by the Bank of Italy on 5 August 1996 with circular number 216, as subsequently amended and supplemented.

"**Italian Account Bank**" means BMPS in its capacity as Italian account bank pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Account Bank Report**" means the report produced by the Italian Account Bank pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Account**" means each of the Italian Collection Account, the Italian Securities Collection Account, the Payments Account, the Expenses Account and the Eligible Investments Securities Account, and "**Italian Accounts**" means all of them.

"**Italian Back-Up Account Bank**" means The Bank of New York Mellon (Luxembourg) S.A., Italian Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Collection Account**" means any of the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of any amount of the Collections of the Portfolios number 000008417530 (IBAN: IT 27 S 01030 14200 000008417530) and any other account which may be opened by the Guarantor if a bank part

of the Montepaschi Group will accede the Programme in its capacity as Additional Seller and Additional Servicer, for the deposit of the collections of the Portfolios transferred by such bank, in its capacity as Additional Seller, to the Guarantor, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Securities Collection Account**" means any of the securities account opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of the Asset Backed Securities number 184175,79 and any other account which may be opened by the Guarantor if a bank part of the Montepaschi Group will accede the Programme in its capacity as Additional Seller and Additional Servicer, for the deposit of the Asset Backed Securities transferred by such bank, in its capacity as Additional Seller, to the Guarantor, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Joint-Arrangers**" means, collectively, Barclays Bank Ireland PLC, BMPS and NatWest Markets N.V..

"**Latest Valuation**" means, at any time with respect to any Real Estate Asset, the value given to the relevant Real Estate Asset by the most recent valuation (to be performed in accordance with the requirements provided for under the Prudential Regulations) addressed to the Seller(s) or obtained from an independently maintained valuation model, acceptable to reasonable and prudent institutional mortgage lenders in Italy.

"**Joint Regulation**" means the joint regulation of CONSOB and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, as subsequently amended and supplemented from time to time.

"**Law 130**" means Italian Law No. 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

"**Liabilities**" means in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgements, actions, proceedings or other liabilities whatsoever including legal fees and any taxes and penalties incurred by that person, together with any value added or similar tax charged or chargeable in respect of any sum referred to in this definition.

"**Loan Interest**" means any of the Base Interest or the Corresponding Interest, as calculated in the Subordinated Loan Agreement.

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

"**Main Programme Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the English Account Bank, number 50456002 (IBAN GB58 PASC 4051 6850 4560 02), or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Mandate Agreement**" means the mandate agreement entered on 18 June 2010 between the Guarantor and the Representative of the Bondholders.

"**Mandatory Tests**" means the tests provided for under article 3 of Decree No. 310 as calculated pursuant to the Cover Pool Management Agreement.

"**Margin**" has the meaning set out to the term "Margine" in the Subordinated Loan Agreement.

"**Master Assets Purchase Agreement**" means the master assets purchase agreement entered on 25 May 2010 between the Guarantor, the Principal Seller and, following accession to the Programme, each Additional Seller, as amended from time to time.

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

"**Master Servicing Agreement**" means the master servicing agreement entered on 25 May 2010 between the Guarantor, the Principal Servicer and, following accession to the Programme, each Additional Servicer, as amended from time to time.

"**Maturity Date**" means each date on which final redemption payments for a Series or Tranche of Covered Bonds become due in accordance with the Final Terms but subject to it being extended to the Extended Maturity Date.

"**Maximum Rate of Interest**" means has the meaning given in the relevant Final Terms.

"**Maximum Redemption Amount**" means has the meaning given in the relevant Final Terms.

