

## CAPITAL MORTGAGE S.R.L.

(incorporated with limited liability under the laws of the Republic of Italy)

€ 1,736,000,000 Class A1 Asset Backed Floating Rate Notes Series 2007-1 due January 2047

**Issue Price: 100 per cent**

€ 644,000,000 Class A2 Asset Backed Floating Rate Notes Series 2007-1 due January 2047

**Issue Price: 100 per cent**

€ 74,000,000 Class B Asset Backed Floating Rate Notes Series 2007-1 due January 2047

**Issue Price: 100 per cent**

€ 25,350,000 Class C Asset Backed Floating Rate Notes Series 2007-1 due January 2047

**Issue Price: 100 per cent**

Application has been made to list on the official list of the Luxembourg Stock Exchange and to admit to trading on the Regulated Market "Bourse de Luxembourg" (the "Luxembourg Stock Exchange") the € 1,736,000,000 Class A1 Asset Backed Floating Rate Notes Series 2007-1 due January 2047 (the "Class A1 Notes"), the € 644,000,000 Class A2 Asset Backed Floating Rate Notes Series 2007-1 due January 2047 (the "Class A2 Notes" and, together with the Class A1 Notes, the "Class A Notes"), the € 74,000,000 Class B Asset Backed Floating Rate Notes Series 2007-1 due January 2047 (the "Class B Notes") and the € 25,350,000 Class C Asset Backed Floating Rate Notes Series 2007-1 due January 2047 (the "Class C Notes" and, together with the Class A Notes and the Class B Notes, the "Notes") of Capital Mortgage S.r.l., a limited liability company organised under the laws of the Republic of Italy (the "Issuer"). The Notes will be issued on 16 May 2007 (the "Issue Date"). This document constitutes a *Prospetto Informativo* for all Notes for the purposes of Article 2, sub-section 3 of the Securitisation Law and a prospectus for the purposes of Article 5.3 of the Prospectus Directive.

**Capitalised words and expressions in this Offering Circular shall, except so far as the context otherwise requires, have the meanings set out in the section entitled "Glossary" below.**

The principal source of payment of interest and of repayment of principal on the Notes will be Collections and Recoveries made in respect of the Portfolio of the Receivables arising out of certain residential Mortgage Loan Agreements entered into between Banca di Roma and the Debtors thereunder. The Portfolio was purchased by the Issuer from the Originator pursuant to the Transfer Agreement on 9 March 2007.

By virtue of the operation of Article 3 of the Securitisation Law and the Transaction Documents, the Issuer's right, title and interest in and to the Portfolio and to any sums collected therefrom will be segregated from all other assets of the Issuer (including any other receivables purchased by the Issuer pursuant to the Securitisation Law) and, therefore, any cash-flow deriving therefrom (to the extent identifiable) will only be available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders, to the Other Issuer Creditors and to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation.

Interest on the Notes will accrue on a daily basis and will be payable quarterly in arrear in Euro on the First Payment Date, being 30 July 2007, and, thereafter, on each Payment Date, being (a) before the service of a Trigger Notice, 30 January, 30 April, 30 July and 30 October in each year or, if such day is not a Business Day, on the immediately following Business Day, and (b) following the service of a Trigger Notice, any Business Day specified in the Trigger Notice. The rate of interest applicable to the Notes for each Interest Period shall be the rate *per annum* equal to EURIBOR (as determined in accordance with Condition 5 (*Interest*)) for three month deposits (except in respect of the Initial Interest Period where an interpolated interest rate based on 2 and 3 month deposits in Euro will be substituted for three month EURIBOR) plus the following respective margins: (a) Class A1 Notes: a margin of 0.13 per cent. per annum; (b) Class A2 Notes: a margin of 0.19 per cent. per annum; (c) Class B Notes: a margin of 0.22 per cent. per annum; and (d) Class C Notes: a margin of 0.52 per cent. per annum.

The Class A1 Notes are expected, on issue, to be rated AAA by Fitch, Aaa by Moody's and AAA by S&P; the Class A2 Notes are expected, on issue, to be rated AAA by Fitch, Aaa by Moody's and AAA by S&P; the Class B Notes are expected, on issue, to be rated AA by Fitch, Aa2 by Moody's and AA by S&P; and the Class C Notes are expected, on issue, to be rated BBB by Fitch, A3 by Moody's and BBB by S&P. **A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating organisation.**

As at the date of this Offering Circular, payments in respect of the Notes may be subject to withholding or deduction for or on account of Italian substitute tax, in accordance with Decree No. 239 (any such deduction a "Decree 239 Deduction"). Upon the occurrence of any withholding or deduction for or on account of tax from any payments under the Notes, neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any holder of Notes of any Class. For further details, see the section entitled "Taxation".

The Notes will be limited recourse obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, any of the Originator, the Servicer, the Representative of the Noteholders, the Calculation Agent, the Cash Manager, the Account Banks, the Principal Paying Agent, the Luxembourg Paying Agent, the Hedging Counterparty, the Corporate Servicer, the Luxembourg Listing Agent, the Sole Arranger, the Joint Lead Managers, the Subordinated Loan Provider, the Account Guarantee Provider or the Sole Quotaholder. Furthermore, none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

As of the Issue Date, the Notes will be held in dematerialised form on behalf of the ultimate owners by Monte Titoli for the account of the relevant Monte Titoli Account Holders. Monte Titoli shall act as depositary for Euroclear and Clearstream. The Notes will at all times be evidenced by book-entries in accordance with the provisions of Article 28 of Decree No. 213 and CONSOB Resolution No. 11768. No physical document of title will be issued in respect of the Notes.

Before the relevant maturity date, the Notes will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in Condition 6 (*Redemption, Purchase and Cancellation*)). Unless previously redeemed in full or cancelled in accordance with the Terms and Conditions, the Notes will be redeemed on the Final Maturity Date, being the Payment Date falling in January 2047. Save as provided in the Terms and Conditions, the Notes will start to amortise on the Payment Date falling in January 2009, subject to there being sufficient Issuer Available Funds and in accordance with the Priority of Payments. The Notes, to the extent not redeemed in full by the Cancellation Date, shall be cancelled on such date.

**For a discussion of certain risks and other factors that should be considered in connection with an investment in the Notes, see the section entitled "Risk Factors".**

Sole Arranger



Joint Lead Managers and Bookrunners



Morgan Stanley

**Responsibility statements**

*None of the Issuer, the Sole Arranger, the Joint Lead Managers or any other party to the Transaction Documents other than Banca di Roma has undertaken or will undertake any investigation, searches or other actions to verify the details of the Receivables sold by Banca di Roma to the Issuer; nor has any of the Issuer, the Sole Arranger, the Joint Lead Managers or any other party to the Transaction Documents undertaken, nor will they undertake, any investigations, searches, or other actions to establish the creditworthiness of any Debtor. In the Warranty and Indemnity Agreement the Originator has given certain representations and warranties to the Issuer in relation to, inter alia, the Receivables, the Mortgage Loan Agreements, the Mortgage Loans, the Mortgages, the other Collateral Securities, the Real Estate Assets and the Debtors.*

*The Issuer accepts responsibility for the information contained in this Offering Circular, other than that information for which the other parties to the Transaction Documents accept responsibility as described in the following paragraphs. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), such information is true and does not omit anything likely to affect the import of such information.*

*Banca di Roma accepts responsibility for the information contained in this Offering Circular in the last sentence of "Italian Usury Law" in the section entitled "Risk Factors" and in the sections entitled "The Portfolio", "Underwriting, Credit and Collection Policies", "The Originator" and "Description of the Servicing Agreement" and any other information contained in this Offering Circular relating to itself, the Receivables, the Mortgage Loan Agreements, the Mortgage Loans, the Mortgages, the other Collateral Securities, the Real Estate Assets and the Debtors. To the best of the knowledge and belief of Banca di Roma (which has taken all reasonable care to ensure that such is the case), such information is true and does not omit anything likely to affect the import of such information.*

*Capitalia accepts responsibility for the information contained in this Offering Circular in the section entitled "Capitalia" and for any other information contained in this Offering Circular relating to itself. To the best of the knowledge and belief of Capitalia (which has taken all reasonable care to ensure that such is the case), such information is in accordance to the facts and does not omit anything likely to affect the import of such information.*

*BNP Paribas accepts responsibility for the information contained in this Offering Circular in the section entitled "The BNP Paribas Group" and any other information in this Offering Circular relating to itself. To the best of the knowledge and belief of BNP Paribas (which has taken all reasonable care to ensure that such is the case), such information is in accordance to the facts and does not omit anything likely to affect the import of such information.*

*HSBC accepts responsibility for the information contained in this Offering Circular in the section entitled "The Hedging Counterparty" and any other information in this Offering Circular relating to itself. To the best of the knowledge and belief of HSBC (which has taken all reasonable care to ensure that such is the case), such information is in accordance to the facts and does not omit anything likely to affect the import of such information.*

**Representations about the Notes**

*No person has been authorised to give any information or to make any representation not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Sole Arranger, the Joint Lead Managers, the Representative of the Noteholders, the Issuer, the Sole Quotaholder or Banca di Roma (in any capacity) or any party to the Transaction Documents. Neither the delivery of this Offering Circular nor any sale or allotment made in connection with the offering of any of the Notes shall, under any circumstances, constitute a representation or imply that there has not been any change or any event reasonably likely to involve any change, in the condition (financial or otherwise) of the Issuer or Banca di Roma or the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date of this Offering Circular.*

## **Limited Recourse**

*The Notes constitute direct limited recourse obligations of the Issuer. By virtue of the operation of Article 3 of the Securitisation Law and the Transaction Documents, the Issuer's right, title and interest in and to the Portfolio and to any sums collected therefrom will be segregated from all other assets of the Issuer (including any other receivables purchased by the Issuer pursuant to the Securitisation Law) and, therefore, any cash-flow deriving therefrom (to the extent identifiable) will only be available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders, to the Other Issuer Creditors and to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation. The Noteholders will agree that the Issuer Available Funds will be applied by the Issuer in accordance with the applicable Priority of Payments.*

## **Interest material to the offer**

*Save as described under the section headed "Subscription and Sale" and in the sections describing the Transaction Documents, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.*

## **Other business relations with the Originator**

*The Sole Arranger and the Joint Lead Managers and their affiliates may, from time to time, enter into other business relations with the Originator including, but not limited to, the provision of lending and advisory services.*

## **Selling Restrictions**

*The distribution of this Offering Circular and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part of it) comes are required by the Issuer and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions. Neither this Offering Circular nor any part of it constitutes an offer, and may not be used for the purpose of an offer to sell any of the Notes, or a solicitation of an offer to buy any of the Notes, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.*

*The Notes have not been and will not be registered under the Securities Act of 1933 or any other state securities laws and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold within the United States or for the benefit of U.S. persons (as defined in Regulation S under the Securities Act).*

*The Notes may not be offered or sold directly or indirectly, and neither this Offering Circular nor any other offering circular or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction (including the Republic of Italy, the United Kingdom and the United States), except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see the section entitled "Subscription and Sale" below.*

*The Notes are complex instruments which involve a high degree of risk and are suitable for purchasing only by sophisticated investors which are capable of understanding the risk involved, In particular the Notes should not be purchased by or sold to individuals and other non-expert investors.*

## **Interpretation**

*Certain monetary amounts and currency translations included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which preceded them.*

*All references in this Offering Circular to "Euro", "€" and "cents" are to the single currency introduced in the member states of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25 March 1957, as amended.*

**In connection with the issue of the Notes, HSBC (hereinafter, the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of such Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes 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 and 60 days after the date of the allotment of the Notes. Such stabilising shall be in compliance with all applicable laws, Regulations and rules.**

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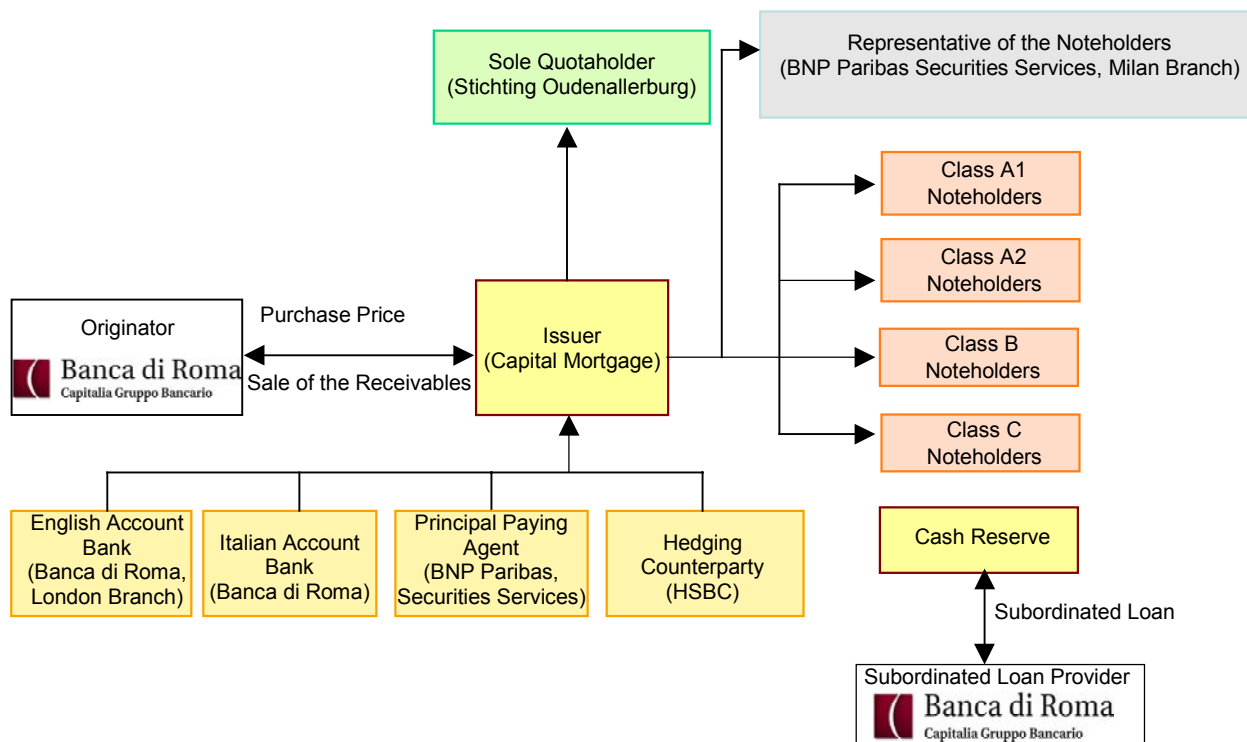
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## TRANSACTION SUMMARY INFORMATION

The following information is a summary of certain aspects of the transaction, the parties thereto, the assets underlying the Notes and the related documents and does not purport to be complete. Therefore, it should be read in conjunction with and is qualified in its entirety by reference to the more detailed information presented elsewhere in this Offering Circular and in the Transaction Documents.

### Structure Diagram



## 1. THE PRINCIPAL PARTIES

### Issuer

Capital Mortgage.

The issued quota capital of the Issuer is equal to €10,000 and is fully held by the Sole Quotaholder.

For further details, see the section entitled "*The Issuer*".

### Originator

Banca di Roma.

For further details, see the section entitled "*The Originator*".

<b>Servicer</b>	Banca di Roma. The Servicer will act as such pursuant to the Servicing Agreement.
<b>Calculation Agent</b>	Capitalia. The Calculation Agent will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>Italian Account Bank</b>	Banca di Roma. The Italian Account Bank will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>English Account Bank</b>	Banca di Roma, London Branch. The English Account Bank will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>Account Guarantee Provider</b>	Capitalia. The Account Guarantee Provider will act as such pursuant to the Account Guarantee.
<b>Cash Manager</b>	Banca di Roma. The Cash Manager will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>Representative of the Noteholders</b>	BNP Paribas Securities Services, Milan Branch. The Representative of the Noteholders will act as such pursuant to the Subscription Agreement.
<b>Corporate Servicer</b>	KPMG. The Corporate Servicer will act as such pursuant to the Corporate Services Agreement.
<b>Foundation Corporate Servicer</b>	KPMG. The Foundation Corporate Servicer will act as such pursuant to the Foundation Corporate Services Agreement.
<b>Principal Paying Agent</b>	BNP Paribas Securities Services, Milan Branch. The Principal Paying Agent will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>Luxembourg Paying Agent</b>	BNP Paribas Securities Services, Luxembourg Branch. The Luxembourg Paying Agent will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>Luxembourg Listing Agent</b>	BNP Paribas Securities Services, Luxembourg Branch.
<b>Hedging Counterparty</b>	HSBC. The Hedging Counterparty will act as such pursuant to the Hedging Agreement.



<b>Subordinated Loan Provider</b>	Banca di Roma. The Subordinated Loan Provider will act as such pursuant to the Subordinated Loan Agreement.
<b>Sole Quotaholder</b>	Stichting Oudenallerburg.
<b>Sole Arranger</b>	Capitalia.
<b>Joint Lead Managers and Bookrunners</b>	Capitalia, HSBC and Morgan Stanley.

## 2. THE PRINCIPAL FEATURES OF THE NOTES

<b>The Notes</b>	<p>The Notes will be issued by the Issuer on the Issue Date in the following classes:</p> <ul style="list-style-type: none"> <li>- € 1,736,000,000 Class A1 Asset Backed Floating Rate Notes Series 2007-1 due January 2047;</li> <li>- € 644,000,000 Class A2 Asset Backed Floating Rate Notes Series 2007-1 due January 2047;</li> <li>- € 74,000,000 Class B Asset Backed Floating Rate Notes Series 2007-1 due January 2047; and</li> <li>- € 25,350,000 Class C Asset Backed Floating Rate Notes Series 2007-1 due January 2047.</li> </ul>
<b>Issue Price</b>	The Notes will be issued at 100 per cent. of their principal amount.
<b>Interest on the Notes</b>	<p>The Notes will bear interest on their Principal Amount Outstanding from and including the Issue Date at the following margins above the EURIBOR for three month Euro deposits (except that for the Initial Interest Period an interpolated interest rate based on 2 and 3 month deposits in Euro will be substituted for three month EURIBOR):</p> <ul style="list-style-type: none"> <li>- Class A1: 0.13 per cent. per annum;</li> <li>- Class A2: 0.19 per cent. per annum;</li> <li>- Class B: 0.22 per cent. per annum; and</li> <li>- Class C: 0.52 per cent. per annum.</li> </ul> <p>Interest in respect of the Notes will accrue on a daily basis and will be payable quarterly in arrear in Euro on each Payment Date, in accordance with the applicable Priority of Payments. Provided that the Payment Dates will be: (a) before service of a Trigger</p>

Notice the 30<sup>th</sup> day of January, April, July, October of each year (provided that if such day is not a Business Day, the next succeeding Business Day) and (b) following service of a Trigger Notice, any Business Day specified in the Trigger Notice. The First Payment Date will be 30 July 2007 in respect of the period from (and including) the Issue Date to (but excluding) such date.

## Form and Denominations

The denomination of the Notes will be Euro 50,000. The Notes will be held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders. Monte Titoli shall act as depository for Clearstream and Euroclear. The Notes will be accepted for clearance by Monte Titoli with effect from the Issue Date. The Notes will at all times be evidenced by, and title thereto will be transferable by means of book entries in accordance with the provisions of Article 28 of Decree No. 213 and CONSOB Resolution No. 11768. No physical document of title will be issued in respect of the Notes.

## Subordination

- (1) In respect of the obligation of the Issuer to pay interest on the Notes before the delivery of a Trigger Notice:
  - (i) the Class A1 Notes and the Class A2 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes;
  - (ii) the Class B Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class C Notes, but subordinated to the Class A Notes; and
  - (iii) the Class C Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves, but subordinated to the Class A Notes and the Class B Notes.
- (2) In respect of the obligation of the Issuer to repay principal on the Notes, after the Initial Period, but before the delivery of a Trigger Notice:

- (i) the Class A1 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class A2 Notes, the Class B Notes and the Class C Notes;
  - (ii) the Class A2 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes, but subordinated to the Class A1 Notes;
  - (iii) the Class B Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class C Notes, but subordinated to the Class A Notes; and
  - (iv) the Class C Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves, but subordinated to the Class A Notes and the Class B Notes.
- (3) *Provided however that*, subject to no Trigger Notice having been served:
- (i) starting from and including any Payment Date after the Initial Period on which a Class A Principal Subordination Event has occurred and on each Payment Date (other than a Pro-Rata Amortisation Payment Date) thereafter until the Cancellation Date, the Class A1 Notes and the Class A2 Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal;
  - (ii) on each Pro-Rata Amortisation Payment Date until the earlier of (a) the Payment Date (excluded) on which the Pro Rata Cessation Event occurs and (b) the Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal; and

- (iii) starting from any Payment Date (included) on which the Pro Rata Cessation Event occurs and on each Payment Date thereafter until the Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank in accordance with paragraph (2) above with respect to the repayment of principal.
- (4) In respect of the obligation of the Issuer to pay interest and repay principal on the Notes after the delivery of a Trigger Notice:
- (i) the Class A1 Notes and the Class A2 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes;
  - (ii) the Class B Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class C Notes, but subordinated to the Class A Notes; and
  - (iii) the Class C Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves but subordinated to the Class A Notes and the Class B Notes.

**Pro-Rata Amortisation Payment Date**

A Pro-Rata Amortisation Payment Date will be any Payment Date after the Initial Period on which the Pro-Rata Conditions have been satisfied.

**Pro-Rata Cessation Event**

A Pro-Rata Cessation Event will be deemed to have occurred if, on any Payment Date following the first Pro-Rata Amortisation Payment Date, the priority of payments for the repayment of the principal of the Notes has returned to sequential for the third time (including for the avoidance of doubt, the change taking place on any such Payment Date) as a result of the non satisfaction of the Pro-Rata Conditions.

**Pro-Rata Conditions**

The Pro-Rata Conditions will be following events, in respect of any Payment Date:

- (i) the unpaid Principal Deficiency being equal to zero at the immediately preceding Payment Date following payments under the applicable Priority of Payments are made;

- (ii) the balance of the Cash Reserve being equal to the Scheduled Cash Reserve Amount at the immediately preceding Payment Report Date;
- (iii) at least five years having elapsed from the Issue Date;
- (iv) the Cumulative Gross Default Level does not exceed 3.5 per cent.;
- (v) the aggregate Outstanding Principal Amount of all Mortgage Loans having Instalments in arrears for more than 90 (ninety) days does not exceed 3.5 per cent. of the Outstanding Principal Amount of all Mortgage Loans comprised in the Portfolio;
- (vi) the Portfolio Outstanding Principal Amount is greater than 10 per cent. of the Portfolio Initial Outstanding Principal Amount; and
- (vii) the aggregate of the Principal Amount Outstanding of the Class B Notes and the Class C Notes, as a percentage of the aggregate Principal Amount Outstanding of all the Notes, is at least twice of such percentage as calculated on the Issue Date.

**Limited recourse obligations and Issuer Available Funds**

The obligations of the Issuer to each Noteholder as well as to each of the Other Issuer Creditors will be limited recourse obligations of the Issuer. Each Noteholder and Other Issuer Creditor will have a claim against the Issuer only to the extent of the Issuer Available Funds remaining after payment of prior ranking claims pursuant to the applicable Priority of Payments.

**Withholding on the Notes**

As at the date of this Offering Circular, payments of interest under the Notes may be subject to a Decree 239 Deduction. Upon the occurrence of any withholding or deduction for or on account of tax from any payments under the Notes, neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any holder of the Notes. According to the law in force as of the date of this Offering Circular, in the event that any Notes are redeemed in whole or in part prior to the end of the

Initial Period, the Issuer will be obliged to pay an additional amount in Italy equal to 20 per cent. of interest accrued on the Notes up to the date of the early redemption.

### **Mandatory Redemption**

The Notes of each Class will be subject to mandatory redemption in full (or in part *pro rata*) on the Payment Date falling in January 2009 and on each Payment Date thereafter, in accordance with Condition 6.2 (*Redemption, Purchase and Cancellation - Mandatory Redemption*), in each case, if and to the extent that there are sufficient Issuer Available Funds available for such purposes under the applicable Priority of Payments.

### **Optional Redemption**

Unless previously redeemed in full, the Issuer, having given not less than 30 days' prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with Condition 14 (*Notices*), may redeem the Notes (in whole but not in part) at their Principal Amount Outstanding, together with all accrued but unpaid interest thereon up to and including the date fixed for redemption, in accordance with Condition 6.3 (*Redemption, Purchase and Cancellation - Optional Redemption*), on any Payment Date falling after the end of the Initial Period, provided that:

- (a) the Portfolio Outstanding Principal Amount is equal to or less than 10 per cent. of the Initial Purchase Price of the Portfolio; and
- (b) the Issuer satisfies the Representative of the Noteholders that it will have the necessary funds (not subject to the interests of any person) to discharge all of its outstanding liabilities in respect of the Notes of all Classes and any amount required to be paid under the applicable Priority of Payments in priority to or *pari passu* with such Notes.

The Issuer may obtain the funds necessary to finance the early redemption of the Notes, in accordance with Condition 6.3 (*Redemption, Purchase and Cancellation - Optional Redemption*) through the sale of the Portfolio to the Originator pursuant to the Clean-Up Call Option provided for by the Transfer Agreement. For further details, see the

section entitled “*Description of the Transfer Agreement*”.

## Redemption for Tax Reasons

If the Issuer at any time satisfies the Representative of the Noteholders, immediately prior to giving the notice referred to below, that on the next Payment Date:

- (a) amounts payable in respect of the Notes or the Portfolio would be subject to withholding or deduction (other than a Decree 239 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 Italy or any political or administrative sub-division thereof or any authority thereof or therein; and
- (b) the Issuer will have the necessary funds (not subject to the interests of any other person) to discharge all of its outstanding liabilities in respect of the Notes of all Classes and any amounts required to be paid, under the applicable Priority of Payments in priority to or *pari passu* with such Notes,

(hereinafter the event under (a) above, the “**Tax Event**”), then the Issuer may, on any such Payment Date at its option, having given not less than 30 days’ prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with Condition 14 (*Notices*), redeem the Notes (in whole but not in part) at their Principal Amount Outstanding together with all accrued but unpaid interest thereon up to and including the relevant Payment Date, in accordance with Condition 6.4 (*Redemption, Purchase and Cancellation - Redemption for taxation reasons*).

No redemption for taxation shall occur prior to the end of the Initial Period, unless the Representative of the Noteholders determines that it would be prejudicial to the interest of the Noteholders not to proceed with the redemption prior to such Payment Date.

Following the occurrence of a Tax Event, the Issuer may, or the Representative of the Noteholders may

(or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders then outstanding) direct the Issuer to, dispose of the Portfolio or any part thereof to finance the early redemption of the Notes in accordance with Condition 6.4 (*Redemption for taxation reasons*), subject to the terms and conditions of the Intercreditor Agreement. For further details, see the section entitled "*Description of the Intercreditor Agreement*".

### **Change of Law**

If, at any time prior to the end of the Initial Period, as a result of any amendment of or supplement to Italian Presidential Decree No. 600 of 1973, the Issuer satisfies the Representative of the Noteholders that:

- (a) it will no longer be required to pay an additional amount equal to 20 per cent. of interest and other proceeds accrued on the Notes upon redemption thereof during such Initial Period, and
- (b) it will have Issuer Available Funds available for redemption of the Notes (in full or in part) on the next Payment Date in accordance with the applicable Priority of Payments,

then the Issuer may, at its option and having given not less than 30 days' prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with Condition 14 (*Notices*), redeem the Notes (in full or in part) starting from the next Payment Date (and on each Payment Date thereafter) in accordance with Condition 6.5 (*Redemption, Purchase and Cancellation - Change of Law*).

### **Final Maturity Date**

Unless previously redeemed in full or cancelled in accordance with the Terms and Conditions, the Notes are due to be repaid in full at their respective Principal Amount Outstanding on the Final Maturity Date, being the Payment Date falling in January 2047.

### **Cancellation Date**

The Notes will be cancelled on the Cancellation Date, being the earlier of (i) the date on which the Notes have been redeemed in full, (ii) the Final Maturity Date and (iii) the date on which the Representative of the Noteholders has certified to the Issuer and the Noteholders that there are no more Issuer Available



Funds to be distributed as a result of no additional amount or asset relating to the Portfolio being available to the Issuer at which date any amount outstanding, whether in respect of interest, principal or other amounts in respect of the Notes, shall be finally and definitively cancelled.

### **Source of Payments of the Notes**

The principal source of payment of interest and of repayment of principal on the Notes will be the Collections and the Recoveries made in respect of the Portfolio of the Receivables arising out of the Mortgage Loan Agreements, purchased by the Issuer from the Originator on 9 March 2007 pursuant to the Transfer Agreement.

### **Segregation of the Portfolio**

The Notes have the benefit of the provisions of Article 3 of the Securitisation Law pursuant to which the Issuer's rights, title and interest in and to the Portfolio are segregated by operation of law from the Issuer's other assets. Both before and after a winding-up of the Issuer, amounts deriving from the Portfolio (to the extent identifiable) will be exclusively available for the purpose of satisfying the obligations of the Issuer to the Noteholders, to the Other Issuer Creditors and to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation. The Portfolio may not be seized or attached in any form by creditors of the Issuer other than the Noteholders, until full discharge by the Issuer of its payment obligations under the Notes or cancellation of the Notes. Pursuant to the terms of the Intercreditor Agreement and the Mandate Agreement, the Issuer has empowered the Representative of the Noteholders, following the delivery of a Trigger Notice or upon failure by the Issuer to promptly exercise its rights under the Transaction Documents, to exercise all the Issuer's Rights, powers and discretion under the Transaction Documents taking such action in the name and on behalf of the Issuer as the Representative of the Noteholders may deem necessary to protect the interests of the Issuer, the Noteholders and the Other Issuer Creditors in respect of the Portfolio and the Issuer's Rights. Italian law governs the delegation of such power.

In addition, security over certain monetary rights of the Issuer arising out of certain Transaction Documents and over any Eligible Investments has

been granted by the Issuer in favour of the Representative of the Noteholders pursuant to the Deed of Pledge and the Deed of Charge for the benefit of the Noteholders and the Other Issuer Creditors. For further details, see the section entitled "*The Security Documents*".

**Listing and admission to trading**

Application has been made to list on the official list of the Luxembourg Stock Exchange and to admit to trading on the Luxembourg Stock Exchange the Notes.

**Rating**

The Notes are expected to be assigned the following ratings on the Issue Date:

	<i>Fitch</i>	<i>Moody's</i>	<i>S&amp;P</i>
Class A1	AAA	Aaa	AAA
Class A2	AAA	Aaa	AAA
Class B	AA	Aa2	AA
Class C	BBB	A3	BBB

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.**

**Governing Law**

The Notes will be governed by Italian law.

**Purchase of the Notes**

The Issuer may not purchase any Notes at any time.

**3. ACCOUNTS**

**Interest Collection Account**

The Issuer has established the Interest Collection Account with the Italian Account Bank into which, pursuant to the Servicing Agreement, the Servicer will credit all the Interest Collections and all the Recoveries. For further details, see the section entitled "*The Accounts*".

**Principal Collection Account**

The Issuer has established the Principal Collection Account with the Italian Account Bank into which, pursuant to the Servicing Agreement, the Servicer will credit all the Principal Collections. For further details, see the section entitled "*The Accounts*".

**Transaction Account**

The Issuer has established the Transaction Account with the Italian Account Bank into which all amounts paid to the Issuer pursuant to the Transaction Documents shall be credited, including any Originator Indemnity Amount, but excluding (i) the Collections, (ii) the Recoveries and (iii) the amounts paid by the Hedging Counterparty pursuant to the Hedging Agreement. For further details, see the section entitled “*The Accounts*”.

**Expense Account**

The Issuer has established the Expense Account with the Italian Account Bank into which, on the Issue Date, the Retention Amount will be credited. During each Interest Period, the Retention Amount will be used by the Issuer to pay the Expenses.

On each Payment Date (other than the Payment Date on which the Notes will be fully redeemed), if the amount standing to the credit of the Expense Account is lower than the Retention Amount, then the Issuer shall credit Issuer Available Funds into the Expense Account, in accordance with the applicable Priority of Payments, to bring the balance of such account equal to the Retention Amount. For further details, see the section entitled “*The Accounts*”.

**Cash Reserve**

The Issuer has established the Cash Reserve Account with the Italian Account Bank into which, on the Issue Date, the Initial Cash Reserve Amount will be credited.

On each Payment Date prior to the service of a Trigger Notice (other than the Payment Date on which the Notes will be fully redeemed), if the amount of the Cash Reserve is lower than the Scheduled Cash Reserve Amount, then the Issuer shall credit Issuer Interest Available Funds into the Cash Reserve Account, in accordance with the applicable Priority of Payments, to bring the balance of the Cash Reserve equal to the Scheduled Cash Reserve Amount.

Two Business Days prior to each Payment Date before the service of a Trigger Notice (other than the Payment Date on which the Notes will be redeemed in full) the amounts of the Cash Reserve shall be transferred into the Payments Account, in accordance with the Cash Allocation, Management

and Payment Agreement, so as to form part of the Issuer Available Funds on each such Payment Date.

Following the service of a Trigger Notice, all amounts of the Cash Reserve shall be transferred into the Payments Account and the Cash Reserve Account (and the Cash Reserve Investment Account) shall be closed. For further details, see the section entitled "*The Accounts*".

## **Investment Accounts**

The Issuer has established the following Investment Accounts with the English Account Bank:

- (a) the Interest Collection Investment Account, for the deposit (i) and investment of all the amounts transferred to the Interest Collection Account and (ii) of the proceeds from the investment thereof;
- (b) the Principal Collection Investment Account, for the deposit (i) and investment of all the amounts transferred to the Principal Collection Account and (ii) of the proceeds from the investment thereof;
- (c) the Transaction Investment Account, for the deposit (i) and investment of all the amounts transferred to the Transaction Account and (ii) of the proceeds from the investment thereof; and
- (d) the Cash Reserve Investment Account, for the deposit (i) and investment of all the amounts transferred to the Cash Reserve Account and (ii) of the proceeds from the investment thereof.

The sums standing to the credit of the Investment Accounts may be invested in Eligible Investments and liquidated by each Eligible Investment Maturity Date, in accordance with the Cash Allocation, Management and Payment Agreement.

For further details, see the section entitled "*The Accounts*".

## **Securities Account**

The Issuer has established the Securities Account with the English Account Bank for the deposit of any Eligible Investments represented by bonds, debentures, other kinds of notes or other financial instruments purchased with the monies standing to

the credit of the Investment Accounts. For further details, see the section entitled “*The Accounts*”.

**Account Guarantee and Eligible Account** The obligations of Banca di Roma and Banca di Roma, London Branch, as Account Banks, will be guaranteed by Capitalia up to the Guaranteed Amount pursuant to the terms and conditions of the Account Guarantee. For further details, see the section entitled “*Description of the Account Guarantee*”.

The Issuer has established the Eligible Account with the Principal Paying Agent. If at any time the aggregate of:

- (i) the balance of the amounts standing to the credit of the BdR Accounts; and
- (ii) the amounts of the Eligible Investments made with sums of the BdR Accounts,

exceeds the Guaranteed Amount *minus* Euro 35,158,848.00, then, the Issuer shall immediately transfer the relevant exceeding amount into the Eligible Account. Any such transfer into the Eligible Account shall be made so as to ensure that the Collections and the Recoveries are always kept separate and segregated from any other amounts.

The sums standing to the credit of the Eligible Account may be invested in Eligible Investments and shall be liquidated by each Eligible Investment Maturity Date, in accordance with the Cash Allocation, Management and Payment Agreement. For further details, see the section entitled “*The Accounts*”.

### **Payments Account**

The Issuer has established the Payments Account with the Principal Paying Agent into which the sums paid to the Issuer by the Hedging Counterparty pursuant to the Hedging Agreement shall be credited.

In addition, two Business Days before each Payment Date, amounts shall be transferred to the Payments Account from the other Accounts, in accordance with the Cash Allocation, Management and Payment Agreement, so as to be applied on each such Payment Date to make the payments due by the Issuer under the applicable Priority of Payments,

including, *inter alios*, the payments due to the Noteholders. For further details, see the section entitled “*The Accounts*”.

#### **4. CREDIT STRUCTURE**

##### **Issuer Available Funds**

The Issuer Available Funds shall comprise, with reference to each Payment Date, the aggregate of:

- (a) the Issuer Principal Available Funds; and
- (b) the Issuer Interest Available Funds.

##### **Issuer Principal Available Funds**

The Issuer Principal Available Funds shall comprise, with reference to each Payment Date, the aggregate of:

- (a) all Principal Collections received by the Servicer in accordance with the Servicing Agreement during the immediately preceding Quarterly Collection Period;
- (b) the aggregate of all amounts (if any) payable under items *Sixth*, *Eighth* and *Tenth* of the Pre-Trigger Interest Priority of Payments on such Payment Date towards reduction of the debit balance of the Principal Deficiency Ledgers;
- (c) the principal component of the proceeds from the sale of any Receivables made during the immediately preceding Quarterly Collection Period;
- (d) any amount paid by the Originator to the Issuer as adjustment of the Purchase Price pursuant to the Transfer Agreement during the immediately preceding Quarterly Collection Period; and
- (e) all principal amounts received by the Issuer from any party to the Transaction Documents during the immediately preceding Quarterly Collection Period not already included in the items above.

##### **Issuer Interest Available Funds**

The Issuer Interest Available Funds shall comprise, with reference to each Payment Date, the aggregate of:

- (a) all Interest Collections received by the Servicer in accordance with the Servicing Agreement

- during the immediately preceding Quarterly Collection Period;
- (b) all Recoveries made by the Servicer in accordance with the Servicing Agreement during the immediately preceding Quarterly Collection Period;
  - (c) all amounts paid by the Hedging Counterparty pursuant to the Hedging Agreement;
  - (d) interest (if any) accrued on and credited to the Accounts (other than the Expense Account) during the immediately preceding Quarterly Collection Period;
  - (e) all Originator Indemnity Amounts received by the Issuer during the immediately preceding Quarterly Collection Period;
  - (f) any profit (including capital gain, if any) generated by or interest accrued on the Eligible Investments made with the amounts relating to the immediately preceding Quarterly Collection Period;
  - (g) the interest component of the proceeds from the sale (including any capital gain, if any) of any Receivables made during the immediately preceding Quarterly Collection Period;
  - (h) the Cash Reserve as of the immediately preceding Collection Period End Date;
  - (i) any amount payable on such Payment Date out of the Issuer Principal Available Funds as Interest Shortfall Amount; and
  - (j) all interest amounts received by the Issuer from any party to the Transaction Documents during the immediately preceding Quarterly Collection Period not already included in the items above.

### **Principal Deficiency Ledger**

The Issuer shall establish the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger and the Class C Principal Deficiency Ledger in order to record any Principal Deficiency. Any Principal Deficiency shall, on each Payment Report Date, be debited to: (i) *firstly*, the Class C Principal Deficiency Ledger, (ii) *secondly*, the Class B

Principal Deficiency Ledger, and (iii) *thirdly*, the Class A Principal Deficiency Ledger, in each case, until the debit balance of such ledger equals the then Principal Amount Outstanding of the corresponding Class of Notes, *provided however that* if the Cumulative Gross Default Level should at any time exceed 15 per cent., all Principal Deficiencies shall be allocated on the Class A Principal Deficiency Ledger for as long as there are Class A Notes outstanding.

## Trigger Events

The Terms and Conditions provide the following Trigger Events:

- (i) *Non-payment*: The Issuer defaults:
  - (a) in the payment of the amount of interest due on any Payment Date in respect of the Most Senior Class of Notes then outstanding or in the repayment in full of the principal on the Final Maturity Date in respect of the Notes of all Classes (and, in case of default in the payment of interest only, such default is not remedied within a period of 5 Business Days from the relevant Payment Date); or
  - (b) any amount due to the Other Issuer Creditors under items *First* and *Second* of the Pre-Trigger Interest Priority of Payments and such default is not remedied within a period of 5 Business Days from the due date thereof; or
- (ii) *Breach of other obligations*: The Issuer defaults in the performance or observance of any of its obligations under or in respect of the Notes or any of the Transaction Documents to which it is a party (other than any obligation specified in (i) above) which is in the Representative of the Noteholders' reasonable opinion materially prejudicial to the interests of the Noteholders and such default remains unremedied for 30 days after the Representative of the Noteholders having given written notice thereof to the Issuer requiring the same to be remedied (except where, in the reasonable opinion of the



Representative of the Noteholders, such default is not capable of remedy in which case no term of 30 days will be given); or

- (iii) *Breach of Representations and Warranties by the Issuer:* any of the representations and warranties given by the Issuer under any of the Transaction Documents to which it is party is, or proves to have been, incorrect or erroneous in any material respect when made, or deemed to be made, or at any time thereafter, unless it has been remedied within 15 (fifteen) days after the Representative of the Noteholders has served notice requiring remedy; or
- (iv) *Insolvency of the Issuer:* an Insolvency Event occurs in respect of the Issuer; or
- (v) *Unlawfulness:* It is or will become unlawful (in any respect deemed by the Representative of the Noteholders to be material) for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any of the Transaction Documents to which it is a party.

Upon the occurrence of a Trigger Event, the Representative of the Noteholders:

- (1) in the case of a Trigger Event under (i) and (v) above, shall; and/or
- (2) in the case of a Trigger Event under (ii) and (iii) above, if so directed by an Extraordinary Resolution of the Most Senior Class of Noteholders, shall; and/or
- (3) in the case of a Trigger Event under (iv) above, may at its sole discretion or, if so directed by an Extraordinary Resolution of the Most Senior Class of Noteholders, shall,

serve a Trigger Notice to the Issuer. Upon the service of a Trigger Notice, the Issuer Available Funds shall be applied in accordance with the Post-Trigger Priority of Payments.

Following the delivery of a Trigger Notice, the Issuer may (subject to the consent of the Representative of the Noteholders) or the Representative of the

Noteholders may (or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders then outstanding) direct the Issuer to, dispose of the Portfolio, subject to the terms and conditions of the Intercreditor Agreement.