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

"**Merger**" means the merger by way of incorporation of BAV in BMPS with effect as of 28 April 2013 for civil code purposes and as of 1 January 2013 for accounting and tax purposes. Following the Merger, BMPS assumed all rights and obligations of BAV in its capacity as Additional Seller; Additional Servicer and Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

"**Minimum DBRS Rating**":

Highest Rating Assigned to Rated Securities	Minimum Instruction Rating
AAA (sf)	"A"
AA (high) (sf)	"A"
AA (sf)	"A"
AA (low) (sf)	"A"
A (high) (sf)	BBB (high)
A (sf)	BBB
A (low) (sf)	BBB (low)
BBB (high) (sf)	BBB (low)
BBB (sf)	BBB (low)
BBB (low) (sf)	BBB (low)

"**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms.

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms.

"**Montepaschi Group**" or "**Group**" means, together, the banks and other companies belonging from time to time to the banking group "Gruppo Montepaschi", enrolled with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

"**Monte Titoli**" means Monte Titoli S.p.A..

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-*quater* of the Financial Laws Consolidation Act.

"**Monthly Collection Period**" means (a) each period commencing on (and including) a Collection Date and ending on (but excluding) the following Collection Date; and (b) in the case of the first Monthly Collection Period, the period commencing on (and including) the Valuation Date and ending on (and including) the last calendar day of the month immediately preceding the first Guarantor Payment Date.

"**Monthly Servicer's Report**" means, with reference to the Principal Servicer the monthly report prepared by the Principal Servicer and with reference to any Additional Servicer, the monthly report prepared by any Additional Servicer pursuant to the Master Servicing Agreement.

"**Monthly Servicer's Report Date**" means (i) prior to the delivery of a Guarantor Default Notice, the date falling on the 15th calendar day of each month or, if such day is not a Business Day, the immediately preceding Business Day and (ii) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Bondholders.

"**Moody's**" means Moody's Deutschland GmbH.

"**Mortgage**" means the mortgage security interests (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Receivables.

"**Mortgage Loan**" means a Residential Mortgage Loan, the claims in respect of which have been and/or will be transferred by the Seller to the Guarantor pursuant to the Master Assets Purchase Agreement.

"**Mortgage Loan Agreement**" means any residential mortgage loan agreement out of which the Receivables arise.

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of the relevant Seller to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

"**Negative Carry Factor**" is a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, be not less than 0.5 per cent.

"**Net Present Value Test**" has the meaning as indicated pursuant to clause 2.3 of the Cover Pool Management Agreement.

"**New Portfolio**" means any portfolio of Assets (other than the Initial Portfolio) which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**New Portfolio Purchase Price**" means the consideration which the Guarantor shall pay to the relevant Seller for the transfer of each New Portfolio in accordance with the Master Assets Purchase Agreement and equal to the aggregate amount of the Individual Purchase Price of all the relevant Assets included in the relevant New Portfolio.

"**Nominal Value Test**" has the meaning as indicated pursuant to clause 2.2 of the Cover Pool Management Agreement.

"**Non-Performing Asset**" means, collectively, the Defaulted Receivables, the Delinquent Receivables and any Defaulted Asset Backed Securities.

"**Notice**" means any notice delivered under or in connection with any Programme Document.

"**Obligations**" means all the obligations of the Guarantor created by or arising under the Programme Documents.

"**Order**" means a final, judicial or arbitration decision, ruling or award from a court of competent jurisdiction that is not subject to possible appeal or reversal.

"**Optional Redemption Amount (Call)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Amount (Put)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms.

"**Organisation of the Bondholders**" means the association of the Bondholders, organised pursuant to the Rules of the Organisation of the Bondholders.

"**Other Guarantor Creditors**" means the Principal Seller and each Additional Seller, if any, the Principal Servicer and each Additional Servicer, if any, the Back-up Servicer, the Principal Subordinated Lender and each Additional Subordinated Lender, if any, the Guarantor Calculation Agent, the Pre-Issuer Default Test Calculation Agent, the Post-Issuer Default Test Calculation Agent, the Representative of the Bondholders, the Asset Monitor, the Asset Swap Provider, the Covered Bond Swap Providers, the Italian Account Bank, the Back-Up Account Bank, the English Account Bank, the Principal Paying Agent, the Paying Agent(s), the Luxembourg Listing and Paying Agent, the Guarantor Corporate Servicer and the Portfolio Manager (if any).