### **Pre-Trigger Interest Priority of Payments**

Prior to service of a Trigger Notice, the Issuer Interest Available Funds shall be applied on each Payment Date in making or providing for the following payments, 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):

- (i) *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 Expense Account have been insufficient to pay such Expenses during the immediately preceding Interest Period) and (B) to credit to the Expense Account an amount (if any) to bring the balance of such account up to (but not exceeding) the Retention Amount;
- (ii) *Second*, in or towards satisfaction of the fees, costs and expenses of, and all other amounts payable to, the Representative of the Noteholders;
- (iii) *Third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts payable to, the Servicer, the Paying Agents, the Cash Manager, the Calculation Agent, the Account Banks and the Corporate Servicer;
- (iv) *Fourth*, in or towards satisfaction of all amounts due and payable by the Issuer to the Hedging Counterparty under the Hedging Agreement, except for those amounts payable under item *Fourteenth* below;
- (v) *Fifth*, in or towards satisfaction of interest due and payable but unpaid on the Class A Notes;

- (vi) *Sixth*, in or towards provision of the Issuer Principal Available Funds in the amount (if any) necessary to reduce to zero the debit balance of the Class A Principal Deficiency Ledger;
- (vii) *Seventh*, in or towards satisfaction of interest due and payable but unpaid on the Class B Notes;
- (viii) *Eighth*, in or towards provision of the Issuer Principal Available Funds in the amount (if any) necessary to reduce to zero the debit balance of the Class B Principal Deficiency Ledger;
- (ix) *Ninth*, in or towards satisfaction of interest due and payable but unpaid on the Class C Notes;
- (x) *Tenth*, in or towards provision of the Issuer Principal Available Funds in the amount (if any) necessary to reduce to zero the debit balance of the Class C Principal Deficiency Ledger;
- (xi) *Eleventh*, (with the exclusion of the Payment Date on which the Notes will be redeemed in full) to pay into the Cash Reserve Account an amount (if any) such that the balance of such account, after such payment, is equivalent to the Scheduled Cash Reserve Amount;
- (xii) *Twelfth*, in or towards satisfaction of any portion on the Initial Purchase Price due and payable but unpaid, together with all accrued but unpaid interest thereon;
- (xiii) *Thirteenth*, in or towards satisfaction of amounts (if any) due and payable by the Issuer to the Joint Lead Managers pursuant to the Subscription Agreement;
- (xiv) *Fourteenth*, to pay any termination payments payable by the Issuer to the Hedging Counterparty under the Hedging Agreement upon any early termination of such agreement if the Hedging

Counterparty is the Defaulting Party or the Sole Affected Party (as these terms are defined in the Hedging Agreement);

- (xv) *Fifteenth*, to pay interest due and payable but unpaid on the Subordinated Loan;
- (xvi) *Sixteenth*, to pay, *pari passu* and *pro rata* according to the respective amount thereof, amounts due (if any): (A) as Adjustment Purchase Price or anyway under the Transfer Agreement (other than Purchase Price) and (B) under the Warranty and Indemnity Agreement;
- (xvii) *Seventeenth*, in or towards payment of the Additional Return due and payable but unpaid on the Subordinated Loan, *provided however that* the Subordinated Loan Provider may, on any Payment Date falling after the Initial Period, elect to receive all or a portion of such Additional Return by way of repayment of principal due under the Subordinated Loan;
- (xviii) *Eighteenth*, in or towards repayment of principal due and payable but unpaid on the Subordinated Loan in accordance with the Subordinated Loan Agreement, save as provided under item *Seventeenth* above; and
- (xix) *Nineteenth*, in or towards payment of the Deferred Purchase Price due and payable but unpaid.

### **Pre-Trigger Principal Priority of Payments**

Prior to service of a Trigger Notice, the Issuer Principal Available Funds shall be applied on each Payment Date in making or providing for the following payments, 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):

- (i) *First*, in or towards provision of the Issuer Interest Available Funds in the amount (if

- any) necessary to cover any Interest Shortfall Amount;
- (ii) *Second*, in or towards satisfaction of any Principal Amount Outstanding on the Class A1 Notes;
  - (iii) *Third*, upon full redemption of the Class A1 Notes, in or towards satisfaction of any Principal Amount Outstanding on the Class A2 Notes;
  - (iv) *Fourth*, upon full redemption of the Class A2 Notes, in or towards satisfaction of any Principal Amount Outstanding on the Class B Notes;
  - (v) *Fifth*, upon full redemption of the Class B Notes, in or towards satisfaction of any Principal Amount Outstanding on the Class C Notes;
  - (vi) *Sixth*, in or towards satisfaction of amounts (if any) due and payable by the Issuer to the Joint Lead Managers pursuant to the Subscription Agreement;
  - (vii) *Seventh*, in or towards payment of the Additional Return due and payable but unpaid on the Subordinated Loan, *provided however that* the Subordinated Loan Provider may, on any Payment Date falling after the Initial Period, elect to receive all or a portion of such Additional Return by way of repayment of principal due under the Subordinated Loan;
  - (viii) *Eighth*, in or towards repayment of principal due and payable but unpaid on the Subordinated Loan in accordance with the Subordinated Loan Agreement, save as provided under item *Sixth* above; and
  - (ix) *Ninth*, in or towards payment of the Deferred Purchase Price due and payable but unpaid.

*Provided however that:*

- (AA) subject to any change of law as described in the paragraph "*Change of Law*" above,

during the Initial Period any Issuer Available Funds which would be otherwise available on a Payment Date for repayment of principal on the Notes or for payment of items ranking below repayment of principal on the Notes under the Pre-Trigger Principal Priority of Payments shall not be used for such purposes and may be invested in accordance with the terms of the Cash Allocation, Management and Payment Agreement. Any such amount will form part of the Issuer Principal Available Funds from the first Payment Date which falls immediately after the expiry of the Initial Period (for further details see the section entitled "*The Accounts*"); and

(BB) subject to no Trigger Notice having been served:

- (i) starting from and including any Payment Date after the Initial Period on which a Class A Principal Subordination Event has occurred and on each Payment Date (other than a Pro-Rata Amortisation Payment Date) thereafter until the Cancellation Date, the Class A1 Notes and the Class A2 Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal;
- (ii) on each Pro-Rata Amortisation Payment Date until the earlier of (a) the Payment Date (excluded) on which the Pro Rata Cessation Event occurs and (b) the Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal; and
- (iii) starting from any Payment Date (included) on which the Pro Rata Cessation Event occurs and on each Payment Date thereafter until the

Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank in the sequential order of priority set out under items *Second* to *Fifth* above, with respect to the repayment of principal.

It is specified, for the sake of clarity, that no amounts may be paid out of the Issuer Principal Available Funds under items *Sixth* to *Eighth* (both included) of the Pre-Trigger Principal Priority of Payments until all Notes have been redeemed in full or cancelled.

### **Post-Trigger Priority of Payments**

Following service of a Trigger Notice, the Issuer Available Funds shall be applied on each Payment Date in making or providing for the following payments, 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):

- (i) *First*, (A) if the Trigger Event is an Insolvency Event, to pay any mandatory expenses relating to such Insolvency Event, in accordance with Italian Bankruptcy Law and, thereafter, or upon the occurrence of any other Trigger Event, (B); 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 Expense Account have been insufficient to pay such Expenses during the immediately preceding Interest Period) and (C) to credit to the Expense Account an amount (if any) to bring the balance of such account up to (but not exceeding) the Retention Amount;
- (ii) *Second*, in or towards satisfaction of the fees, costs and expenses of, and all other amounts payable to, the Representative of the Noteholders;
- (iii) *Third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of (A) if the relevant Trigger Event is not an Insolvency Event, all

outstanding fees, costs, expenses and taxes incurred (to the extent not paid under item *First* above) by the Issuer to persons who are not party to the Intercreditor Agreement, and (B) the fees, costs and expenses of, and all other amounts payable to, the Servicer, the Paying Agents, the Cash Manager, the Calculation Agent, the Account Banks, the Corporate Servicer and any receiver appointed under the Deed of Charge;

- (iv) *Fourth*, in or towards satisfaction of amounts due and payable by the Issuer to the Hedging Counterparty under the Hedging Agreement, except for any amounts payable under item *Thirteenth* below;
- (v) *Fifth*, to pay, *pari passu* and *pro rata* in accordance with the respective amount thereof, interest due and payable but unpaid on the Class A Notes;
- (vi) *Sixth*, to repay, *pari passu* and *pro rata* in accordance with the respective amount thereof, principal on the Class A Notes;
- (vii) *Seventh* upon full redemption of the Class A Notes, to pay interest due and payable but unpaid on the Class B Notes;
- (viii) *Eighth*, to repay principal on the Class B Notes;
- (ix) *Ninth*, upon full redemption of the Class B Notes, to pay interest due and payable but unpaid on the Class C Notes;
- (x) *Tenth*, to repay principal on the Class C Notes;
- (xi) *Eleventh*, in or towards satisfaction of any portion on the Initial Purchase Price due and payable but unpaid, together with all accrued but unpaid interest thereon;
- (xii) *Twelfth*, in or towards satisfaction of amounts (if any) due and payable by the



Issuer to the Joint Lead Managers pursuant to the Subscription Agreement;

- (xiii) *Thirteenth*, to pay any termination payments payable by the Issuer to the Hedging Counterparty under the Hedging Agreement upon any early termination of such agreement if the Hedging Counterparty is the Defaulting Party or the Sole Affected Party (as these terms are defined in the Hedging Agreement);
- (xiv) *Fourteenth*, in or towards payment of interest due and payable but unpaid on the Subordinated Loan;
- (xv) *Fifteenth*, to repay, *pari passu* and pro rata according to the respective amount thereof, amounts due (if any): (A) as Adjustment Purchase Price or anyway under the Transfer Agreement (other than Purchase Price) and (B) under the Warranty and Indemnity Agreement;
- (xvi) *Sixteenth*, in or towards payment of the Additional Return due and payable but unpaid on the Subordinated Loan, *provided however* that the Subordinated Loan Provider may, on any Payment Date falling after the Initial Period, elect to receive all or a portion of such Additional Return by way of repayment of principal due under the Subordinated Loan;
- (xvii) *Seventeenth*, in or towards repayment of principal due and payable but unpaid on the Subordinated Loan in accordance with the Subordinated Loan Agreement, save as provided under item *Sixteenth* above; and
- (xviii) *Eighteenth*, in or towards payment of the Deferred Purchase Price due and payable but unpaid.

*Provided however that*

- (AA) subject to any change of law as described in the paragraph "*Change of Law*" above, during the Initial Period any Issuer Available Funds

which would be otherwise available on a Payment Date for repayment of principal on the Notes or for payment of items ranking below repayment of principal on the Notes under the Post-Trigger Priority of Payments shall not be used for such purposes and may be invested in accordance with the terms of the Cash Allocation, Management and Payment Agreement. Any such amount will form part of the Issuer Available Funds from the first Payment Date which falls immediately after the expiry of the Initial Period; and

- (BB) from and including the date on which the Representative of the Noteholder serves a Trigger Notice on the Issuer, if the amount of funds at any time available for the repayment of principal in respect of the Notes is less than one-tenth of the then Principal Amount Outstanding of all the Notes, the Issuer (or the Representative of the Noteholders on its behalf) may, at its absolute discretion, deposit such funds in an Account or in a bank account opened pursuant to the terms and conditions of the Intercreditor Agreement. The funds so deposited, together with any interest accrued and paid thereon, may be accumulated until such accumulations amount to a sum equal to at least one-tenth of the Principal Outstanding Amount of the Notes then outstanding, and such accumulations shall then be applied in accordance with the Post-Trigger Priority of Payments.

It is specified, for the sake of clarity, that no amounts may be paid out of the Issuer Available Funds under items *Eleventh* to *Eighteenth* (both included) of the Post-Trigger Priority of Payments until all Notes have been redeemed in full or cancelled.

## **5. TRANSFER AND ADMINISTRATION OF THE PORTFOLIO**

### **Transfer of the Portfolio**

Pursuant to the Transfer Agreement, on 9 March 2007 the Originator assigned and transferred to the Issuer the Portfolio. The Portfolio has been assigned and transferred to the Issuer without recourse (*pro*

*soluto*) in accordance with the Securitisation Law and subject to the terms and conditions thereof.

The Receivables comprised in the Portfolio have been selected on the basis of the Criteria set forth in the Transfer Agreement. For further details see the section entitled "*The Portfolio*".

The Purchase Price payable by the Issuer to the Originator in respect of the Portfolio is composed of:

- (a) the Initial Purchase Price, equal to Euro 2,479,367,027.39 being the aggregate of the Individual Purchase Prices of all the Receivables comprised in the Portfolio (such Individual Purchase Price being equal to the Principal Component of the relevant Receivable as at the Valuation Date); and
- (b) the Deferred Purchase Price. For further details, see the definition of "*Deferred Purchase Price*" under the section entitled "*Glossary*".

The Initial Purchase Price will be paid as follows:

- (a) an amount equal to Euro 2,479,350,000.00 will be paid on the Issue Date out of the proceeds deriving from the issue of the Notes; and
- (b) an amount equal to Euro 17,027.39 will be paid on each Payment Date out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

The Deferred Purchase Price will be paid on each Payment Date out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

For further details, see the sections entitled "*The Portfolio*" and "*Description of the Transfer Agreement*".

## **Warranties in relation to the Portfolio**

Pursuant to the Warranty and Indemnity Agreement, the Originator has given certain representations and warranties in favour of the Issuer in relation to, *inter alia*, the Receivables, the Mortgage Loan Agreements, the Real Estate Assets and the

Collateral Securities and has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio.

For further details, see the section entitled "*Description of the Warranty and Indemnity Agreement*".

## **Servicing Agreement**

Pursuant to the Servicing Agreement, the Servicer has agreed to administer and service the Portfolio on behalf of the Issuer and, in particular: (i) to collect and recover amounts due in respect thereof; (ii) to administer relationships with the Debtors; and (iii) to carry out, on behalf of the Issuer, certain activities in relation to the Receivables in accordance with the Servicing Agreement and the Collection Policies.

The Servicer will be the "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento*" pursuant to Article 2, paragraph 3(c) of the Securitisation Law and, therefore, it will verify that the operations comply with the law and this Offering Circular.

In addition, the Servicer has undertaken to prepare and submit to the Issuer (i) on each Monthly Servicer's Report Date, the Monthly Servicer's Report and (ii) on each Quarterly Servicer's Report Date, the Quarterly Servicer's Report in the form set out in the Servicing Agreement.

For further details see the section entitled "*Description of the Servicing Agreement*".

## **6. TRANSACTION DOCUMENTS**

### **Intercreditor Agreement**

Pursuant to the Intercreditor Agreement, the Issuer and the Other Issuer Creditors have agreed, *inter alia*, to apply the Issuer Available Funds in accordance with the applicable Priority of Payments and the circumstances in which the Representative of the Noteholders will be entitled to exercise certain rights in relation to the Portfolio.

For further details, see the section entitled "*Description of the Intercreditor Agreement*".

## **Cash Allocation, Management and Payment Agreement**

Pursuant to the Cash Allocation, Management and Payment Agreement, the Servicer, the Calculation Agent, the Account Banks, the Principal Paying Agent, the Luxembourg Listing Agent, the Luxembourg Paying Agent, the Originator, the Subordinated Loan Provider and the Cash Manager have agreed to provide the Issuer with certain agency services and certain calculation, notification and reporting services together with account handling, investment and cash management services in relation to monies and securities from time to time standing to the credit of the Accounts.

Pursuant to the Cash Allocation, Management, Payment and Agency Agreement, the Calculation Agent has agreed to prepare, on or prior to each Payment Report Date, the Quarterly Payments Report containing *inter alia* details of amounts to be paid or provisioned by the Issuer on the immediately succeeding Payment Date under the applicable Priority of Payments.

For further details, see the section entitled "*Description of the Cash Allocation, Management and Payment Agreement*".

## **Mandate Agreement**

Pursuant to the Mandate Agreement, the Representative of the Noteholders will be authorised, subject to a Trigger Notice being served or following failure by the Issuer to exercise its rights under the Transaction Documents, to exercise, in the name and on behalf of the Issuer, all the Issuer's non-monetary rights arising out of the Transaction Documents to which the Issuer is a party.

For further details, see the section entitled "*Description of the Mandate Agreement*".

## **Subordinated Loan Agreement**

Pursuant to the Subordinated Loan Agreement, the Subordinated Loan Provider has agreed to grant the Issuer the Subordinated Loan in an amount of Euro 37,190,250.00. The Subordinated Loan will be used by the Issuer to provide the Initial Cash Reserve Amount on the Issue Date.

As consideration for the granting of the Subordinated Loan, the Issuer shall pay to the Subordinated Loan Provider (a) interest on the outstanding principal

amount under such Subordinated Loan at a rate equal to the three month EURIBOR applicable to the Notes *plus* (b) the Additional Return. Such interest and Additional Return will be paid by the Issuer on each Payment Date out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

The principal under the Subordinated Loan Agreement will be repaid starting from the Payment Date on which, *inter alia*, the Cash Reserve Amortisation Conditions are met and on each Payment Date thereafter. The Issuer will fund such repayment out the Issuer Available Funds, in accordance with the applicable Priority of Payments.

For further details, see the section entitled "*Description of the Subordinated Loan Agreement*".

#### **Letter of Undertakings**

Pursuant to the Letter of Undertakings, the Sole Quotaholder has given certain undertakings in relation to the management of the Issuer and the exercise of its rights as Sole Quotaholder of the Issuer.

For further details, see the section entitled "*Description of the Letter of Undertakings*".

#### **Hedging Agreement**

In order to hedge its interest rate exposure in relation to the Notes, the Issuer has entered into the Hedging Agreement with the Hedging Counterparty in the form of an ISDA 1992 Master Agreement (Multicurrency – Cross Border).

For further details see the section entitled "*Description of the Hedging Agreement*".

#### **Corporate Services Agreement**

Pursuant to the Corporate Services Agreement, the Corporate Servicer has agreed to provide the Issuer with certain corporate administrative services including the maintenance of corporate books and of accounting and tax registers, in compliance with reporting requirements relating to the Receivables and with other regulatory requirements imposed on the Issuer.

For further details, see the section entitled "*Description of the Corporate Services Agreement*".

#### **Foundation Corporate Services**

**Agreement**

Pursuant to the Foundation Corporate Services Agreement, the Foundation Corporate Servicer will provide the Sole Quotaholder with a number of services, including, *inter alia*, the provision of accounting and financial services and the management and administration of the Sole Quotaholder.

For further details, see the section entitled "*Description of the Foundation Corporate Services Agreement*".

**Deed of Pledge**

Pursuant to the Italian law Deed of Pledge, the Issuer (i) has pledged in favour of the Noteholders and the Other Issuer Creditor its monetary claims and rights deriving from certain Transaction Documents (except for the Receivables and the amounts deriving from the collection and recovery of the Receivables) and (ii) has undertaken to pledge in favour of the Noteholders and the Other Issuer Creditors the Eligible Investments purchased from time to time with the monies standing to the credit of the Eligible Account.

For further details, see the section entitled "*Description of the Security Documents*".

**Deed of Charge**

Pursuant to the English law Deed of Charge, the Issuer has assigned by way of security, in favour of the Noteholders and the Other Issuer Creditors, (a) all of the Issuer's rights, title, interest and benefit (present and future) in, to and under the Hedging Agreement, and all dividends, interest and other monies payable in respect thereof and all other rights, benefits and proceeds deriving therefrom, (b) all funds, moneys and other assets now or hereafter standing to the credit of the Investment Accounts and the Securities Account and (c) the Eligible Investments purchased from time to time with the monies standing to the credit of the Investment Accounts, all debts represented thereby and all rights and proceeds derived therefrom.

For further details, see the section entitled "*Description of the Security Documents*".

**Account Guarantee**

On or about the Issue Date, the Issuer, Banca di Roma and the Account Guarantee Provider entered into the Account Guarantee under which the Account

Guarantee Provider has issued a 364 days renewable guarantee up to the Guaranteed Amount. Under the Account Guarantee the Account Guarantee Provider will guarantee in favour of the Issuer the due and punctual performance of the following payment obligations of:

- (a) Banca di Roma, as Servicer, to transfer amounts received as Collections and Recoveries and any other amounts due and payable in respect of the Receivables, in accordance with the terms of the Servicing Agreement;
- (b) Banca di Roma, as Italian Account Bank, to pay and transfer amounts credited into the BdR Accounts other than the Investment Accounts and the Securities Account in accordance with the terms of the Cash Allocation, Management and Payment Agreement; and
- (c) Banca di Roma, London Branch, as English Account Bank, to pay, transfer invest and disinvest amounts and securities, respectively, credited into the Investment Accounts and deposited in the Securities Account in accordance with the terms of the Cash Allocation, Management and Payment Agreement.

For further details see the section entitled "*Description of the Account Guarantee*".



## RISK FACTORS

*The following is a summary of certain aspects of the issue of the Notes of which prospective noteholders should be aware. It is not intended to be exhaustive and prospective noteholders should also read the detailed information set out elsewhere in this Offering Circular.*

### **Securitisation Law**

The Securitisation Law was enacted in Italy on April 1999. As at the date of this Offering Circular, as far as the issuer is aware, no interpretation of the application of the Securitisation Law has been issued by any Italian court or governmental or regulatory authority, except for: (i) regulations issued by the Bank of Italy concerning, *inter alia*, the accounting treatment of securitisation transactions for special purpose companies incorporated under the Securitisation Law, such as the Issuer, and the duties of companies which carry out collection and recovery activities in the context of a securitisation transaction; (ii) the Decree of the Italian Ministry of Treasury dated 4 April 2001 on the terms for the registration of the financial intermediaries in the Special Register held by the Bank of Italy pursuant to Article 107 of the Consolidated Banking Act; (iii) the Circular No. 8/E issued by *Agenzia delle Entrate* on 6 February 2003 on the tax treatment of the issuers (see paragraph “*Tax treatment of the Issuer*” below); and (iv) the Decree of the Italian Ministry of Treasury dated 14 December 2006 No. 310 on the covered bonds, as provided by Article 7-*bis* of the Securitisation Law. Consequently, it is possible that such or different authorities may issue further regulations relating to the Securitisation Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Offering Circular.

### **Suitability**

Structured securities, such as the Notes, are sophisticated instruments, which can involve a significant degree of risk. Prospective investors in any Class of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to the relevant risk. Such prospective investors should also ensure that they have sufficient knowledge, experience and access to professional advice to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Notes and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition.

### **Source of Payments to Noteholders**

The Notes will be limited recourse obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of or guaranteed by any of the Originator, the Servicer, the Representative of the Noteholders, the Calculation Agent, the Cash Manager, the Account Banks, the Principal Paying Agent, the Luxembourg Paying Agent, the Hedging Counterparty, the Corporate Servicer, the Luxembourg Listing Agent, the Sole Arranger, the Joint Lead Managers, the Subordinated Loan Provider, the Account Guarantee Provider or the Sole Quotaholder. None of any such parties, other than the Issuer, will accept any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due under the Notes.

The Issuer will not as at the Issue Date have any significant assets other than the Portfolio and its rights under the Transaction Documents to which it is a party. Consequently, following the

occurrence of a Trigger Event or at the Final Maturity Date or otherwise, the funds available to the Issuer may be insufficient to pay interest on the Notes or to repay the Notes in full.