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

"**Pass Through Series**" means:

(1) any Series of Covered Bonds in respect of which:

(a) the Issuer has failed to repay in whole or in part the relevant Final Redemption Amount on the applicable Maturity Date and a Guarantee Enforcement Notice has been served on the Guarantor; and

(b) the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to

the Final Redemption Amount in respect of such Series of Covered Bonds on the relevant Extension Determination Date;

(2) all Series of Covered Bonds if a Guarantee Enforcement Notice has been delivered (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice) and a breach of the Amortisation Test has occurred.

"**Paying Agent**" means the Principal Paying Agent and each other paying agent appointed from time to time under the terms of the Cash Allocation, Management and Payments Agreement.

"**Payment Business Day**" means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

(i) if the currency of payment is Euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not Euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"**Payments Account**" means the account denominated in Euro that will be opened in the name of the Guarantor and held with the Payments Account Bank or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"**Payments Report**" means the report to be prepared and delivered by the Guarantor Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement.

"**Performing Receivables**" means any Receivable which has not been classified as Delinquent Receivable or Defaulted Receivable.

"**Place of Payment**" means, in respect of any Bondholders, the place at which such Bondholder receives payment of interest or principal on the Covered Bonds.

"**Portfolio**" means collectively the Initial Portfolio and any other New Portfolios which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Assets Purchase Agreement.

"**Portfolio Manager**" means the subject appointed as portfolio manager pursuant to the Cover Pool Management Agreement or any other entity acting in such capacity pursuant to the Cover Pool Management Agreement.

"**Post-Enforcement Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied on each Guarantor Payment Date, following the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

"**Post-Issuer Default Test Calculation Agent**" means Banca Finanziaria Internazionale S.p.A..

"**Post-Issuer Default Test Performance Report**" means, on each Test Calculation Date and Quarterly Test Calculation Date during the period after the service of a Guarantee Enforcement Notice, the relevant report prepared by the Post-Issuer Default Test Calculation Agent setting

out the calculations carried out by it with respect of the relevant Tests and specifying whether any of such Tests was not met.

"**Pre-Issuer Default Test Calculation Agent**" means BMPS.

"**Pre-Issuer Default Interest Priority of Payments**" means the order of priority pursuant to which the Interest Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Guarantee Enforcement Notice, in accordance with the Intercreditor Agreement.

"**Pre-Issuer Default Principal Priority of Payments**" means the order of priority pursuant to which the Principal Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Guarantee Enforcement Notice, in accordance with the Intercreditor Agreement.

"**Pre-Issuer Default Test Performance Report**" means, on each Test Calculation Date and Quarterly Test Calculation Date prior to the service of a Guarantee Enforcement Notice, the relevant report prepared by the Post-Issuer Default Test Calculation Agent setting out the calculations carried out by it with respect of the relevant Tests and specifying whether any of such Tests was not met.

"**Premium**" means, on each Guarantor Payment Date, an amount payable by the Guarantor on each Programme Term Loan in accordance with the relevant Priority of Payments and equal to the Guarantor Available Funds as at such date, after all amounts payable in priority thereto have been made in accordance with the relevant Priority of Payments.

"**Principal Amount Outstanding**" means, on any day: (a) in relation to a Covered Bond, the principal amount of that Covered Bond upon issue less the aggregate amount of any principal payments in respect of that Covered Bond which have become due and payable (and been paid) on or prior to that day; and (b) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount in (a) in respect of all Covered Bonds outstanding.

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

(i) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(ii) all other recoveries in respect of principal received by the Principal Servicer (and any Additional Seller, if any) and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(iii) all principal amounts received by the Guarantor from the Seller pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

(iv) the proceeds of any disposal of Assets and any disinvestment of Assets or Eligible Investments;

(v) any amounts granted by the Seller under the Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Top-Up Asset;

(vi) all amounts in respect of principal (if any) received under any Swap Agreements other than any Swap Collateral Excluded Amounts;

(vii) any amounts paid out of item *Ninth* of the Pre-Issuer Default Interest Priority of Payments; and

(viii) any principal amounts standing to the credit of the Programme Accounts.

"**Principal Balance**" means

(i) for any Mortgage Loan as at any given date, the aggregate of: (a) the original principal amount advanced to the relevant Debtor and any further amount advanced on or before the given date to the relevant Debtor secured or intended to be secured by the related Security Interest; and (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Loan or with the relevant Debtor's consent and added to the amounts secured or intended to be secured by that Mortgage Loan; and (c) any other amount (including, for the avoidance of doubt, Accrued Interest and interest in arrears) which is due or accrued (whether or not due) and which has not been paid by the relevant Debtor and has not been capitalised, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date;

(ii) for any Asset Backed Security as at any given date, the principal amount outstanding of that Asset Backed Security (plus any accrued but unpaid interest thereon).

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

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency *provided, however,* that in relation to Euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee.

"**Principal Paying Agent**" means The Bank of New York Mellon (Luxembourg) S.A., Italian Branch in its capacity as Paying Agent pursuant to the Cash Allocation, Management and Payments Agreement or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement.

"**Principal Seller**" means BMPS.

"**Principal Servicer**" means BMPS.

"**Principal Subordinated Lender**" means BMPS in its capacity as Subordinated Lender pursuant to the relevant Subordinated Loan Agreement.

"**Priority of Payments**" means each of the orders in which the Guarantor Available Funds shall be applied on each Guarantor Payment Date in accordance with the Intercreditor Agreement.

"**Privacy Law**" means Italia Law number 675 of 1996, as subsequently amended and supplemented.

"**Programme**" means the programme for the issuance of each series of Covered Bonds (*Obbligazioni Bancarie Garantite*) by the Issuer in accordance with article 7-*bis* of Law 130.

"**Programme Accounts**" means, collectively, the Italian Accounts and the English Accounts and any other account opened from time to time in connection with the Programme.

"**Programme Agreement**" means the programme agreement entered on 18 June 2010 between, *inter alios*, the Guarantor, the Principal Seller, the Issuer, the Representative of the Bondholders and the Dealers, as amended from time to time.

"**Programme Documents**" means the Master Assets Purchase Agreement, the Master Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, each Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the English Account Bank Agreement, the Quotaholders' Agreement, the Prospectus, the Terms and Conditions, the Deed of Pledge, the Master Definitions Agreement, any Final Term agreed in the context of the issuance of each Series or Tranche of Covered Bonds and any other agreement entered into in connection with the Programme.

"**Programme Limit**" means €20,000,000,000.

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

"**Prospectus**" means the base prospectus prepared in the context of the issuance of the Covered Bonds.

"**Prospectus Regulation**" means Regulation EU 2017/1129, as subsequently amended and supplemented.

"**Prudential Regulations**" means the prudential regulations for banks issued by the Bank of Italy on 27 December 2006 with Circular No. 263, as subsequently amended and supplemented.

"**Public Entity Receivables**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, any receivables owned by or receivables which have been benefit of a guarantee eligible for credit risk mitigation granted by public entities.

"**Public Entity Securities**" means pursuant to article 2, sub-paragraph 1, of Decree No. 310, any securities issued by or which have benefit of a guarantee eligible for credit risk mitigation granted by public entities.

"**Purchase Price**" means, as applicable, the consideration for the Initial Portfolio Purchase Price or the consideration for the New Portfolio Purchase Price pursuant to the Master Assets Purchase Agreement.

"**Put Option**" has the meaning given in the relevant Final Terms.