Subject to Condition 2.2. (*Priority*) (for further details see the section entitled “*Subordination*” below), this risk is mitigated by the Cash Reserve and (a) in the case of the Class A1 Notes, by the credit support provided by the Class A2 Notes, the Class B Notes and the Class C Notes (a) in the case of the Class A2 Notes, by the credit support provided by the Class B Notes and the Class C Notes, and (c) in the case of the Class B Notes, by the credit support provided by the Class C Notes.

### **Issuer's ability to meet its obligations under the Notes**

The ability of the Issuer to meet its obligations in respect of the Notes will be dependent on (i) the receipt by the Issuer of Collections and Recoveries made on its behalf by the Servicer in respect of the Portfolio, (ii) any payments made by the Hedging Counterparty under the Hedging Agreement and (iii) of any other amounts received by the Issuer pursuant to the provisions of the other Transaction Documents to which it is a party.

There is no assurance that, over the life of the Notes or at the redemption date of any Classes of Notes (whether on the Final Maturity Date, upon redemption by acceleration of maturity following the service of a Trigger Notice, or otherwise), there will be sufficient funds to enable the Issuer to pay interest on the Notes or to repay the Notes in full.

### **Limited Recourse Nature of the Notes**

The Notes will be limited recourse obligations solely of the Issuer. The Noteholders will receive payment in respect of principal and interest on the Notes only if and to the extent that the Issuer has sufficient Issuer Available Funds to make such payment in accordance with the applicable Priority of Payments. If there are not sufficient Issuer Available Funds to pay in full all principal and interest due in respect of the Notes, then the Noteholders will have no further claims against the Issuer in respect of any such unpaid amounts. Following the service of a Trigger Notice, the only remedy available to the Noteholders and the Other Issuer Creditors is the exercise by the Representative of the Noteholders of the Issuer's Rights.

### **Subordination**

- (1) In respect of the obligation of the Issuer to pay interest on the Notes before the delivery of a Trigger Notice:
  - (i) the Class A1 Notes and the Class A2 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes;
  - (ii) the Class B Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class C Notes, but subordinated to the Class A Notes; and
  - (iii) the Class C Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves, but subordinated to the Class A Notes and the Class B Notes.
- (2) In respect of the obligation of the Issuer to repay principal on the Notes, after the Initial

Period, but before the delivery of a Trigger Notice:

- (i) the Class A1 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class A2 Notes, the Class B Notes and the Class C Notes;
- (ii) the Class A2 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes, but subordinated to the Class A1 Notes;
- (iii) the Class B Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class C Notes, but subordinated to the Class A Notes; and
- (iv) the Class C Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves, but subordinated to the Class A Notes and the Class B Notes.

(3) *Provided however that*, subject to no Trigger Notice having been served:

- (i) starting from and including any Payment Date after the Initial Period on which a Class A Principal Subordination Event has occurred and on each Payment Date (other than a Pro-Rata Amortisation Payment Date) thereafter until the Cancellation Date, the Class A1 Notes and the Class A2 Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal;
- (ii) on each Pro-Rata Amortisation Payment Date until the earlier of (a) the Payment Date (excluded) on which the Pro Rata Cessation Event occurs and (b) the Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal; and
- (iii) starting from any Payment Date (included) on which the Pro Rata Cessation Event occurs and on each Payment Date thereafter until the Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank in accordance with paragraph (2) above with respect to the repayment of principal.

(4) In respect of the obligation of the Issuer to pay interest and repay principal on the Notes after the delivery of a Trigger Notice:

- (i) the Class A1 Notes and the Class A2 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes;
- (ii) the Class B Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class C Notes, but subordinated to the Class A Notes; and
- (iii) the Class C Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves but subordinated to the Class A Notes and the Class B Notes.

**No independent investigation in relation to the Receivables**

None of the Issuer, the Sole Arranger, the Joint Lead Managers or the Representative of the Noteholders, nor any other party to the Transaction Documents (other than the Originator) has undertaken or will undertake any investigation, searches or other actions to verify the details of the Receivables sold by the Originator to the Issuer, nor has any of such persons undertaken, nor will any of them undertake, any investigations, searches or other actions to establish the creditworthiness of any Debtors.

### **Claw back of the sales of the Receivables**

Assignments executed under the Securitisation Law are subject to revocation on bankruptcy under Article 67 of the Italian Bankruptcy Law but only in the event that the adjudication of bankruptcy of the relevant originator is made within three months from the securitisation transaction (or from the purchase of the relevant portfolio of receivables) or, in cases where paragraph 1 of Article 67 applies, within six months from the securitisation transaction (or of the purchase of the relevant portfolio).

The Originator has provided the Issuer with (a) a solvency certificate relating to itself dated 1 March 2007 (the sale of the Receivables having taken place on 9 March 2007).

### **Right to Future Receivables**

Under the Transfer Agreement, the Originator has transferred to the Issuer also the claims relating to any prepayment fees and any indemnities payable upon early repayment of the Mortgage Loans or termination of the Mortgage Loan Agreements. If the Originator is or becomes insolvent, the court may treat the above claims as “future receivables”. The Issuer’s claims to any future receivables that have not yet arisen at the time of the Originator’s admission to the relevant insolvency proceedings might not be effective and enforceable against the insolvency receiver of the Originator.

### **Commingling Risk**

The Issuer is subject to the risk that, in the event of insolvency of the Servicer, the Collections and the Recoveries held by the Servicer are lost or frozen. Such risk is mitigated through (i) the Account Guarantee and (ii) the transfer of any Collections and Recoveries held by the Servicer to the Principal Collection Account and to the Interest Collection Account (as the case may be) within two Business Days after the relevant payment is made, pursuant to the Servicing Agreement.

### **Liquidity and Credit Risk**

The Issuer is subject to the risk of delay arising between the receipt of payments due from the Debtors and the Scheduled Instalment Dates. This risk is addressed in respect of the Notes through the Cash Reserve and the Hedging Agreement.

The Issuer is subject to the risk of failure by the Servicer to collect or to recover sufficient funds in respect of the Portfolio in order to enable the Issuer to discharge all amounts payable under the Notes when due.

The Issuer is also subject to the risk of default in payment by the Debtors and the failure to realise or to recover sufficient funds in respect of the Mortgage Loans in order to discharge all amounts due from those Debtors under the Mortgage Loans. Subject to Condition 2.2. (*Priority*) (for further

details see the section entitled “*Subordination*” below), this risk is mitigated: (i) with respect to the Class A1 Notes by the credit support provided by the Class A2 Notes, the Class B Notes and the Class C Notes; (ii) with respect to the Class A2 Notes by the credit support provided by the Class B Notes and the Class C Notes; and (iii) with respect to the Class B Notes by the credit support provided by the Class C Notes.

However, in each case, there can be no assurance that the levels of Collections and Recoveries received from the Portfolio will be adequate to ensure timely and full receipt of amounts due under the Notes.

### **Yield and Prepayment Considerations**

The yield to maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of repayment of principal on the Mortgage Loans (including prepayments and sale proceeds arising on enforcement of a Mortgage Loan) and the exercise of the Optional Redemption pursuant to Condition 6.3 (*Redemption, Purchase and Cancellation - Optional Redemption*). Such yield may be adversely affected by a higher or lower than anticipated rates of prepayment, delinquency and default of the Mortgage Loans.

Prepayments may result in connection with refinancing or sales of properties by Debtors voluntarily. The receipt of proceeds from Insurance Policies may also impact on the way in which the Mortgage Loans are repaid.

The rates of prepayment, delinquency and default of Mortgage Loans cannot be predicted and are influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates and margin offered by the banking system, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Therefore, no assurance can be given as to the level of prepayments, delinquency and default that the Mortgage Loan will experience. For further details, see the section “*Expected Average Life of the Notes*”.

### **Legislative Decree of 31 January 2007 No. 7 (i.e. *Decreto Bersani*)**

#### *General*

Italian Decree No. 7 of 31 January 2007 (“**Decree 7**”), converted into law No. 40 of 2 April 2007, has introduced certain provisions aimed at protecting consumers. Decree 7 sets out also provisions in favour of borrowers under loans granted by banks or financial intermediaries. Such provisions affect also existing loans granted for the purpose of purchasing a first home, as is the case for the securitised Mortgage Loans, and deal with (i) prepayment fees due by borrowers upon early repayment of the loans; (ii) repayment of loans by way of voluntary subrogation of the debtor (*surrogazione per volontà del debitore*) and (iii) cancellation of mortgages. The key features of the these provisions, with reference to the securitised Mortgage Loans, are set out in the following paragraphs.

#### *Prepayment fee*

Under the Mortgage Loan Agreements each Debtor is entitled to prepay at any time, (in whole or in part) the relevant Mortgage Loan, subject to payment of a prepayment fee, in addition to any outstanding principal and any other amounts due under the relevant Mortgage Loan Agreement.

The amount of such prepayment fee varies depending on the relevant Mortgage Loan Agreement.

Pursuant to Decree 7, the Italian Banking Association and the national Consumers' Associations determined pursuant to Article 137 of Legislative Decree, 6 September 2005, No. 206 (i.e. the Italian consumer code) had to agree the general rules for rendering the terms and conditions of the existing loans (such as the Mortgage Loans) fair (*riconduzione ad equità*) by determining, in particular, the maximum amount of the prepayment fee payable upon early or partial repayment of the loan. On 2 May 2007 the Italian Banking Association and the above national Consumers' Associations reached the above agreement. In particular, according to such agreement, the maximum amount of the prepayment fee payable upon early or partial repayment of an existing loan has been determined as follows: (a) for mortgage loan agreements providing floating rate of interest: (i) 0.50 point per cent; (ii) 0.20 point per cent during the last but two amortisation year of the mortgage loan; (iii) 0.00 point per cent during the last two amortisation years of the mortgage loan; (b) for mortgage loan agreements providing fixed rate of interest executed before 1 January 2001: (i) 0.50 point per cent; (ii) 0.20 point per cent during the last but two amortisation year of the mortgage loan; and (iii) 0.00 point per cent during the last two amortisation years of the mortgage loan; and (c) for mortgage loan agreements providing fixed rate of interest executed after 31 December 2000: (i) 1.90 points per cent during the first half of the amortisation period of the mortgage loan; (ii) 1.50 points per cent during the second half of the amortisation period of the mortgage loan; (ii) 0.20 point per cent during the last but two year of the amortisation period of the mortgage loan; and (iii) 0.00 point per cent during the last two amortisation years of the mortgage loan. The agreement between the Italian Banking Association and the national Consumers' Associations contemplates also some protection provisions (*clausola di salvaguardia*) for mortgage loans providing a prepayment fee equal or lower than those established by the above agreement. The Italian Banking Association and the national Consumers' Associations undertook to set up a committee which shall meet every three months with the purposes of verifying the enforcement of the agreement achieved pursuant to Decree 7.

Pursuant to Decree 7, lenders, such as Banca di Roma, cannot refuse the renegotiation of a loan agreement executed prior to the date when Decree 7 entered into force (such as the Mortgage Loan Agreements) if the relevant borrower proposes that the amount of the prepayment fee be reduced within the limits established by either the Italian Banking Association and the national Consumers' Associations or the Bank of Italy, as the case may be.

Prospective investors should note (i) that the level of prepayments of the Mortgage Loans may increase as a result of the provisions of Decree 7 and (ii) that any prepayment fee provided for by the Mortgage Loan Agreements which is greater than the maximum amount determined by Decree 7, could be reduced to such maximum amount, in accordance with such Decree 7.

Under the Servicing Agreement Banca di Roma has undertaken, *inter alia*, that if it agrees to the reduction of the prepayment fee down to an amount lower than the maximum amount determined in accordance Decree 7, it shall pay to the Issuer a sum equal to the difference between (i) such maximum amount and (ii) the amount of the prepayment fee due after the reduction agreed by Banca di Roma.

Moreover, pursuant to the Servicing Agreement, if for any reason Decree 7 and/or its conversion law and/or the relevant implementing law becomes no longer valid and, thereafter, Banca di Roma agrees to a reduction of the prepayment fee due under the Mortgage Loan Agreements,

then Banca di Roma shall pay to the Issuer a sum equal to the portion of the relevant prepayment fee which has been waived.

Prospective Noteholders should note that no prepayment fee was taken into account for the purpose of determining the cash flows of the Securitisation or to make any estimate related therewith and with the Notes.

*Prepayment of loans by voluntary subrogation of the debtor (surrogazione per volontà del debitore)*

Pursuant to Article 8 of Decree 7 a borrower under a loan granted by a banking or financial intermediary is entitled to fund the repayment of such loan by obtaining a new loan from a third party without any charges, notwithstanding any provision to the contrary set out in the relevant loan agreement. In such case the lender of the new loan would be subrogated (*surrogazione per volontà del debitore*) in the rights relating to any guarantees securing the relevant subrogated claim (such as the Mortgages), without prejudice to any applicable tax benefits. Under Article 8 of Decree 7, the annotation of the subrogation can be requested to the relevant land registry through simplified formalities. Pursuant to Article 8 of Decree 7, any arrangements preventing a debtor from the exercise of the above right of subrogation or providing that it may be exercised only subject to certain charges shall be deemed null.

*Cancellation of Mortgage*

Decree 7, has simplified the procedure for the cancellation of mortgages. Pursuant to Decree 7, the mortgage securing a loan granted by a creditor which exercises banking or financing activities is automatically discharged on the same date on which the relevant secured obligation has been discharged. Pursuant to Article 13 of Decree 7, within 30 days from the date of discharge of the secured obligation the relevant creditor shall be under the duty to (i) give the quittance to the relevant debtor evidencing the above date of discharge and (ii) communicate such discharge to the relevant land registry. Pursuant to Article 13 of Decree 7, the discharge of the mortgage does not take place in case, on the basis of grounded reasons, the relevant creditor communicates to the *Agenzia del Territorio* that the mortgage must be maintained.

Pursuant to Article 13 of Decree 7, in the absence of the above creditor's communication requesting the maintenance of the mortgage, upon expiration of 30 days from the date of discharge of the secured obligation, within the following day, the land registry shall cancel the relevant mortgage and make available to third parties the communication of discharge of the secured obligation provided by the relevant creditor.

**Prepayments under Mortgage Loan Agreements**

Pursuant to Article 65 of the Italian Bankruptcy Law ("**Article 65**"), payments made by a debtor with respect to debts that fall due on or after the date on which the relevant debtor is declared bankrupt are ineffective against the creditors of the relevant debtor, if such payments are made within the two years prior to the declaration of bankruptcy. Any such ineffective payment may therefore be clawed-back by the bankruptcy receiver of the debtor regardless of whether the debtor was insolvent at the time when the payment was made.

According to the prevailing opinion of Italian legal scholars and Decision No. 1153 of 10 April 1969 of the Italian Supreme Court, the provisions of Article 65 would not apply to prepayments

made by a debtor under a loan agreement, if the debtor exercises the right to prepay amounts due under the loan agreement in accordance with the terms of such agreement, as such payments which have been prepaid pursuant to a contractual right of the relevant debtor have to be considered as payments of a debt which falls due upon the exercise of such right and not as payments of a debt which is not yet due.

Pursuant to Decision No. 4842 of 5 April 2002 of the Italian Supreme Court, however, it has been held that the provisions of Article 65 apply to payments of debts made on or before the date on which the relevant debts fall due, as such date has been fixed originally, irrespective of whether the loan agreement entitled the debtor to prepay the amounts due.

While pursuant to Article 4, paragraph 3, of the Securitisation Law payments made by the Debtors to the Issuer may not be clawed-back pursuant to Article 67 of the Italian Bankruptcy Law in the event of insolvency of the relevant Debtor, it is doubtful whether the protection given by such provision against the claw-back actions taken pursuant to Article 67 of the Italian Bankruptcy Law may be extended in order to provide protection against the claw-back actions taken pursuant to Article 65 of such law. In addition, it should be noted that Italian court decisions are not binding on other courts.

### **Mortgage Loans' Performance**

The Portfolio is exclusively comprised of residential mortgage backed loans which were performing as at the Valuation Date (for further details, see the section entitled "*The Portfolio*"). There can be no guarantee that the Debtors will not default under such Mortgage Loans and that they will therefore continue to perform. The recovery of amounts due in relation to Defaulted Receivables will be subject to the effectiveness of enforcement proceedings in respect of the Portfolio 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 the 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 whether or not the relevant Debtor raises a defence or counterclaim to the proceedings; and it takes an average of eight to ten 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 No. 302 of 3 August 1998 allowed notaries to conduct certain stages of the foreclosure procedures in place of the courts and is expected to reduce the length of foreclosure proceedings by between two and three years, although at the date of this Offering Circular the impact which the new law will have on the Receivables comprised in the Portfolio cannot be assessed.

### **Credit Risk on the Originator and the other parties to the Transaction Documents**

The ability of the Issuer to make payments in respect of the Notes will depend to a significant extent upon the due performance by the Originator and the other parties to the Transaction Documents of their respective various obligations under the Transaction Documents to which they are a party. In particular, without limiting the generality of the foregoing, the timely payment of amounts due on the Notes will depend on the ability of the Servicer to service the Portfolio and to recover the amounts relating to Defaulted Receivables (if any), and the continued availability of



hedging under the Hedging Agreement. Prospective Noteholders should note that the Hedging Agreement shall be terminated by the Hedging Counterparty, if a Trigger Event occurs. In addition, the ability of the Issuer to make payments under the Notes may depend to an extent upon the due performance by the Originator of its obligations under the Warranty and Indemnity Agreement in respect of the Portfolio. The performance of such parties of their respective obligations under the relevant Transaction Documents may be influenced on the solvency of each relevant party.

It is not certain that a suitable alternative Servicer could be found to service the Portfolio in the event that the Servicer becomes insolvent or its appointment under the Servicing Agreement is otherwise terminated. If such an alternative Servicer was to be found it is not certain whether it would service the Portfolio on the same terms as those provided for in the Servicing Agreement.

The Originator faces significant competition from a large number of banks throughout Italy and abroad. The deregulation of the banking industry in Italy and throughout the European Union has intensified competition in both deposit-taking and lending activities, contributing to a progressive narrowing of spreads between deposit and loan rates. In addition, as with all European banks, the introduction of the EMU, may eliminate markets in which the Originator has a comparative advantage and provide significantly more competition in other areas, such as electronic banking.

### **Certain risks relating to the Real Estate Assets**

#### *Due Diligence*

None of the Issuer, the Sole Arranger, the Joint Lead Managers or any Other Issuer Creditors has undertaken or will undertake any investigations, searches or other due diligence as to the Borrowers' or the Mortgagors' status or the title to the Real Estate Assets. The only due diligence conducted was undertaken by the Originator (or on its behalf) at the time of the origination of the Mortgage Loans, and such due diligence was largely limited to a review of the certificates of title prepared by the relevant Borrower's lawyers, site visits, third party valuations of the Real Estate Assets. No update of such due diligence has been performed in connection with the assignment of the Receivables to the Issuer.

#### *Potential adverse changes to the value of the Real Estate Assets or the Portfolio*

No assurances can be given that the values of the Real Estate Assets will not decrease at a rate higher than that anticipated on the origination of the Receivables. Should this happen, it could have an adverse effect on the levels of recoveries under the Portfolio.

#### *General real estate risks*

In the event of a default by the Borrowers, the full recovery of amounts due pursuant to the Mortgage Loan Agreements will largely depend upon the value of the Real Estate Assets at the relevant time.

The value of the Real Estate Assets depends on several factors, including their location and the manner in which the Real Estate Assets are maintained.

The value of the Real Estate Assets may be affected by changes in general and regional economic conditions such as an oversupply of space, a reduction in demand for residential real estate in an area, competition from other available space or increased operating costs. The value of the Real Estate Assets may also be affected by such factors as political developments,

government regulations and changes in planning, zoning or tax laws, interest rate levels, inflation, the availability of financing and yields of alternative investments.

#### *Insurance coverage*

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

#### *Compulsory purchase*

Any property in Italy may be subject to a compulsory purchase order in connection with general utility purposes at any time. If a compulsory purchase order is made regarding any of the Real Estate Assets, compensation would be payable to the Borrower (as owner of the relevant Real Estate Asset) on the basis of specific criteria set out in the applicable legislation. There can be no assurance that the amount of such compensation would at least be equal to the value of the relevant Real Estate Asset. In addition, there is often a delay between the completion of a compulsory purchase of a property and the date of payment of the statutory compensation. Any such delay, or a payment of statutory compensation to the Borrower that is lower than the value of the relevant Real Estate Asset, could have an adverse impact on the ability of the Issuer to meet its obligations to pay principal and interest under the Notes.

### **Historical Information**

The historical financial and other information set out in the sections headed “*The Originator*”, “*Underwriting, Credit and Collection Policies*” and “*The Portfolio*”, including in respect of the default rates, represents the historical experience of Banca di Roma. Banca di Roma accepts any responsibility for its fairness and accuracy. However, there can be no assurance that the future experience and performance of Banca di Roma as Servicer will be similar to the experience shown in this Offering Circular.

### **Italian Usury Law**

Italian law No. 108 of 7 March 1996 (the “**Usury Law**”) introduced legislation preventing lenders from applying interest rates equal to or higher than rates (the “**Usury Rates**”) set every three months on the basis of a Decree issued by the Italian Treasury (the last such Decree having been issued on 20 March 2007). In addition, even where the applicable Usury Rates are not exceeded, interest and other advantages and/or remuneration may be held to be usurious if: (i) they are disproportionate to the amount lent (taking into account the specific circumstances of the transaction and the average rate usually applied for similar transactions) and (ii) the person who paid or agreed to pay was in financial and economic difficulties. The provision of usurious interest, advantages or remuneration has the same consequences as non-compliance with the Usury Rates.

In some judgements issued during 2000, the Italian Supreme Court (*Corte di Cassazione*) ruled that the Usury Law applied both to loans advanced prior to and after the entry into force of the Usury Law. Moreover, according to a certain interpretation of the Usury Law (which was generally

considered, in the Italian legal community, to have been accepted in the above mentioned rulings of the *Corte di Cassazione*), if at any point in time the rate of interest payable on a loan (including a loan entered into before the entry into force of the Usury Law or a loan which, when entered into, was in compliance with the Usury Law) exceeded the then applicable Usury Rate, the contractual provision providing for the borrower's obligation to pay interest on the relevant loan became null and void in its entirety.

The Italian Government has intervened in this situation with Law Decree No. 394 of 29 December 2000 (the "**Usury Law Decree**"), converted into Law No. 24 by the Italian Parliament on 28 February 2001, which provides, *inter alia*, that interest is to be deemed usurious only if the interest rate agreed by the parties exceeds the Usury Rate applicable at the time the relevant agreement is reached. The Usury Law Decree has also provided that, as an extraordinary measure due to the exceptional fall in interest rates in the years 1998 and 1999, interest rates due on instalments payable after 2 January 2001 on loans already entered into on the date on which the Usury Law Decree came into force (such date being 31 December 2000) are to be substituted with a lower interest rate fixed in accordance with parameters fixed by the Usury Law Decree.

The validity of the Usury Law Decree has been challenged before the Italian Constitutional Court by certain consumers' associations claiming that the Usury Law Decree does not comply with the principles set out in the Italian Constitution. By Decision No. 29 of 14 February 2002, the Italian Constitutional Court has stated, *inter alia*, that the Usury Law Decree complies with the principles set out in the Italian Constitution except for such provisions of the Usury Law Decree providing that the interest rates due on instalments payable after 2 January 2001 on loans are to be substituted with lower interest rates fixed in accordance with the Usury Law Decree. By such decision the Italian Constitutional Court has established that the lower interest rates fixed in accordance with the Usury Law Decree are to be substituted on instalments payable from the date on which such Decree came into force (31 December 2000) and not on instalments payable after 2 January 2001.

Prospective Noteholders should note that whilst the Originator has undertaken in the Warranty and Indemnity Agreement to indemnify the Issuer in respect of any damages, losses, claims, costs and expenses that may be incurred by the Issuer in connection with any loss or reduction in any interest accrued on the Mortgage Loans as a result of the application of the Usury Law or of the Usury Law Decree, the ability of the Issuer to maintain scheduled payments of interest and principal on the Notes may be adversely affected as a result of a Mortgage Loan being found to be in contravention with the Usury Law, thus allowing the relevant borrower to claim relief on any interest previously paid and obliging the Issuer in the future to accept a reduced rate of interest, or potentially no interest, payable on such Mortgage Loan.

Pursuant to the Warranty and Indemnity Agreement the Originator has represented that the interest rates applicable to the Mortgage Loans are in compliance with the then applicable Usury Rate.

### **Compounding of Interest (*Anatocismo*)**

According to Article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable, accrued interest can be capitalised after a period of not less than six months provided that the capitalisation has been agreed after the date on which it has become due and payable or from the

date when the relevant legal proceedings are commenced in respect of that monetary claim or receivable. According to Article 1283 of the Italian Civil Code, such provision may be derogated from only in the event that there are recognised customary practices (*usi*) to the contrary. Traditionally, capitalisation of interest (including the capitalisation of interest on bonds and other debt instruments) in Italy is a common market practice on the grounds that such practice should be characterised as a customary rule (*uso normativo*). According to certain recent judgements from Italian courts (including judgement No. 2374/99 of the Italian Supreme Court), such practice has been re-characterised as an agreed clause (*uso negoziale*) and as such, has been deemed not to permit derogation from the aforementioned provisions of the Italian Civil Code.

In this respect, it should be noted that Article 25, paragraph 3, of Legislative Decree No. 342 of 4 August 1999 ("**Law No. 342**") enacted by the Italian Government under a delegation granted pursuant to Law No. 142 of 19 February 1992 (the "**Legge Delega**") 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 will still be possible upon the terms established by a resolution of the Interministerial Committee of Credit and Saving (C.I.C.R.) issued on 22 February 2000. Law No. 342 has been challenged, however, before the Italian Constitutional Court on grounds it falls outside the scope of the legislative powers delegated under the Legge Delega. On these grounds, by decision No. 425 dated 9 October 2000 issued by the Italian Constitutional Court, Article 25, paragraph 3, of Law No. 342 has been declared as unconstitutional.

Prospective Noteholders should note that under the terms of the Transfer Agreement, the Originator has represented that all the Mortgage Loan Agreements have been executed and performed in compliance with the provisions of Article 1283 of the Italian Civil Code and have furthermore undertaken to indemnify the Issuer from and against all damages, loss, claims, liabilities, costs and expenses incurred by it arising from the non-compliance of the terms and conditions of any Mortgage Loan Agreements with the provisions of Article 1283 of the Italian Civil Code.

### **Rights of Set-off and Other Rights of the Borrowers**

Under general principles of Italian law, the borrowers are entitled to exercise rights of set-off in respect of amounts due under any mortgage loan against any amounts payable by the originator to the relevant borrower.

The assignment of receivables under the Securitisation Law is governed by Article 58 paragraphs 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 in the Official Gazette and (ii) the date of its registration in the competent companies' register. Consequently, Debtors may exercise a right of set off against the Issuer grounded on claims against the Originator and/or the Issuer which have arisen before both the publication of the notice in the Official Gazette and the registration in the competent Companies Register have been completed.

At the date of this Offering Circular the assignment of the Portfolio purchased by the Issuer pursuant to the Transfer Agreement has already been duly published in the Official Gazette No. 64 of 17 March 2007 (Insertion No. 32) and registered in the Register of Companies of Rome on 12 March 2007.

Under the terms of the Warranty and Indemnity Agreement, the Originator has agreed to indemnify the Issuer in respect of any reduction in amounts received by the Issuer in respect of the Portfolio as a result of the exercise by any Debtor of a right of set-off.

### **Servicing of the Portfolio**

The Portfolio has been serviced by the Servicer starting from the Transfer Date pursuant to the Servicing Agreement. Previously, the Portfolio was always serviced by Banca di Roma as owner of the Portfolio. The net cash flows from the Portfolio may be affected by decisions made, actions taken and the collection procedures adopted pursuant to the provisions of the Servicing Agreement by the Servicer.

The Servicer has undertaken to prepare and submit to the Issuer quarterly and monthly reports in the form set out in the Servicing Agreement not later than the Quarterly Servicer's Report Date and the Monthly Servicer's Report Date, respectively, containing information as to, *inter alia*, the Collections and the Recoveries made in respect of the Portfolio during the preceding Quarterly Collection Period and Monthly Collection Period, respectively. A firm of internationally recognised auditors acceptable to the Representative of the Noteholders will prepare semi-annual reports in respect of the information and data contained in the last two Quarterly Servicer's Report.

### **Limited Enforcement Rights**

The protection and exercise of the Noteholders' rights against the Issuer and the security under the Notes are the duties of the Representative of the Noteholders to the extent provided by the Transaction Documents. The Terms and Conditions and the Rules of the Organisation of the Noteholders limit the ability of individual Noteholders to bring individual actions against the Issuer in certain circumstances.

### **Claims of Unsecured Creditors of the Issuer**

Pursuant to Article 3 of the Securitisation Law and to the Transaction Documents, the right, title and interest of the Issuer in and to the Portfolio will be segregated from all other assets of the Issuer (including, for the avoidance of doubt, any other portfolio purchased by the Issuer pursuant to the Securitisation Law) and amounts deriving therefrom will be available on a winding up of the Issuer only to satisfy the obligations of the Issuer to the Noteholders and to the Other Issuer Creditors or to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation. Amounts derived from the Portfolio will not be available to any other creditors of the Issuer. However, under Italian law, any other creditor of the Issuer would be able to commence insolvency or winding up proceedings against the Issuer in respect of any unpaid debt. Under the Terms and Conditions, the Issuer has undertaken to the Noteholders, *inter alia*, not to engage in any activity whatsoever which is not incidental to or necessary in connection with any further securitisation or with any of the activities in which the Transaction Documents provide and envisage that the Issuer will engage.

Under Italian law, *prima facie*, any creditor of the Issuer who has a valid and unsatisfied claim may file a petition for the bankruptcy of the Issuer, although no creditors other than the Representative of the Noteholders on behalf of the Noteholders and the Other Issuer Creditors would have the right to claim in respect of the Receivables, even in a bankruptcy of the Issuer.

The Issuer is unlikely to have a large number of creditors unrelated to the Securitisation or any

future securitisations because the corporate object of the Issuer, as contained in its By-laws (*statuto*) is very limited and the Issuer will provide certain covenants in the Intercreditor Agreement and in the Terms and Conditions which contain restrictions on the activities which the Issuer may carry out (including incurring further substantial debt), with the result that the Issuer may only carry out limited transactions in connection with the Securitisation and, subject to the satisfaction of Condition 3 (*Covenants*), future securitisations. Accordingly, the Issuer is less likely to have creditors who would claim against it other than the ones related to further securitisation transactions, if any, the Noteholders and the Other Issuer Creditors (all of whom have agreed to non-petition provisions contained in the Transaction Documents) and the other third parties creditors in respect of any taxes, costs, fees or expenses incurred in relation to the Securitisation and in order to preserve the corporate existence of the Issuer, to maintain it in good standing and to comply with applicable legislation. To the extent that the Issuer incurs any ongoing taxes, costs, fees and expenses (whether or not related to the Securitisation), the Issuer has established the Expense Account, to which the Retention Amount shall be credited on the Issue Date and refilled on each Payment Date in accordance with the applicable Priority of Payments and out of which payments of the aforementioned taxes, costs, fees and expenses shall be paid during any Interest Period.

Notwithstanding the foregoing, there can be no assurance that if any bankruptcy proceedings were to be commenced against the Issuer, the Issuer would be able to meet all of its obligations under the Notes.

### **Preferred Claims**

According to a ruling of the Tribunal of Genoa, issued with reference to Italian law decree No. 669 of 31 December 1996 and converted into law No. 30 of 28 February 1997, claims of any person having concluded preliminary agreements (*contratti preliminari*) with the relevant Mortgagor for the purchase of the Real Estate Assets which were registered in the relevant real estate registries (*Conservatorie dei Registri Immobiliari*) prior to the registration of the relevant Mortgage or even after such registration, would be preferred to the claims of the creditors of the relevant Mortgage.

### **Interest Rate Risk**

The Receivables include interest payments calculated at interest rates and times which are different from the interest rates and times applicable to interest in respect of the Notes. In addition, certain Mortgage Loan Agreements grant to the relevant Borrower an option to convert, in limited circumstances, its fixed rate loan into a floating rate loan or *viceversa*, as the case may be.

The Issuer expects to meet its floating rate payment obligations under the Notes primarily from the payments relating to the Collections and Recoveries. However the interest component in respect of such payments may have no correlation to the EURIBOR rate from time to time applicable in respect of the Notes.

In order to mitigate this interest rate risk and avoid the occurrence of a mismatch between such payments and the floating rate payment obligations of the Issuer under the Notes, the Issuer entered into a Hedging Agreement in relation to the Portfolio with the Hedging Counterparty, which shall at all times be (or its credit support provider shall at all times be), in accordance with the provisions of the Hedging Agreement, an institution with the rating required by the Rating

Agencies.

Pursuant to the Deed of Charge, the Issuer has assigned in favour of the Representative of the Noteholders on behalf of the Noteholders and the Other Issuer Creditors all rights, title and interest in and to the Hedging Agreement and all proceeds thereof (see for further details "*Description of the Security Documents - The Deed of Charge*", below).

In the event of early termination of the Hedging Agreement, including any termination upon failure by the Hedging Counterparty to perform its obligations, there is no assurance that the Issuer will be able to meet its obligations under the Notes in full or even in part.

If the Hedging Counterparty or the Issuer terminates the Hedging Agreement no assurance can be given that replacement interest rate hedging agreement will continue to provide the Issuer with the same level of protection as the Hedging Agreement. See for further details "*Description of the Security Documents - The Hedging Agreement*".

### **The Representative of the Noteholders**

The Terms and Conditions and the Intercreditor Agreement contain provisions requiring the Representative of the Noteholders to have regard to the interests of the holders of each Class of Notes as regards all powers, authorities, duties and discretion of the Representative of the Noteholders as if they formed a single class (except where expressly provided otherwise) but requiring the Representative of the Noteholders, in the event of a conflict between the interests of the holders of different Classes of Notes, to have regard only to the interests of the then Most Senior Class of Noteholders.

### **Further Securitisations**

The Issuer may carry out Further Securitisations in addition to the Securitisation described in this Offering Circular provided that the Issuer confirms in writing to the Representative of the Noteholders – or the Representative of the Noteholders is otherwise satisfied – that the conditions set out in the Terms and Conditions (Condition 3.2) are fully satisfied.

Under the terms of Article 3 of the Securitisation Law, the assets relating to each securitisation transaction will by operation of law and of the Transaction Documents be segregated for all purposes from all other assets of the company that purchases the receivables. On a winding up of such a company such assets will only be available to the holders of the notes issued to finance the acquisition of the relevant receivables and to certain creditors claiming payment of debts incurred by the company in connection with the securitisation of the relevant assets. In addition, the assets relating to a particular transaction will not be available to the holders of notes issued to finance any other securitisation transaction or to general creditors of the issuer company.

### **Potential Conflicts of Interest**

Capitalia is the Sole Arranger and a Joint Lead Manager in respect of the issue of the Notes. Capitalia is also acting as Calculation Agent pursuant to the Cash Allocation, Management, Payments and Agency Agreement. Banca di Roma is the Originator pursuant to the Transfer Agreement, Servicer pursuant to the Servicing Agreement and Subordinated Loan Provider pursuant to the Subordinated Loan Agreement. Banca di Roma is the Cash Manager pursuant to the Cash Allocation, Management, Payments and Agency Agreement. Banca di Roma is a member of the *Capitalia Gruppo Bancario*. Conflicts of interest may potentially exist or may arise

as a consequence of the various *Capitalia Gruppo Bancario* group companies having different roles in this transaction. However the management board and senior management of Capitalia and Banca di Roma act independently from each other. The activities of Banca di Roma as Servicer are furthermore subject to auditing by an independent auditor pursuant to the terms of the Servicing Agreement.

### **Tax Treatment of the Issuer**

Taxable income of the Issuer is determined in accordance with Italian Presidential Decree No. 917 of 22 December 1986, as amended by Italian Legislative Decree No. 344 of 12 December 2003. Pursuant to the regulations issued by the Bank of Italy on 29 March 2000 (*schema di bilancio delle società per la cartolarizzazione dei crediti*), the assets, liabilities, costs and revenues of the Issuer in relation to the securitisation of the Receivables will be treated as off-balance sheet assets, liabilities, costs and revenues. Based on the general rules applicable to the calculation of net taxable income of a company, such taxable income should be calculated on the basis of the accounting, i.e. on-balance sheet, earnings, subject to such adjustments as specifically provided for by applicable income tax rules and regulations. On this basis, no taxable income should accrue to the Issuer in the context of the transfer to the Issuer of the Portfolio. This opinion has been expressed by scholars and tax specialists and has been confirmed by the tax authority (Circular No. 8/E issued by Agenzia delle Entrate per la Lombardia on 6 February 2003) on the grounds that the net proceeds generated by the Receivables may not be considered as legally available to the Issuer— insofar as any and all amounts deriving from the underlying assets of each of the Securitisation are specifically destined to satisfy the obligations of such Issuer to the holders of the notes issued in the context of each such securitisation, to the other creditors of the Issuer and certain third party creditors in respect of each such securitisation in compliance with applicable law.

It is, however, possible that the Ministry of Finance or another competent authority may issue further regulations, letters or rulings relating to the Securitisation Law which might alter or affect the tax position of the Issuer as described above in respect of all or certain of its revenues and/or items of income also through the non-deduction of costs and expenses.

As recently confirmed by the tax authority (Ruling No. 222 issued by Agenzia delle Entrate on 5 December 2003), the interest accrued on the Accounts will be subject to withholding tax on account of corporate income tax. As of the date of this Offering Circular, such withholding tax is levied at the rate of 27 per cent. and is to be imposed at the time of payment.

### **Withholding Tax under the Notes**

Payments of interest under the Notes may or may not be subject to withholding for or on account of tax. For example, according to Decree No. 239, any non-Italian residential beneficial owner of an interest payment relating to the Notes who is (i) either not resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information or (ii), even if resident in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information, does not timely comply with the requirements set forth in Decree No. 239 and the relevant application rules in order to benefit from the exemption from substitute tax will receive amounts of interest payable on the Notes net of Italian substitute tax, for more details, see also the section headed "*Taxation*" below).



As at the date of this Offering Circular such substitute tax is levied at the rate of 12.5 per cent, or such lower rate as may be applicable under the relevant double taxation treaty.

In the event that substitute tax is imposed in respect of payments to the Noteholders of amounts due pursuant to the Notes, the Issuer will not be obliged to gross-up or otherwise compensate the Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of substitute tax.

In the event that any Notes are redeemed in whole or in part prior to the date which falls eighteen months after the Issue Date, in certain cases, the Issuer will be obliged to pay an additional amount in the Republic of Italy equal to 20 per cent. of all interest accrued on such principal amount repaid early up to the relevant repayment date according to Law Decree number 323 of 20 June 1996. See also "*Taxation*".

### **European Withholding Tax Directive**

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted a new directive (EU Directive 2003/48/CE) regarding the taxation of savings income which proposes that each EU Member State will be required to provide to tax authorities of another EU Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg will instead apply a withholding system for a transitional period in relation to such payments. The Italian Government has implemented the aforesaid directive No. 2003/48/CE with the Legislative Decree No. 84 of 18 April 2005. For further details, see section headed "*Taxation*".

### **Limited Nature of Credit Ratings Assigned to the Notes**

Each credit rating assigned to the Notes reflects the relevant Rating Agency's assessment only of the likelihood that interest will be paid timely and principal will be paid by the final redemption date, not that it will be paid when expected or scheduled. These ratings are based, among other things, on the Rating Agencies' determination of the value of the Portfolio, the reliability of the payments on the Portfolio and the availability of credit enhancement.

The ratings do not address the following:

- the possibility of the imposition of Italian or European withholding tax;
- the marketability of the Notes, or any market price for the Notes; or
- whether an investment in the Notes is a suitable investment for the Noteholder.

A rating is not a recommendation to purchase, hold or sell the Notes.

Any Rating Agency may lower its ratings or withdraw its rating if, in the sole judgement of that Rating Agency, the credit quality of the Notes has declined or is in question. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be affected.

### **Change of Law**

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings assigned to the Notes are based on Italian law, tax and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and

practice. No assurance can be given that Italian law, tax or administrative practice will not change after the Issue Date or that such change will not adversely impact the structure of the transaction and the treatment of the Notes.

### **Termination of the Hedging Agreement**

Should the Hedging Agreement be terminated, the Issuer may be obliged to pay a termination payment to the Hedging Counterparty. Except where the Hedging Counterparty has caused the Hedging Agreement to terminate by its own default, any termination payment due by the Issuer may rank in priority to payments due on the Notes. Any additional amounts required to be paid by the Issuer following termination of the Hedging Agreement (including any extra costs incurred if the Issuer cannot immediately enter into a replacement Hedging agreement), may also rank in priority to payments due on the Notes in the case of the payments due by the Issuer. Therefore, if the Issuer is obliged to make a termination payment to the Hedging Counterparty or to pay any other additional amount as a result of the termination of the Hedging Agreement, this may affect the funds which the Issuer has available to make payments on the Notes.

### **Limited Secondary Market**

There is not at present an active and liquid secondary market for the Notes. The Notes will not be registered under the Securities Act and will be subject to significant restrictions on resale in the United States. Application has been made to list the Notes on the Luxembourg Stock Exchange

There can be no assurance that a secondary market for any of the Notes will develop or, if a secondary market does develop in respect of any of the Notes, that it will provide the holders of such Notes with liquidity of investments or that it will continue until the final redemption or cancellation of such Notes. Consequently, any purchaser of Notes could not be able to sell to any third party such Notes and it should hold them until the final redemption or cancellation thereof.

### **Projections, forecasts and estimates**

Forward-looking statements, including estimates, any other projections, forecasts and estimates in this Offering Circular, are necessarily speculative and subjective in nature and some or all of the assumptions underlying the projections may not materialise or may vary significantly from actual results.

Such statements are subject to risks and uncertainties that could cause the actual results to differ materially from those expressed or implied by such forward-looking statements. Prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Offering Circular and are based on assumptions that may prove to be inaccurate. No one undertakes any obligation to update or revise any forward-looking statements contained in this Offering Circular to reflect events or circumstances occurring after the date of this Offering Circular.

*The Issuer believes that the risks described above are the principal risks inherent in the transaction for holders of the Notes but the inability of the Issuer to pay interest or repay principal on the Notes of any Class may occur for other reasons and the Issuer does not represent that the above statements of the risks of holding the Notes are exhaustive. While the various structural elements described in this Offering Circular are intended to lessen some of these risks for holders of the Notes, there can be no assurance that these measures will be sufficient or effective to*

*ensure payment to the holders of the Notes of any Class of interest or principal on such Notes on a timely basis or at all.*

## THE PORTFOLIO

The Portfolio comprises debt obligations arising out of residential mortgage loans (*mutui fondiari residenziali*) classified as performing by Banca di Roma. The information relating to the Portfolio contained in this Offering Circular is, unless otherwise specified, a description of the Portfolio as at the Valuation Date.

### The Mortgage Loans

As at the Valuation Date, the Portfolio comprised debt obligations owed by 22,633 Debtors under 22,633 Mortgage Loans. All the Mortgage Loan Agreements are governed by Italian Law.

The Receivables have been transferred to the Issuer pursuant to the terms of the Transfer Agreement, together with the Collateral Securities, including the Mortgages.

The Portfolio Outstanding Principal Amount as at the Valuation Date was equal to € 2,479,367,027.39.