"**Put Option Notice**" means a notice in the form obtainable from the Principal Paying Agent which must be delivered to the Principal Paying Agent by any Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Bondholders.

"**Put Option Receipt**" means a receipt issued by the Principal Paying Agent to a Bondholder having deposited a Put Option Notice.

"**Quarterly Collection Period**" means (a) prior to the service of a Guarantor Default Notice, each period commencing on (and including) the Collection Dates in December, March, June and September and ending on (but excluding), respectively, the Collection Dates in March, June, September and December; (b) following the service of a Guarantor Default Notice, each period commencing on (and including) the last day of the preceding Quarterly Collection Period and ending on (but excluding) the date falling 10 calendar days prior to the next following quarterly Collection Date.

"**Quarterly Servicer's Report**" with reference to the Principal Servicer the quarterly report prepared by the Principal Servicer and with reference to any Additional Servicer, the quarterly report prepared by any Additional Servicer pursuant to the Master Servicing Agreement.

"**Quarterly Servicer's Report Date**" means (a) prior to the delivery of a Guarantor Default Notice, the Monthly Servicer's Report Date falling in March, June, September and December of each year or, if such day is not a Business Day, the immediately preceding Business Day; and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Bondholders.

"**Quarterly Test Calculation Date**" means the Test Calculation Date falling in March, June, September and December, of each year or, if such day is not a Business Day, the immediately preceding Business Day.

"**Quota Capital**" means the quota capital of the Guarantor.

"**Quota Capital Account**" means the account denominated in Euro opened in the name of the Guarantor with Banca Antonveneta, Conegliano, Agenzia 1, IBAN IT 32 I 05040 61621 000001228269 for the deposit of the Quota Capital.

"**Quotaholder**" means BMPS and any other quotaholder of the Guarantor.

"**Quotaholders' Agreement**" means the Quotaholders' agreement entered on 18 June 2010 between, *inter alios*, the Guarantor and the Quotaholders.

"**Rate of Exchange**" has the meaning set out in the relevant Final Terms.

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Series or Tranche of Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms.

"**Rating Agencies**" means Fitch, Moody's and DBRS.

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

"**Receivables**" means specifically each and every right arising under the Mortgage Loans pursuant to the law and the Mortgage Loan Agreements, including but not limited to:

(i) all rights and claims in respect of the repayment of the Principal Instalments due and not paid at the Valuation Date (excluded);

(ii) all rights and claims in respect of the payment of interest (including the default interest) accruing on the Mortgage Loans, which are due from (but excluding) the Valuation Date;

(iii) the Accrued Interest;

(iv) all rights and claims in respect of each Mortgage and any Collateral Security relating to the relevant Mortgage Loan Agreement;

(v) all rights and claims under and in respect of the Insurance Policies; and

(vi) any privileges and priority rights (*diritti di prelazione*) transferable pursuant to the law, as well as any other right, claim or action (including any legal proceeding for the recovery of suffered damages, the remedy of termination (*risoluzione per inadempimento*) and the declaration of acceleration of the debt (*decadenza dal beneficio del termine*) with respect to the Debtors) and any substantial and procedural action and defence, including the remedy of termination (*risoluzione per inadempimento*) and the declaration of acceleration of the debt (*decadenza dal beneficio del termine*) with respect to the Debtors, inherent in or ancillary to the aforesaid rights and claims;

(vii) excluding any expenses for the correspondence and any expenses connected to the ancillary services requested by the relevant Debtor.

"**Recoveries**" means any amounts received or recovered by the Servicer in relation to any Defaulted Receivables and any Delinquent Receivables.

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount (as any such terms are defined in the Conditions) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms.

"**Reference Banks**" (A) with respect to the Covered Bonds, has the meaning ascribed to it in the relevant Final Terms or, if none, four major banks selected by the Principal Paying Agent in the market that is most closely connected with the Reference Rate; and, (B) with respect to the Subordinated Loan Agreement, means four financial institutions of the greatest importance, acting on the interbank market of the member states of the EEA, as selected by the Principal Subordinated Lender and communicated to the Guarantor Calculation Agent.