### Eligibility criteria for the Portfolio

All the Receivables comprised in the Portfolio purchased by the Issuer from Banca di Roma pursuant to the Transfer Agreement arise from Mortgage Loans which, as at the Valuation Date, met the following criteria:

- 1 Mortgage Loans which are regulated and classified (as provided for by the relevant Mortgage Loan Agreement) as “*mutui fondiari*” pursuant to Articles 38 and subsequent of the Consolidated Banking Act;
- 2 Mortgage Loans which are denominated in Euro;
- 3 Mortgage Loans which have been granted originally for an amount not exceeding Euro 250,000;
- 4 Mortgage Loans which have been granted originally for an amount not less than Euro 12,500;
- 5 Mortgage Loans which have been granted between 8 January 2003 and 30 November 2006;
- 6 Mortgage Loans which have been granted to individuals who, at the time of granting, were resident in Italy;
- 7 whose Borrowers were not employees of Banca di Roma;
- 8 Mortgage Loans which have been secured by an “economic” first ranking priority mortgage, i.e. Mortgage Loans in respect of which there are no further mortgages granted on the relevant Real Estate Assets in favour of third parties ranking equal or in priority with respect to the rank of the relevant Mortgage or, if such mortgages exists, the relevant debt has been paid (as documented by the relevant Debtor) or a consent to the cancellation of the previous mortgage has been obtained (as documented by the relevant Debtor);

- 9 Mortgage Loans which have been drawn-down in full pursuant to the relevant Mortgage Loan Agreement and in respect of which Banca di Roma is under no obligation to make any further disbursements, pursuant to the relevant Mortgage Loan Agreement;
- 10 Mortgage Loans whose payment of the last Instalment and the full repayment are provided for by the relevant Mortgage Loan Agreement after 1 July 2007;
- 11 Mortgage Loans whose payment of the last Instalment and the full repayment are provided for by the relevant Mortgage Loan Agreement by 30 November 2036;
- 12 Mortgage Loans in respect of which no Instalment past due was unpaid;
- 13 Mortgage Loans in respect of which repayment of principal has started;
- 14 Mortgage Loans in respect of which at least one Instalment has been paid;
- 15 Mortgage Loans which provide for the payment of the Instalments on a monthly basis;
- 16 Mortgage Loans which provide for repayment by constant Instalment (i.e. French redemption plan);
- 17 Mortgage Loans in respect of which (i) all the Instalments provided for by the relevant Mortgage Loan Agreement have been timely and fully paid or (ii) at least 9 consecutive Instalments have been timely and fully paid after previous Instalments were paid late, provided that such late payment did not exceed a delay of 180 days;
- 18 Mortgage Loans which have been entered into for the purpose of purchasing or restructuring the first house ("*prima casa*");
- 19 Mortgage Loans whose payment of Instalments is provided for by direct debit to the current account;
- 20 Mortgage Loans whose amount originally granted did not exceed 80 per cent. of the mortgaged Real Estate Asset value;
- 21 Mortgage Loans in respect of which the relevant mortgaged Real Estate Asset has been entirely completed at the time of the relevant Mortgage Loan has been granted;
- 22 Mortgage Loans which, if providing a floating rate, the relevant spread is higher than zero,

with the exclusions of the receivables arising from mortgage loans which as at the Valuation Date, in addition to the criteria set out under paragraphs from 1 to 22 above, met the following criteria:

- 1 mortgage loans which have been classified as "apportionable" ("*frazionato*");
- 2 mortgage loans which fall into the category of "*Mutui Bilanciati*", as provided for by the relevant loan agreement;
- 3 mortgage loans in respect of which the relevant loan agreement provides an option to defer the expiry date;
- 4 mortgage loans in respect of which the relevant loan agreement provides a fixed cap on the applicable interest rate;

- 5 mortgage loans which fall into the category of “*Mutui Auriga*”, as provided for by the relevant loan agreement;
- 6 mortgage loans which have been granted for the purchase of real estate assets located in the districts of Naples, Catania and Bari, whose amount originally granted exceeded 70 per cent. of the secured asset value;
- 7 mortgage loans which have been granted to self-employed individuals and professionals;
- 8 mortgage loans which have been granted to employees with a fixed term employment contract;
- 9 mortgage loans in respect of which no property appraisal has been made in relation to the relevant Real Estate Asset;
- 10 mortgage loans which have been granted to individuals who executed other loan agreements with Banca di Roma;
- 11 mortgage loans which have been granted and executed pursuant to any laws or regulations providing for (i) financial facilities (i.e. subsidised mortgage loans, “*mutui agevolati*”), (ii) public aids of any nature whatsoever, (iii) law allowances and (iv) contractually capped interest rates and/or any other facilities or reductions in favour of the relevant debtors, mortgagors or any other guarantors in relation to the repayment of principal and/or interest; and
- 12 mortgage loans in respect of which Banca di Roma agreed to amend the original terms and conditions of the relevant loan agreement thus reducing the interest or principal amount originally due and payable by the relevant debtor pursuant to the such loan agreement.

### **Publication in the Official Gazette and registration in the Companies Register**

The transfer of the Receivables from Banca di Roma to the Issuer has been (i) registered on the Companies Register of Rome on 12 March 2007 and (ii) published in the Official Gazette No. 64 of 17 March 2007 (insertion No. 32).

### **Description of the Portfolio**

The Portfolio had the following global characteristics as at the Valuation Date:

- (a) the aggregate Outstanding Principal of the Receivables owed by the same Debtor is equal or lower than 0.01 per cent. of the aggregate Outstanding Principal of all the Receivables; and
- (b) the aggregate Outstanding Principal of the Receivables owed by the first ten Debtors (by Outstanding Principal) is equal to or lower than 0.09 per cent. of the aggregate Outstanding Principal of all the Receivables; and
- (c) the Weighted Average Current Loan to Value of the Portfolio is equal to 64.55 per cent.

The following tables set out details of the Portfolio derived from information provided by Banca di Roma as Originator and Servicer on behalf of the Issuer of the Receivables comprised in the

Portfolio. The information in the following tables reflects the position as at the Valuation Date, unless otherwise specified.

**TABLE 1 – PORTFOLIO SUMMARY**

Portfolio Summary		Capital Mortgage S.r.l.
Outstanding Principal Balance	Euro	2,479,367,027
Total Appraisal Value of Properties	Euro	4,345,309,437
Average Current Loan Amount (per Loan)	Euro	109,547
Average Current Loan Amount (per Borrowers)	Euro	109,547
Average Original Loan Value (per Loan)	Euro	113,645
Average Original Loan Value (per Borrowers)	Euro	113,645
Maximum Original Loan Amount	Euro	250,000
Maximum Current Loan Amount	Euro	249,725
Maximum Original Loan to Value	%	80.00
Maximum Current Loan to Value	%	79.92
Number of Loans	No.	22,633
Number of Borrowers	No.	22,633
Weighted Average Seasoning	Years	1.08
Weighted Average Remaining Maturity	Years	23.98
Years of Origination		2003-2006
Weighted Average Original Loan to Value (1)	%	66.54
Weighted Average Current Loan to Value (1)	%	64.55
Weighted Average Coupon (as per last instalment)	%	4.91
Weighted Average Spread (as per last instalment of Floating Rate Loans)	%	1.24
Weighted Average Rate of Interest (as per last instalment of Fixed Rate Loans)	%	5.20
Monthly Payment Frequency	%	100.00
Loans granted by first ranking mortgage	%	100.00
Loans granted for purchase of first house	%	100.00

(1) is the Outstanding Principal Amount to Appraisal Value ratio weighted by the Outstanding Principal Amount

**TABLE 2 – PORTFOLIO BREAKDOWN BY OUTSTANDING VALUE**

Outstanding Value (Euro)		No. of Loans	%	Outstanding Value (Euro)	%	Current LTV
>0	<= 25000	272	1.20	5,691,556	0.23	32.73
>25000	<= 50000	2,674	11.81	106,845,060	4.31	40.60
>50000	<= 75000	3,458	15.28	219,762,212	8.86	51.53
>75000	<= 100000	4,610	20.37	411,067,621	16.58	59.45
>100000	<= 150000	7,049	31.14	889,242,945	35.87	67.42
>150000	<= 200000	3,454	15.26	594,897,812	23.99	70.78
>200000	<= 250000	1,116	4.93	251,859,821	10.16	70.29
<b>Total</b>		<b>22,633</b>	<b>100</b>	<b>2,479,367,027</b>	<b>100</b>	

**TABLE 3 – PORTFOLIO BREAKDOWN BY YEAR OF ORIGINATION**

Years	No. of Loans	%	Original Value (A)	Outstanding Value (B)	%	% Outstanding Value on Original Value (B/A)
2003	1,195	5.28	93,285,970	78,113,879	3.15	83.74
2004	1,583	6.99	144,720,806	129,838,673	5.24	89.72
2005	9,154	40.45	1,047,918,462	1,001,799,594	40.41	95.60
2006	10,701	47.28	1,286,209,567	1,269,614,881	51.21	98.71
<b>Total</b>	<b>22,633</b>	<b>100</b>	<b>2,572,134,804</b>	<b>2,479,367,027</b>	<b>100</b>	

**TABLE 4 – PORTFOLIO BREAKDOWN BY YEAR OF MATURITY**

Years	No. of Loans	%	Original Value (A)	Outstanding Value (B)	%	% Outstanding Value on Original Value (B/A)
2008	1	0.00	150,000	17,751	0.00	11.83
2009	22	0.10	1,212,000	653,586	0.03	53.93
2010	56	0.25	3,368,000	2,393,514	0.10	71.07
2011	46	0.20	2,715,000	2,400,925	0.10	88.43
2012	-	-	-	-	-	-
2013	336	1.48	19,500,268	13,804,427	0.56	70.79
2014	357	1.58	22,220,688	17,552,670	0.71	78.99
2015	869	3.84	56,926,580	49,630,749	2.00	87.18
2016	710	3.14	47,533,841	45,294,768	1.83	95.29
2017	2	0.01	265,000	197,475	0.01	74.52
2018	397	1.75	29,966,496	24,811,844	1.00	82.80
2019	463	2.05	37,382,021	32,911,094	1.33	88.04
2020	1,263	5.58	102,337,892	94,592,039	3.82	92.43
2021	1,062	4.69	86,002,115	83,746,686	3.38	97.38
2022	-	-	-	-	-	-
2023	326	1.44	28,955,588	25,815,054	1.04	89.15
2024	354	1.56	34,365,369	31,656,295	1.28	92.12
2025	1,744	7.71	185,517,318	176,005,996	7.10	94.87
2026	1,844	8.15	196,932,054	193,598,954	7.81	98.31
2027	-	-	-	-	-	-
2028	140	0.62	15,313,618	14,073,722	0.57	91.90
2029	217	0.96	25,637,627	24,155,638	0.97	94.22
2030	1,409	6.23	177,973,684	171,706,010	6.93	96.48
2031	1,359	6.00	169,784,385	167,715,188	6.76	98.78
2032	2	0.01	295,000	268,821	0.0	91.13
2033	1	0.00	125,000	116,792	0.00	-
2034	170	0.75	24,041,100	23,016,258	0.93	95.74
2035	3,800	16.79	519,795,987	506,086,776	20.41	97.36
2036	5,683	25.11	783,818,171	777,143,993	31.34	99.15
<b>Total</b>	<b>22,633</b>	<b>100</b>	<b>2,572,134,804</b>	<b>,479,367,027</b>	<b>100</b>	

**TABLE 5 – PORTFOLIO BREAKDOWN BY BORROWER'S LOCATION (REGION)**

Region	No. of Loans	% on Total	% on Geographical Area	Original Value	Outstanding Value	% on Total	% on Geographical Area
Lombardia	5,494	24.27	59.67	696,109,385	678,473,289	27.36	62.66
Veneto	860	3.80	9.34	107,540,654	104,289,074	4.21	9.63
Piemonte	1,371	6.06	14.89	144,530,202	139,527,851	5.63	12.89
Emilia Romagna	588	2.60	6.39	70,069,204	67,524,654	2.72	6.24
Liguria	475	2.10	5.16	51,495,928	49,106,409	1.98	4.54
Friuli Venezia Giulia	356	1.57	3.87	36,518,243	35,426,860	1.43	3.27
Valle d'Aosta	5	0.02	0.05	600,000	585,287	0.02	0.05
Trentino Alto Adige	59	0.26	0.64	8,030,000	7,817,796	0.32	0.72
<b>Total Northern</b>	<b>9,208</b>	<b>40.68</b>	<b>100.00</b>	<b>1,114,893,617</b>	<b>1,082,751,221</b>	<b>43.67</b>	<b>100.00</b>
Lazio	7,953	35.14	83.37	908,862,408	871,073,037	35.13	83.89
Toscana	637	2.81	6.68	74,605,437	71,699,662	2.89	6.90
Abruzzo	357	1.58	3.74	36,273,376	34,826,955	1.40	3.35
Marche	436	1.93	4.57	46,689,402	44,940,662	1.81	4.33
Umbria	156	0.69	1.64	16,524,560	15,845,314	0.64	1.53
<b>Total Centre</b>	<b>9,539</b>	<b>42.15</b>	<b>100.00</b>	<b>1,082,955,183</b>	<b>1,038,385,629</b>	<b>41.88</b>	<b>100.00</b>
Molise	130	0.57	3.35	11,659,000	11,035,558	0.45	3.08
Campania	1,287	5.69	33.12	126,002,716	120,264,864	4.85	33.57
Puglia	896	3.96	23.06	83,163,774	79,893,658	3.22	22.30
Calabria	226	1.00	5.82	23,563,370	22,555,475	0.91	6.30
Basilicata	60	0.27	1.54	5,811,000	5,446,439	0.22	1.52
Sicilia	990	4.37	25.48	94,216,470	90,261,071	3.64	25.20



Sardegna	297	1.31	7.64	29,869,675	28,773,113	1.16	8.03
<b>Total Southern and Islands</b>	<b>3,886</b>	<b>17.17</b>	<b>100.00</b>	<b>374,286,005</b>	<b>358,230,177</b>	<b>14.45</b>	<b>100.00</b>
<b>Total</b>	<b>22,633</b>	<b>100</b>		<b>2,572,134,804</b>	<b>2,479,367,027</b>	<b>100</b>	

**TABLE 6 – PORTFOLIO BREAKDOWN BY BUILDING'S LOCATION (REGION)**

Region	No. of Loans	% on Total	% on Geographical Area	Original Value	Outstanding Value	No of Loans	% on Geographical Area
Lombardia	5,630	24.88	59.55	715,347,075	697,310,658	28.12	62.80
Veneto	892	3.94	9.43	110,533,524	107,117,678	4.32	9.65
Piemonte	1,415	6.25	14.97	147,517,113	142,412,559	5.74	12.83
Emilia Romagna	627	2.77	6.63	73,953,698	71,164,414	2.87	6.41
Liguria	473	2.09	5.00	51,802,281	49,545,056	2.00	4.46
Friuli Venezia Giulia	361	1.60	3.82	36,528,663	35,419,879	1.43	3.19
Valle d'Aosta	4	0.02	0.04	500,000	490,944	0.02	0.04
Trentino Alto Adige	53	0.23	0.56	7,060,500	6,872,351	0.28	0.62
<b>Total Northern</b>	<b>9,455</b>	<b>41.78</b>	<b>100.00</b>	<b>1,143,242,854</b>	<b>1,110,333,541</b>	<b>44.78</b>	<b>100.00</b>
Lazio	7,999	35.34	82.86	923,959,031	885,592,011	35.72	83.84
Toscana	655	2.89	6.78	76,752,044	73,695,932	2.97	6.98
Abruzzo	406	1.79	4.21	38,475,148	36,858,330	1.49	3.49
Marche	431	1.90	4.46	45,634,604	43,888,403	1.77	4.16
Umbria	163	0.72	1.69	16,971,943	16,230,834	0.65	1.54
<b>Total Centre</b>	<b>9,654</b>	<b>42.65</b>	<b>100.00</b>	<b>1,101,792,769</b>	<b>1,056,265,509</b>	<b>42.60</b>	<b>100.00</b>
Molise	107	0.47	3.04	8,667,000	8,231,693	0.33	2.63
Campania	1,150	5.08	32.63	111,530,044	106,377,192	4.29	34.01
Puglia	811	3.58	23.01	71,796,902	69,146,883	2.79	22.11
Calabria	167	0.74	4.74	14,399,810	13,675,920	0.55	4.37
Basilicata	43	0.19	1.22	3,295,500	3,022,905	0.12	0.97
Sicilia	941	4.16	26.70	87,395,150	83,430,426	3.36	26.67
Sardegna	305	1.35	8.65	30,014,775	28,882,957	1.16	9.23
<b>Total Southern and Islands</b>	<b>3,524</b>	<b>15.57</b>	<b>100.00</b>	<b>327,099,181</b>	<b>312,767,977</b>	<b>12.61</b>	<b>100.00</b>
<b>Total</b>	<b>22,633</b>	<b>100</b>		<b>2,572,134,804</b>	<b>2,479,367,027</b>	<b>100</b>	

**TABLE 7 – PORTFOLIO BREAKDOWN BY ORIGINAL LOAN-TO-VALUE**

Loan-To-Value (% on Original Value)		No. of Loans	%	Original Value	Outstanding Value	%	% Cumulated
>0	<=20	536	2.37	31,440,433	29,028,395	1.17	1.17
>20	<= 30	1,224	5.41	86,918,473	80,918,010	3.26	4.43
>30	<=40	1,816	8.02	147,982,278	138,514,421	5.59	10.02
>40	<=50	2,284	10.09	210,928,657	200,086,978	8.07	18.09
>50	<= 60	2,330	10.29	247,617,477	236,052,782	9.52	27.61
>60	<= 70	2,999	13.25	345,344,150	332,243,436	13.40	41.01
>70	<= 75	2,204	9.74	265,031,793	256,527,218	10.35	51.36
>75	<= 80	9,240	40.83	1,236,871,543	1,205,995,787	48.64	100.00
<b>Total</b>		<b>22,633</b>	<b>100</b>	<b>2,572,134,804</b>	<b>2,479,367,027</b>	<b>100</b>	

**TABLE 8 – PORTFOLIO BREAKDOWN BY CURRENT LOAN-TO-VALUE**

Loan-To-Value (% on Current Value)		No. of Loans	%	Original Value	Outstanding Value	%	% Cumulated
>0	<=10	50	0.22	2,775,268	2,046,778	0.08	0.08
>10	<=20	692	3.06	42,527,461	36,758,482	1.48	1.57
>20	<=30	1,472	6.50	104,874,482	96,312,915	3.88	5.45
>30	<=40	1,977	8.74	166,559,387	154,553,759	6.23	11.68
>40	<=50	2,351	10.39	222,050,326	209,847,302	8.46	20.15
>50	<=60	2,475	10.94	266,275,557	253,864,248	10.24	30.39

>60	<=70	3,341	14.76	382,383,115	368,282,856	14.85	45.24
>70	<=75	2,858	12.63	349,929,634	339,318,455	13.69	58.93
>75	<=80	7,417	32.77	1,034,759,575	1,018,382,233	41.07	100.00
<b>Total</b>		<b>22,633</b>	<b>100</b>	<b>2,572,134,804</b>	<b>2,479,367,027</b>	<b>100</b>	

**TABLE 9 – PORTFOLIO BREAKDOWN BY CURRENT INDEXATION**

Type	No . of Loans	%	Original Value (A)	Outstanding Value (B)	%	% Outstanding Value on Original Value (B/A)	Average Rate / Average Spread
Fixed to maturity	6,021	26.60	535,538,738	508,703,813	20.52	94.99	5.21
Floating to maturity	14,542	64.25	1,795,495,900	1,736,733,640	70.05	96.73	1.21
Floating with option to fixed	1,957	8.65	229,495,904	222,695,035	8.98	97.04	1.55
Fixed with option to floating	113	0.50	11,604,262	11,234,540	0.45	96.81	4.87
<b>Total</b>	<b>22,633</b>	<b>100</b>	<b>2,572,134,804</b>	<b>2,479,367,027</b>	<b>100</b>		

### Capacity to produce funds

In light of the above and subject to the risks set out in the section entitled “*Risk Factors*”, the Receivables have characteristics that demonstrate capacity to produce funds to service any payments due under the Notes.

## CAPITALIA

Capitalia S.p.A. (hereinafter also referred to as “**Capitalia**”) is the Rome-based holding company of the Capitalia Group, the third largest banking group in Italy with its year end 2006 assets of Euro 137 billion. For the year ending December 31, 2006 the Capitalia Banking Group reported Total revenues of Euro 5.531 billion, a net profit of Euro 1.162 billion, and shareholders’ equity of Euro 9.717 billion.

### **The Capitalia Banking Group**

Formed on July 1, 2002, the Capitalia Group was the result of the merger of the former Bancaroma and Bipop Carire groups. At December 31, 2006, the Capitalia Group’s direct funding totalled Euro 96.8 billion (6.7% of the Italian national total), while its credits to customers totalled Euro 96.0 billion (5.8% of the Italian national total). Assets under management were Euro 31 billion.

The Capitalia Group has a national presence in Italy through more than 2,000 branches operated by three commercial banks: Banca di Roma, Banco di Sicilia and Bipop Carire. The three banks offer a full range of commercial banking services and products to retail, private, corporate and institutional customers. Outside Italy the Group has branch offices and representative offices in 15 countries. Services and products tailor-made for corporate customers, including acquisition and project finance, leasing and factoring, industrial long-term loans, government subsidised development loans, and export finance are offered by MCC – Mediocredito Centrale, independently but also through the commercial banking networks. Online banking, online brokerage services, mortgage and personal finance services, and credit card processing are provided by FinecoBank, one of the largest on-line banks in Europe.

Capitalia is listed on the Milan Stock Exchange and is rated A1/Stable/P1 by Moody’s (upgrade effective April 13, 2007, from A2/Stable/P1), and A/Stable/F1 by Fitch. On January 17, 2007, Capitalia received a credit rating also by S&P (A/Stable/A-1) based on the excellent business diversification, the brand reinforcement, a good revenue growth and an effective cost & risk control of the last year.