"**Reference Price**" has the meaning given in the relevant Final Terms.

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

"**Regular Period**" means:

(i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date,

where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Clearing System**" means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made.

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms.

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Relevant Time**" has the meaning given in the relevant Final Terms.

"**Representative of the Bondholders**" means BNY Mellon Corporate Trustee Services Limited or any other entity acting in such capacity pursuant to the Programme Documents.

"**Required Redemption Amount**" means (i) to the extent that no Series of Covered Bonds have become Pass Through Series, the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by (1 + Negative Carry Factor x (days to maturity of the relevant Series or Tranche of Covered Bonds/365)) and thereafter (ii) zero.

"**Required Reserve Amount**" means the aggregate of the amounts calculated by the Guarantor Calculation Agent on each Guarantor Calculation Date, in accordance with the following formula:

- **A plus B**, if BMPS is the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, or if no Covered Bond Swap Agreement has been entered into with respect to the relevant Series of Covered Bonds; and

- **A plus C**, if BMPS is not the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, where:

  "**A**" is the sum of all the amounts to be paid by the Guarantor on the next following Guarantor Payment Date (i) under item First of the Pre-Issuer Default Interest Priority of Payments and (ii) as compensation for the activity of any of the Principal Servicer or the Additional Servicer under the terms of the Master Servicing Agreement.

  "**B**" is the aggregate amount of all interest payable with respect of each Series of Covered Bonds during the six months period following the relevant Guarantor Calculation Date; and

"**C**" the sum of the Floating Amount (as defined in the Swap Agreement related to the relevant Series of Covered Bond) due by the Guarantor during the six months period following the relevant Guarantor Calculation Date.

"**Reserve Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the English Account Bank, number 50456001 (IBAN: GB85 PASC 4051 6850 4560 01) or any other substitutive account which may be opened pursuant to the English Account Bank Agreement.

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

"**Residential Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, a residential mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher-ranking mortgage loans secured by the same property, does not exceed 80 per cent. of the value of the property.

"**Residential Real Estate Assets**" means the Real Estate Assets relating to Residential Mortgage Loans.

"**Retention Amount**" means an amount equal to €50,000.00.

"**Rules of the Organisation of the Bondholders**" means the rules of the organisation of the Bondholders attached as Exhibit 1 to the Terms and Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Screen Rate Determination**" has the meaning given in the relevant Final Terms.

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

"**Security**" means the security created pursuant to the Deed of Pledge.

"**Security Interest**" means

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

(ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

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

"**Segregation Event**" has the meaning given to the definition "Segregation Event" pursuant to the Terms and Conditions.

"**Selected Assets**" means the Eligible Assets and Top-Up Assets from time to time sold by the Guarantor in accordance with the provisions of the Cover Pool Management Agreement.

"**Seller**" means the Principal Seller pursuant to the Master Assets Purchase Agreement and each Additional Seller (if any).

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

"**Servicer**" means any of BMPS in its capacity as Principal Servicer pursuant to the Master Servicing Agreement and any Additional Servicer pursuant to the terms and conditions provided therein.

"**Servicer's Report Date**" means any of the Monthly Servicer's Report Date or any of the Quarterly Servicer's Report Date.

"**Servicer's Reports**" means any of the Monthly Servicer's Report and the Quarterly Servicer's Report.

"**Servicer Termination Event**" means any event as indicated in clause 11.1 of the Master Servicing Agreement.

"**Specific Criteria**" means the specific criteria specified in schedule 1 to the Master Assets Purchase Agreement.

"**Specified Currency**" means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms).

"**Specified Denomination**" has the meaning given in the relevant Final Terms.