### *Group Rationalisation*

With the approval of the 2005-2007 Business Plan by the Capitalia Board of Directors on July 4, 2005, the organisational and corporate rationalisation of the Capitalia Group was advanced significantly further, following the prior 2003-2005 Business Plan that saw a radical reshaping of the Group. The goals of the 2005-2007 Business Plan included strengthening group governance, simplifying decision-making processes and pursuing additional cost and revenue synergies. The rationalisation, of which all the various steps were completed as of January 1, 2006, involved:

- the merger of Fineco S.p.A. into Capitalia S.p.A., to leverage specialist skills and disseminate best practices across the Group, while reducing staff overlap and costs;
- the focusing of MCC – Mediocredito Centrale S.p.A. on more sophisticated credit business (export, project and acquisition finance, industrial credit, subsidised credit, leasing and factoring), with a view to strengthening operations and distribution capacity for mid-corporate customers. MCC’s product range was, in fact, altered to address the mid-corporate needs, through its merger with Capitalia Leasing & Factoring. MCC also spun

off to Capitalia other activities no longer consistent with its new orientation, including capital market and investment banking activities; and,

- the centralisation at the parent company of the real estate properties of the three commercial banks and Capitalia Leasing & Factoring, as well as the facility management of the Group's entire real estate properties in a company hold 100% by Capitalia (i.e. Capitalia Solutions).

### **Corporate Governance**

Capitalia since its birth in 2002 has completely renewed its corporate governance and internal procedures and organisation so as to conform to best Italian practice. The following tables provide information on i) the main shareholders of Capitalia as of April 5, 2007; ii) the Capitalia Shareholders' Pact; iii) the members of Capitalia's Board of Directors; iv) the Board of Statutory Auditors and v) the Senior Management.

#### *Main Shareholders*

<b>Main shareholders ( holding 2% or more)</b>		<b>Number of shares</b>	<b>%</b>	
ABN-AMRO Bank (Luxembourg) S.A.	(1)	117,133,575	4.51	
ABN-AMRO Bank N.V.	(1)	77,972,112	3.00	} 8.59
ALGEMENE BANK NEDERLAND B.V.	(1)	28,114,964	1.08	
FONDAZIONE CASSA DI RISPARMIO DI ROMA		130,409,704	5.02	
FONDAZIONE MANODORI		107,072,401	4.12	
FONDIARIA - SAI S.P.A.	(2)	67,911,042	2.62	} 3.51
MILANO ASSICURAZIONI S.P.A.	(2)	23,184,363	0.89	
REGIONE SICILIANA		73,746,225	2.84	
FONDAZIONE BANCO DI SICILIA		70,875,000	2.73	
LIBYAN ARAB FOREIGN BANK		66,873,409	2.58	
ASSICURAZIONI GENERALI S.P.A. (direct and indirect stake)	(3)	60,997,877	2.35	
TOSINVEST S.A.	(4)	54,633,051	2.10	
<b>OTHER SHAREHOLDERS</b>		<b>1,717,568,237</b>	<b>66.15</b>	

(1)Subsidiary of ABN-AMRO Holding N.V.

(2) Subsidiary of PREMAFIN FINANZIARIA S.p.A. – Holding di Partecipazioni

(3) Indirect: Agricola San Giorgio S.p.A., Augusta Assicurazioni S.p.A., BSI S.A., Genagricola-Generali Agricoltura S.p.A., Generali Vita S.p.A., Ina Vita S.p.A., Inf - Società Agricola S.p.A., Intesa Vita S.p.A., La Venezia Assicurazioni S.p.A.,

Nuova Tirrena S.p.A., Toro Targa Assicurazioni S.p.A.

(4) Subsidiary of SPA DI ANTONIO ANGELUCCI S.A.P.A S.C.A

### *Information Regarding the Capitalia Shareholders' Pact*

Certain shareholders of the company signed a shareholders' pact, which was take the last modify on February 16, 2006.

The Pact, which regards primary Italian and international industrial and financial groups as well as major institutions, has the purpose of stabilise the ownership structure and reinforce the long-term strategies of the Capitalia Group.

The agreement will remain in force until July 3, 2008. The total percentage of Capitalia shares held by the parties to the agreement stood at 31% as set out in the following table:

<b>Capitalia S.p.A. shareholders</b>	<b>Number of shares pledged</b>	<b>% of share capital</b>
a) ABN AMRO Bank (Luxembourg) S.A.	117,133,575	4.51%
ABN AMRO Bank N.V.	77,972,112	3.00%
Algemene Bank Nederland B.V.	28,114,964	1.08%
b) Fondazione Manodori	107,072,401	4.12%
c) Fondiaria-SAI S.p.A.	67,911,042	2.62%
Milano Assicurazioni S.p.A.	23,184,363	0.89%
d) Regione Siciliana	73,746,225	2.84%
e) Tosinvest S.A.	54,633,051	2.10%
f) Toti Invest S.r.l. Unipersonale	51,900,755	2.00%
g) Fondazione Banco di Sicilia	44,332,264	1.71%
h) Financo S.r.l.	25,864,919	1.00%
i) Fininvest S.p.A.	29,069,386	1.12%
l) Nuova Tirrena S.p.A.	16,250,000	0.63%
Augusta Assicurazioni S.p.A.	7,083,629	0.27%
Toro Targa Assicurazioni S.p.A.	2,949,883	0.11%
m) Omniaholding S.p.A.	11,186,739	0.43%
Immsi S.p.A.	11,138,789	0.43%
n) Alfio Marchini	20,035,507	0.77%
o) Fineldo S.p.A.	11,141,096	0.43%
p) Elle Fin. S.A.	9,930,700	0.38%
q) Franco Tosi S.r.l.	6,456,343	0.25%
r) Sirefid S.p.A.	4,000,000	0.15%
s) Angelini Partecipazioni Finanziarie S.r.l.	3,484,349	0.13%
<b>TOTAL</b>	<b>804,592,092</b>	<b>30,99%</b>

No shareholders are in a position to exercise control over Capitalia through their membership of the agreement.

### *Board of Directors*

The Bank's by-laws establish that its administration shall be entrusted to a Board of Directors composed of eleven to twenty-one members. Directors shall hold office for three financial years and shall be eligible for re-election. The new Board of Directors, which was elected by the Shareholders' Meeting on December 5, 2006, and integrated by the Shareholders' Meeting on April 19, 2007, is composed of twenty members and it will be in office for three financial years until the General Meeting which will be called for the approval of Financial Statements at December, 31 2008.

### *Position at Capitalia & Other Companies*

<i>Name</i>	<i>Position</i>	<i>Position at other companies</i>
Cesare Geronzi	Chairman	Deputy Chairman and Member of Executive Committee of Mediobanca S.p.A.  Chairman of Capitalia Partecipazioni S.p.A.
Paolo Savona	Deputy Chairman	
Paolo Cuccia AMRO Bank N.V.	Deputy Chairman	Country Executive Managing Director ABN  Chairman of EUR S.p.A.
Matteo Arpe S.p.A.	Managing Director	Managing Director of Capitalia Partecipazioni  Director and Member of the Executive Committee of Mediobanca S.p.A.  Director and Member of the Executive Committee of Banca di Roma S.p.A.  Director of MCC S.p.A.  Director of Banco di Sicilia S.p.A.  Director of CNP Capitalia Vita S.p.A.
Silvio Bianchi Martini	Director	Director of Banco di Lucca S.p.A.  Acting Auditor of Sofidel S.p.A.  Acting Auditor of Delicarta S.p.A.  Acting Auditor of Soffass S.p.A.
Pasquale Cannatelli	Director	Managing Director of Fininvest S.p.A.

		Director of Mediolanum S.p.A.
		Director of Mediaset S.p.A.
		Director of Arnoldo Mondadori Editore S.p.A.
Carlo Colaiacovo	Director	Managing Director of Colacem S.p.A.
		Chairman of Colabeton S.p.A.
		Chairman of Fondazione Cassa di Risparmio di Perugia
		Director of Financo S.r.l.
		Member of Steering Committee of Cassa Depositi e Prestiti S.p.A.
Roberto Colaninno	Director	Chairman of Omniaholding S.p.A.
		Chairman of Omniapartecipazioni S.p.A.
		Chairman of Omniainvest S.p.A.
		Chairman of Immsi S.p.A.
		Director of RCN Finanziaria S.p.A.
		Director of Mediobanca S.p.A.
		Director of Rodriguez Cantieri Navali S.p.A.
Paolo Fresco	Director	Senior Advisor of Credit Suisse First Boston
Salvatore Mancuso	Director	Chairman and CEO of Equinox Management SA (Lux)
		Chairman of Faber Holding S.r.l.
		Director of Intercos Group
Alfio Marchini	Director	Chairman and Managing Director of Astrim S.p.A.
		Chairman of Keryx S.p.A.
		Chairman of FI.MAR. S.p.A.
		Director of Cementir – Cementerie del Tirreno S.p.A.
		Director of SO.FI.MAR. International S.A.

		Director of STM S.p.A.
		Amministratore Unico of Lujan S.r.l.
Paolo Mariotti	Director	Chairman of the Board of Statutory Auditors of Thompson Holding Italia
Ahmed A. Menesi	Director	
Ernesto Monti	Director	Chairman of Astaldi S.p.A. Chairman of Finanziaria Tosinvest S.p.A. Director of EnerTad S.p.A.
Massimo Pini	Director	Deputy Chairman of Fondiaria –SAI S.p.A. Deputy Chairman of SASA S.p.A. Deputy Chairman of Immobiliare Lombarda S.p.A. Director of Milano Assicurazioni S.p.A. Director of Finadin S.p.A. Director of Leonardo S.r.l.
Alberto Rossetti	Director	Director of TAV – Treno Alta Velocità S.p.A. Director of LEO FUND (ITALIA) SGR S.p.A.
Carlo Saggio	Director	
Antonio Scala	Director	Director and Member of the Executive Committee of Banca Antonveneta S.p.A.
Pierluigi Toti	Director	Director of SANSEDONI S.p.A.
Walter Vezzosi	Director	

### ***Board of Statutory Auditors***

The table below sets out the name and position of the members of Capitalia's Board of Statutory Auditors.

<i>Name</i>	<i>Position</i>
Umberto Bertini	Chairman
Franco Luciano Tutino	Acting Auditor
Vasco Giovanni Palombini	Acting Auditor



Francesco Colombi	Substitute Auditor
Stefano Ciccioriccio	Substitute Auditor
Marcello Pasquale Maria Mingrone	Substitute Auditor

### ***Senior Management***

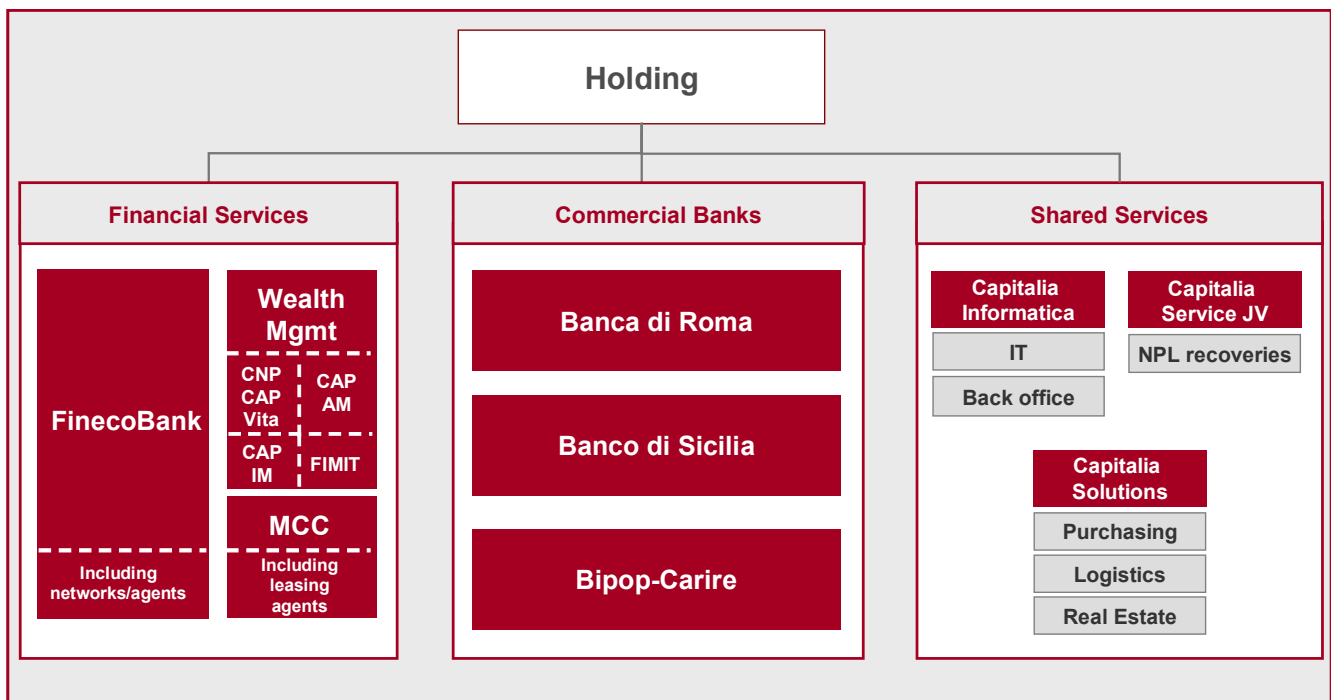
The table below sets out the name and position of Capitalia's senior management.

<i>Name</i>	<i>Position</i>
Matteo Arpe	Managing Director
Carmine Lamanda	General Manager
Fabio Gallia	Co-General Manager
Alberto Giordano	Co-General Manager
Guido Bastianini	Deputy General Manager
Giuseppe Cannizzaro	Deputy General Manager
Jurgen Dennert	Deputy General Manager
Carmine De Robbio	Deputy General Manager

### ***Description of the Business Activities of the Group***

With the completion of reorganisation of operations under the 2005-2007 Business Plan, the Group's structure may be summarised as follows:

- the Parent Company, Capitalia S.p.A.
- 3 macro activity areas:
  - commercial banks
  - financial services, and
  - shared service companies.



Capitalia S.p.A. is the parent company for the Capitalia Banking Group and, as such, responsible for delineating group wide governance guidelines, credit and risk policy, finance, monitoring commercial activities as well as general corporate functions such as procurement/operations, personnel policy, accounting and tax policies, legal and corporate counsel, internal audit and, not least of all, group strategy. The banking subsidiaries are responsible for the development of the business with customers, along the lines determined by Capitalia. Under the 2005-2007 Business Plan, capital markets activities were transferred to Capitalia's Finance Department from MCC – Mediocredito Centrale, while the investment banking activities (also formerly in MCC) and the responsibility for client management of large corporate were concentrated in a newly created Corporate Department in Capitalia.

#### *Organisation of the Parent Company and Group Business Line*

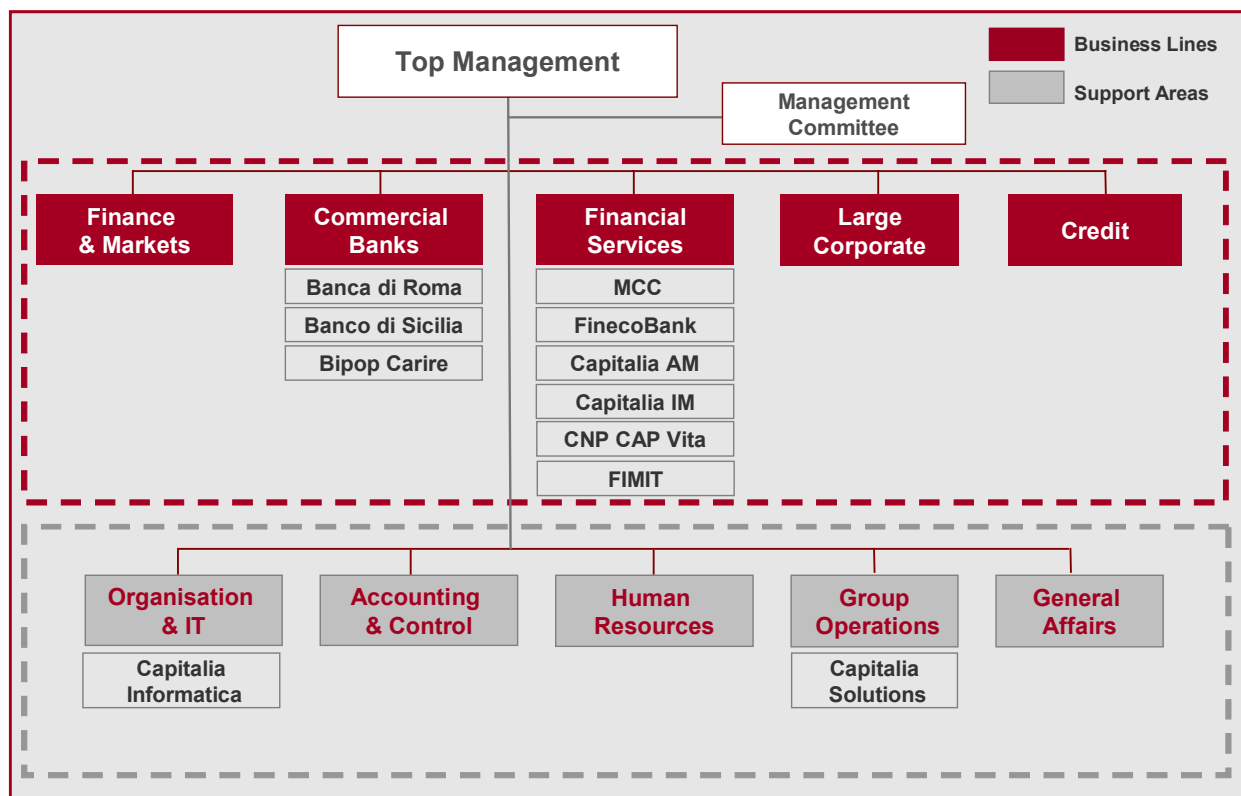
The structure of the holding company set out in the Business Plan envisages that the Parent Company guides the following lines of business:

- Finance, including capital market activities
- Commercial banks
- Financial services
- Large corporate and
- Credit.

In addition, in Capitalia there are the corporate functions of Organisation and IT, Accounting and Control, Human Resources, Group Operations, and General Affairs. Capitalia also has seven staff areas, including Internal Audit and Risk Measurement and Control.

To aid the co-ordination between the Group companies and evaluate on a continuous basis the

competitive position of the Group, Capitalia established a Management Committee in staff of the CEO, composed of all the operating heads of the principal banks and operating companies.



### *Finance & Markets*

In 2002 all the Group management of funding and finance activities were centralised in Capitalia. The operating companies collect deposits from retail, corporate and institutional clients, while the Parent company issues its securities on the domestic and international capital markets and is the primary interbank operator for the Group. The Capitalia Finance and Markets Department also oversees the Asset & Liability Management for the Group as well as proprietary trading and trade execution on behalf of clients. Finally, the Capital Management and Ratings function, also within the Finance and Markets Department, serves as the internal rating agency for the Group, co-ordinating with the operating subsidiaries, in addition to undertaking the analysis and planning of capital utilisation in the Group within the framework of the Basle 2 Guidelines.

### *Commercial Banks*

Capitalia conducts traditional banking business in Italy through the networks of the three wholly-owned commercial banks, operating through their local networks under their own brands: Banca di Roma, Banco di Sicilia and Bipop Carire.

The three banks have significant regional presence, with Banca di Roma concentrated in Central and Southern Italy, Banco di Sicilia in Southern Italy (particularly Sicily) and Bipop Carire in

Northern Italy.

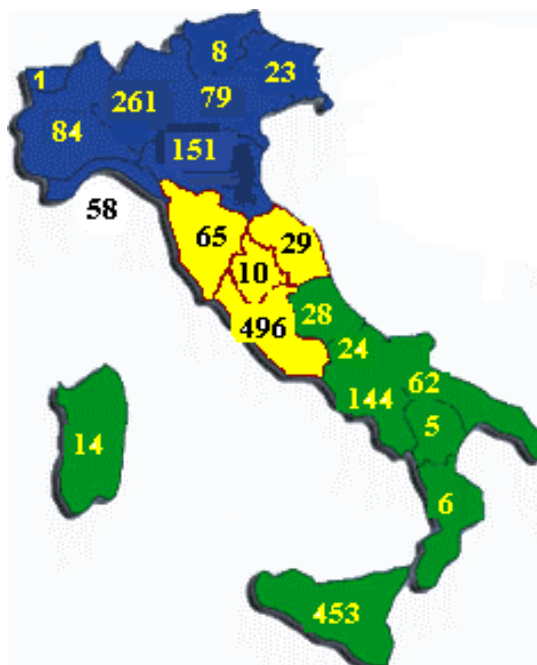
The table below illustrate the current geographical distribution of the Group's traditional banking branches in Italy.

<b>BANCA DI ROMA</b>	Branches	%
Total Italy	1,145	100.0
North	284	24.8
Centre	553	48.3
South	308	26.9

<b>BANCO DI SICILIA</b>	Branches	%
Total Italy	531	100.0
North	74	13.9
Centre	29	5.5
South	428	80.6

<b>BIPOP CARIRE</b>	Branches	%
Total Italy	325	100.0
North	307	94.5
Centre	18	5.5
South	-	-

<b>TOTAL</b>	Branches	%
Total Italy	2,001	100.0
North	665	33.2
Centre	600	30.0
South	736	36.8



With reference to the international network, Capitalia's subsidiaries carry out also international activities through an international network that includes branches in the following financial centres:

- Europe: Bucharest, Frankfurt, Istanbul, London, Barcelona, Madrid and Paris;
- United States: New York;
- Other: Beirut, Hong Kong, Shanghai, Singapore and Tokyo.

Banca di Roma maintains also representative offices in Beijing, Brussels, Moscow and Tunis.