"**Specified Office(s)**" means, in relation to any Paying Agent, the office currently specified in the Cash Management Payments and Allocation Agreement or as further specified by notice to the Issuer and the other parties to the Cash Management Payments and Allocation Agreement in the manner provided therein or in the relevant Final Terms, as the case may be.

"**Specified Period**" has the meaning set out in the relevant Final Terms.

"**Stock Exchange**" means the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*).

"**Subordinated Lender**" means any of the Principal Subordinated Lender and any Additional Subordinated Lender(s), if any.

"**Subordinated Loan Agreement**" means each subordinated loan agreement entered between a Subordinated Lender and the Guarantor, as amended from time to time.

"**Subordinated Loan Availability Period**" means the period starting from the date of execution of the Subordinated Loan Agreement (or, in respect of any Additional Seller, the relevant Subordinated Loan Agreement) and ending on the date on which all the Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full pursuant to the relevant Final Terms, in which the Subordinated Lender has the right to grant to the Guarantor, on each Drawdown Date, a Term Loan.

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

"**Substitute Servicer**" means the substitute of the Servicer which will take over the servicing activities in the event of a Servicer Termination Event pursuant to clause 12 of the Master Servicing Agreement.

"**Swap Agreements**" means, collectively, the Covered Bond Swap Agreement(s), the Asset Swap Agreement and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

"**Swap Collateral Excluded Amounts**" means at any time, the amounts of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor or, as the case may be, the Issuer including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.

"**Swap Providers**" means, as applicable, the Asset Swap Provider(s), the Covered Bond Swap Providers and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"**TARGET Settlement Day**" means any day on which the TARGET2 is open for the settlement of payments in Euro.

"**Tax**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein.

"**Term Loan**" means any term loan in the form of a Programme Term Loan or Fixed Interest Term Loan or Floating Interest Term Loan, made or to be made available to the Guarantor on each Drawdown Date under the Subordinated Loan Agreement or the principal amount outstanding for the time being of that loan.

"**Term Loan Proposal**" means an "*Offerta di Finanziamento Subordinato*" as such term is defined in the relevant Subordinated Loan Agreement.

"**Terms and Conditions**" means the Terms and Conditions of the Covered Bonds.

"**Test Calculation Agent**" means any of the Pre-Issuer Default Test Calculation Agent and the Post-Issuer Default Test Calculation Agent.

"**Test Calculation Date**" means the date on which the calculation of the Tests are performed, being a date falling on or before the Test Performance Report Date, **provided that** following the delivery of a Guarantee Enforcement Notice the first Test Calculation Date will fall 7 Business Days after the delivery of such Guarantee Enforcement Notice.

"**Test Grace Period**" means the period starting on the date on which the breach of any of the Mandatory Tests or of the Asset Coverage Test is notified by the Pre-Issuer Default Test Calculation Agent and ending on the immediately following Test Performance Report Date.

"**Test Performance Report**" means, respectively (i) the Pre-Issuer Default Test Performance Report to be issued by the Pre-Issuer Default Test Calculation Agent and (ii) the Post-Issuer Default Test Performance Report to be issued by the Post-Issuer Default Test Calculation Agent, each setting out the calculations carried out by it with respect to the relevant Tests.

"**Test Performance Report Date**" means the date falling the 22nd calendar day of each month.

"**Test Remedy Period**" means the period starting from the date on which a Breach of Test Notice is delivered and ending on the Test Performance Report Date falling 5 months thereafter.

"**Tests**" means, as appropriate, the Mandatory Tests, the Asset Coverage Test, the Amortisation Test.

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

(i) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0 per cent. risk weight is applicable in accordance with the Bank of Italy's Prudential Regulations for banks - standardised approach; and

(ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

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

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

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

"**Treaty**" means the treaty establishing the European Community.

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

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

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

"**Zero Coupon Provisions**" has the meaning set out in Condition 8 (*Zero Coupon Provisions*).

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