The Capitalia Group's specialised financial services are offered both by the three specialist banks (MCC - Mediocredito Centrale S.p.A., FinecoBank S.p.A., and Capitalia Luxembourg S.A.), which distribute directly and through the Commercial Banking networks, and by the dedicated product companies (in wealth management and bancassurance, detailed below), which distribute mainly through the Commercial Banking networks.

MCC-Mediocredito Centrale is the Group's centre of excellence for lending to mid-corporates. After the Group's reorganisation, completed at the end of 2005, MCC-Mediocredito Centrale offers: leasing and factoring, industrial long-term credit, structured finance, acquisition finance, project finance and export finance as well as all forms of naval financing. MCC-Mediocredito Centrale is also the national leader in a complete range of services, incentives and subsidised financing in support of central and local Government programmes, which aim to accelerate the growth of underdeveloped areas of Italy.

FinecoBank (99.99%) is the Group's direct bank, which distributes both on-line and via specialised agent networks. FinecoBank is by far Italy's largest on-line broker, and one of the largest in Europe, based on the number of executed transactions. In addition to brokerage, FinecoBank has a wide saving & investing offer, with over 1800 third party wealth management products (mutual funds, certificates), based on an "open platform" strategy. FinecoBank boasts a network of circa 1,100 financial advisors, seamlessly integrated with the direct internet channel, and more than 160 financial shops located throughout Italy. Finally, FinecoBank offers consumer credit, mortgages and salary-guaranteed personal loans, through networks of independent agents.

Capitalia Luxembourg is the Group's off-shore bank, with both a corporate banking offer (lending and structuring of legal entities) and a wealth management presence in Luxembourg and in the Principality of Monaco.

The product factories for the Group include: Capitalia Asset Management SGR S.p.A. (100%), Capitalia Investment Management S.A. (100%), Capitalia Investimenti Alternativi SGR S.p.A. (100%), FIMIT SGR S.p.A. (51,5%), Capitalia Sofipa SGR S.p.A. (100%), CNP Capitalia Vita S.p.A. (38.8%), Capitalia Assicurazioni S.p.A. (49%).

Capitalia Asset Management is the Group's main asset management company, while Capitalia Investimenti Alternativi focuses on funds of hedge funds, and Capitalia Investment Management offers enhanced-index products out of Luxembourg. The other asset managers of the Group are FIMIT SGR, a real estate specialist, and Capitalia Sofipa SGR, a private equity player.

CNP Capitalia Vita (formerly Fineco Vita), owned 57.5% by Compagnie Nationale de Prévoyance, 3.7% by Cardif and 38.8% by Capitalia, produces life insurance (traditional, index-linked and unit-linked) offered exclusively via the Commercial Banks of the Group and the financial advisors of FinecoBank. Capitalia Assicurazioni, owned 51% by Fondiaria SAI, underwrites property & casualty insurance, primarily offered in bundles with credit products placed by the Commercial Banks and FinecoBank.

### *Large Corporate*

As foreseen in the Business Plan, the management of the largest corporate customers of the Group has been centralised in Capitalia, starting in September 2005. At that time the investment

banking activity was passed to Capitalia from MCC – Mediocredito Centrale and the personnel that maintains the relationships with the Group's most important clients were transferred to the Parent company. This organisation ensures more effective coverage of our client base and quicker response time to meet their needs and requests, concentrating the most sophisticated and competent capabilities in one company. In this manner, the day to day operational responsibility for treasury and funds movement remains with the commercial banks, while the holding company concentrates on providing the highest quality strategic and corporate finance services to this important client segment.

### *Credit*

The Credit Policy function in Capitalia is responsible for setting out and coordinating group-wide credit policy and strategy and for monitoring the development of credit activity of the Group. The various banks and operating companies of the Group have adopted the guidelines and structures laid out by the parent company to ensure a coherent approach and application of the policies set out by Capitalia. Thus, while the operating companies are responsible for client relationship management, except in the case of Large Corporates, and enjoy autonomy in the day to day management of credit activities, they must co-ordinate with the Parent Company. This is the particular case when Group-wide exposure to a client is significant (over Euro 50 million) or the exposure of the Group is predominant relative to banking system's exposure.

### *Shared Service Companies*

To provide a more efficient, cost effective service across the Group, Capitalia decided to centralise several functions in separate companies which respond directly to the Parent company. These include:

- Capitalia Solutions: providing a full-service property management package, including maintenance, utilities, other services necessary for the functioning of premises, and the procurement of goods and equipment. Such service was combined with the transfer of Banca di Roma, Banco di Sicilia, Bipop Carire, Capitalia L&F, and other company properties to Capitalia at the end of 2005,
- Capitalia Informatica: specialising in the management of IT and back office operations of the three main banks of the Group and Capitalia S.p.A.,
- Capitalia Service JV: managing the Group's credit recovery operations for non-performing loans between Euro 55,000 and Euro 20,000,000.

### *Segment Reporting and Key Financial*

In parallel with the managerial structure adopted in the 2005-2007 Business Plan, Capitalia now provides segment reporting data along the following lines:

1. Retail
2. Corporate
3. Wholesale & Investment Banking

#### 4. Financial Services

#### 5. Corporate Centre

The Retail segment data includes the retail and small business activities of the Commercial Banks. The segment is the largest for the Group, accounting for 50% of total revenues (equally distributed between interest income and income from services) and approximately 31% of Gross Operating Profit. Its importance is also reflected in the balance sheet, where retail accounts for 27% of total customer loans and 36% of deposits.

The Corporate business segment includes the mid-corporate activities of the commercial banks and activities of the foreign branch network. Segment's Income Statement and Balance Sheet reflect the fact that its predominant business is the financing of companies. Accounting for 14% of total Group revenues, the corporate segment revenues are 74% composed of interest margin. Corporate loans account for about 28% of total customer loans, while corporate deposits account for only 6% of Group funding.

The results from Large Corporate and Institutional clients, Investment Banking activities, and Finance (including such activities carried out in Capitalia and the operating subsidiaries) are included in the Wholesale & Investment Banking segment. This segment accounts for 14% of total revenues, of which approximately 78% are derived from services, while its operating costs equal 5% of total operating costs—among the lowest among the Business Areas. Loans and deposits from W&I account for 15% and 12% respectively of Group totals.

Financial Services, which includes the specialised financial institutions and the product factories, represent approximately 15% of Group revenues, and are characterised by revenues from non-interest income being higher than interest income.

Finally, the Corporate Centre, is composed of Group Treasury, Parent Company functions (participations, real estate, non-performing loans), as well as some minor group companies. This segment also includes infragroup compensation.

### *Key Financial Results by Business*

#### INCOME STATEMENT

December 31, 2006 (Euro mln)	Capitalia Group	Retail	Corporate	Wholesale & Investment	Financial Services	Corporate Centre
<b>PROFIT &amp; LOSS</b>						
<b>Net Interest Income</b>	<b>2,836.9</b>	1,448.8	572.1	170.2	365.2	280.6
Services	<b>2,693.7</b>	1,288.7	196.1	612.4	454.3	142.2
<b>Total Revenues</b>	<b>5,530.6</b>	2,737.5	768.2	782.6	819.5	422.8
<b>Gross Operating Profit</b>	<b>2,297.7</b>	701.5	391.2	620.3	439.7	145.0
<b>Net Operating Profit</b>	<b>1,680.5</b>	542.4	222.5	600.9	336.9	(22.2)
<b>Income Before Tax</b>	<b>1,823.0</b>	542.4	222.5	622.1	343.5	92.5
<b>Net Profit</b>	<b>1,162.0</b>	<b>269.2</b>	<b>118.9</b>	<b>401.0</b>	<b>206.5</b>	<b>166.4</b>

## BALANCE SHEET

December 31, 2006 (Euro mln)	Capitalia Group	Retail	Corporate	Wholesale & Investment	Financial Services	Corporate Centre
<b>ASSETS/LIABILITIES</b>						
<b>Customer loans</b>	<b>96,012</b>	25,993	26,943	13,932	23,124	6,020
<b>Deposits</b>	<b>96,753</b>	34,426	5,588	11,548	7,346	37,845

### ***Significant Recent Events of Capitalia***

On January 17, 2007 S&P assigned to Capitalia S.p.A. long and short-term ratings of "A" and "A-1", respectively, with a stable Outlook. Capitalia's ratings reflect, according to S&P, the excellent, well-diversified business model, supported by the Group's leading position in Central Italy and Sicily and a satisfactory level of profitability. The Agency noted the concrete strategy adopted to increase the operating performance as well as improve the risk profile of the Group. S&P recognised Capitalia's continuous progress in terms of revenue growth, cost control and brand reinforcement, and underlined, in addition, the positive results achieved in credit management and monitoring, as well as in the credit recovery process. These points reflect the continuous commitment of Management, which was evidenced over the last four years in the implementation of an ambitious plan centred upon organic growth. The stable Outlook reflects S&P's expectations for a further reinforcement of the Group, given the still unexpressed relevant growth potential of the client base and the improved perception of the brand. Contemporaneously, S&P upgraded MCC's long and short-term ratings, respectively, to "A" from "A-" and to "A-1" from "A-2". The Outlook is stable. MCC's new ratings are based on the company's core membership within the Capitalia Group, the strategic position held, and the positive results achieved by Management.

### ***Judicial proceedings of Capitalia***

In the 12 months prior to the date of this document, Capitalia has not been a party in any administrative, legal or arbitration proceedings (including any pending or future proceedings of which Capitalia is aware) which, according to Capitalia's judgement, may have, or have had in the recent past, significant effects on the financial position or profitability of Capitalia and/or its Group.

Notwithstanding the foregoing, information is provided below on significant criminal proceedings involving certain directors and managers of the Bank.

#### **a) Capitalia/Cirio: Court of Rome**

Certain members of the board of directors and managers of the former Banca di Roma (now Capitalia) have been committed for trial for fraud and contribution to bankruptcy relating to Cirio Group's default.

The trial is still proceeding in the Court of Rome.

#### **b) Capitalia/Cirio: Court of Milan**



Certain members of the board of directors of the former Banca di Roma (now Capitalia) were under investigation by the Milan Public Prosecutor for alleged fraud in connection with the issue of Cirio bonds. The Public Prosecutor has not formalised any request yet.

c) Court of Parma. Declaration of insolvency of Parmalat Group.

Certain members of the board of directors and managers of the former Banca di Roma (now Capitalia) were under investigation by the Parma Public Prosecutor as part of the inquiry into the Parmalat Group's default. The investigation resulted in two different proceedings which relate to two transactions made by Parmalat, i.e. the "Eurolat" proceeding which relate to the acquisition of the Cirio Group's dairy business and the "Ciappazzi" proceeding which relate to the acquisition of Ciappazzi's mineral water business. The charges are contribution to bankruptcy in the first case and contribution to bankruptcy and usury in the second case. For Eurolat the Public Prosecutor has formalised a request for dismissal and a request for committal for trial concerning some individuals put under investigation. For Ciappazzi the above members have been arraigned for trial and the trial is proceeding.

d) Court of Brescia. Declaration of insolvency of Italcasa Bertelli Group.

Certain members of the board of directors and managers of the former Banca di Roma (now Capitalia) are accused of "contribution to preferential bankruptcy and "simple bankruptcy" relating to the Italcasa Bertelli Group default. Recently the trial before the Court of Brescia ended with a judgement of guilty in the Court of first instance. Against this judgement the members of the board of directors and managers will file an appeal.

## THE ORIGINATOR

### Overview

Banca di Roma (“**BdR**”) is a traditional commercial bank which offers a full range of banking products and services (i.e. mortgage and consumer lending, insurance, leasing, factoring, asset management and private banking) delivered to retail, private, corporate and institutional customers through a capillar network of its own brand branch offices and autonomous professional promoters (“canalizzatori”).

BdR is a company limited by shares incorporated under the laws of Italy, with registered office at 180, Viale Tupini, Rome, Italy and is registered with the companies' registry in Rome under registration number 06978161005 and in the special section of the register held by the Bank of Italy pursuant to Article 13 of the Italian Banking Act under number 5526.

Banca di Roma is rated A2/stable/ P-1 by Moody's and A/Stable/F1 by Fitch.

From 1992 up to 1997, BdR was a public entity, 64.54 per cent. controlled by Fondazione Cassa di Risparmio di Roma and participated by Iri (13.89 per cent.) and by Ente Cassa di Risparmio di Roma (10.34 per cent.). At the end of 1999, two years later the public offering of share capital held by Iri, BdR acquired 100 per cent. of Mediocredito Centrale S.p.A. (later called MCC) and through MCC became Banco di Sicilia S.p.A. 's major shareholder with 62.84 per cent. of BdS' share capital. In July 2002, BdR acquired Bipop-Carire S.p.A. and started a reorganisation which consists on the following step:

1. BdR changed its name into Capitalia S.p.A.,
2. the traditional banking activity was incorporated into BdR S.p.A.;
3. all the specific financial services companies (i.e. asset management, leasing, on line banking) were merged under a unique holding company, Fineco S.p.A.

At the end of 2005, following the guidelines announced in the strategic business plan for the period 2005-2007, Capitalia acquired 100 per cent. of Fineco S.p.A. shares and merged it into Capitalia.

### Business Activity

As at 31 December 2006, BdR held a portfolio of total mortgage loans to worth Euro 13,5 billion customers with a 33 per cent. increase in comparison to 2005.

Thanks to a capillary geographical distribution of BdR branches and a higher level of efficiency recorded in the recent years in line with the managerial structured adopted in the 2005-2007 Business Plan, on 31 December 2006 BdR reached a net income of Euro 513,7 million , with a return on equity of 10 per cent..

Up to 31 December 2006, BdR originated new residential mortgages to families for a total amount of Euro 2.611 million with 4.16 per cent. of market share; in terms of value at 31 December 2006 BdR represents the 2.73 per cent. of the market.

	BdR	System	QdM (%)
March 2006	610.622.376	14.432.445.043	4,23
June 2006	1.319.548.510	31.723.761.825	4,16
September 2006	1.948.065.158	46.134.223.064	4,22
December 2006	2.611.073.790	63.365.658.223	4.16

## Geographical Presence and Distribution Channels

BdR activity during the financial year ending on 31 December 2006 was mainly based in Central Italy, with approximately 53.2 per cent. of total mortgage loans being executed in this area, while nearly 19 per cent. of total contracts were executed in South Italy and the Islands and only approximately 27.8 per cent. in North Italy.

The table below shows the geographical distribution of the new contracts for residential mortgages that BdR entered into up to 31 12 2006:

<b>2006</b>				
<b>Residential Mortgages</b>				
<b>(€/000)</b>				
	Retail	Private	Total	% on total
Central Italy	1.137.235	4054	1.141.289	40,4%
North Italy	1.177.322	2803,5	1.180.126	41,8%
South Italy	499.032	5890	504.922	17,9%
Total.	2.813.589	12.748	2.826.337	100,0%
<i>Average amount 2006</i>			<i>119</i>	
<i>Average duration 2006</i>			<i>20 years</i>	
<b>2005</b>				
<b>Residential Mortgages</b>				
<b>(€/000)</b>				
	Total			
Value at	2.241.238			

BdR distribution strategy relies upon a commercial network (i.e. BdR employees as well as independent financial promoters – “canalizzatori”), which is organised in 13 areas and 1.145 branches as at 31 12 2006, 1,120 in 2005:

- 5 territorial Corporate Areas, and 5 credit channels which are responsible of granting and managing credit lines;
- 8 territorial Retail areas which manage branches and private banking channels.

The foreign network is organised in 12 branches.

As at 31 December 2006, the network employed over 11.501 resources in roles of branches (foreign ones included) and territorial areas.

## Employees

The following table shows the turnover of BdR employees as at December 2006 in comparison with the same period of the previous year:

Year	2006	2005
Managers	165	176
Executives	5.070	4.975
Other employees	7.697	8.045
<b>Total</b>	<b>12.932</b>	<b>13.196</b>

## Share Capital

As at 31 December 2006, Capitalia Holding held 100 per cent. of BdR.

## Board of Directors

The Board of Directors of BdR is currently composed as follows:

Berardino Libonati	Chairman
Alberto Giordano	Vice Chairman
Fabio Gallia	C.E.O.
Matteo Arpe	Director
Fabio Candeli	Director
Alberto Capponi	Director
Francesco de Simone Niquesa	Director
Mario Ercolani	Director
Carmine Lamanda	Director
Giovanni Malagò	Director
Tommaso Vincenzo Milanese	Director
Andrea Mondello	Director
Luciano Sarnari	Director

## Balance sheet as at 31 December 2006

The financial statement for 2006 has been prepared in conformity with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission under the procedure envisaged by Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002. The regulation has been fully transposed into Italian law following the enactment of Legislative Decree 38 of 28 February 2005, which came into force on 22 March 2005.

## BALANCE SHEET

Assets	31 December 2006	31 December 2005
Cash and cash equivalents	657,525,440	692,817,837
Financial assets held for trading	767,509,015	1,404,820,239
Financial assets designated at fair	-	-
Available-for-sale financial assets	361,218,205	456,372,467
Held-to-maturity financial assets	54,097,818	174,919,762
Loans to banks	10,821,011,233	8,746,673,266
Loans to customers	47,620,217,914	42,079,845,792
Hedging derivatives	6,789,672	846,902
Equity investments	134,546,071	134,546,071
Property, plant and equipment	121,824,058	1,117,565,891
Intangible assets	426,754	537,762
<i>di cui:</i>	-	-
- <i>goodwil</i>	-	-
Tax assets	476,354,888	523,383,224
a) current	145,423,617	149,666,528
b) deferred	330,931,271	373,716,696
Non-current assets and groups of assets being divested	-	10,400,000
Other assets	1,202,001,230	1,277,131,240
<b>Total assets</b>	<b>62,223,522,298</b>	<b>56,619,860,453</b>

Liabilities and shareholders' equity	31 December 2006	31 December 2005
Due to banks	17,232,797,541	15,798,972,009
Due to customers	36,069,243,370	31,010,499,881
Debt securities in issue	254,987,547	903,319,060
Financial liabilities held for trading	264,533,248	466,505,516
Derivatives used for hedging	6,147,944	4,016,149
Tax liabilities	153,046,831	232,419,712
a) <i>current</i>	103,866,890	152,304,714
b) <i>deferred</i>	49,179,941	80,114,998
Other liabilities	2,363,343,853	1,866,982,227
Staff severance pay	396,615,028	408,596,425
Provisions for liabilities and contingencies	390,599,114	380,150,969
a) <i>retirement and similar liabilities</i>	214,058,098	216,581,344
b) <i>other provisions</i>	176,541,016	163,569,625
Revaluation reserves	6,571,627	15,987,764
Reserves	92,182,844	122,004,720
Share premium account	2,144,148,616	2,472,386,483
Share capital	2,335,574,720	2,262,082,921
Net profit (loss) for the year	513,730,015	675,936,617
<b>Total liabilities</b>	<b>62,223,522,298</b>	<b>56,619,860,453</b>

## INCOME STATEMENT

	2006	2005	Change	
			total	%
Interest income and similar revenues	2,950,475,605	2,472,355,906	478,119,699	19.3
Interest expense and similar charges	(1,296,446,187)	(951,862,654)	(344,583,533)	36.2
<b>Net interest income</b>	<b>1,654,029,418</b>	<b>1,520,493,252</b>	<b>133,536,166</b>	<b>8.8</b>
Commission income	951,090,040	928,943,438	22,146,602	2.4
Commission expense	(66,924,996)	(94,110,829)	27,185,833	(28.9)
<b>Net commissions</b>	<b>884,165,044</b>	<b>834,832,609</b>	<b>49,332,435</b>	<b>5.9</b>
Dividends and similar income	1,324,584	1,018,990	305,594	30.0
Net gain (loss) on trading activities	64,029,955	197,011,844	(132,981,889)	(67.5)
Net gain (loss) on hedging activities	(31,011)	(218,182)	187,171	(85.8)
Gains (losses) on the disposal or repurchase of:				
<i>a) loans</i>	(44)			
<i>b) available-for-sale financial assets</i>	13,175,912	14,736,978	(1,561,066)	(10.6)
<i>c) held-to-maturity financial assets</i>				
<i>d) financial liabilities</i>				
Net adjustments of financial liabilities at fair value				
<b>Gross income</b>	<b>2,616,693,858</b>	<b>2,567,875,491</b>	<b>48,818,367</b>	<b>1.9</b>
Net impairment adjustments of:				
<i>a) loans</i>	(204,373,139)	(79,203,254)	(125,169,885)	N.S.
<i>b) available-for-sale financial assets</i>	0	2,919,730	(2,919,730)	(100.0)
<i>c) held-to-maturity financial assets</i>	820,000	2,400,000	(1,580,000)	(65.8)
<i>d) other financial transactions</i>	431,986	(1,176,568)	1,608,554	N.S.
<b>Income from financial operations</b>	<b>2,413,572,705</b>	<b>2,492,815,399</b>	<b>(79,242,694)</b>	<b>(3.2)</b>
General and administrative expenses:	(1,565,818,707)	(1,524,869,663)	(40,949,044)	2.7
<i>a) staff expenses</i>	(891,429,029)	(921,620,864)	30,191,835	(3.3)
<i>b) other administrative expenses</i>	(674,389,678)	(603,248,799)	(71,140,879)	11.8
Provisions for liabilities and contingencies (net)	(35,378,491)	(49,187,562)	13,809,071	(28.1)
Net adjustments of property, plant and equipment	(20,932,248)	(33,760,225)	12,827,977	(38.0)
Net adjustments of intangible assets	(907,969)	(364,410)	(543,559)	N.S.
Other operating income (expenses)	132,998,823	168,808,298	(35,809,475)	(21.2)
<b>Operating expenses</b>	<b>(1,490,038,592)</b>	<b>(1,439,373,562)</b>	<b>(50,665,030)</b>	<b>3.5</b>
Gains (losses) on disposal of investments	(169,256)	5,403,000	(5,572,256)	N.S.
<b>Profit (loss) on continuing operations before tax</b>	<b>923,364,857</b>	<b>1,058,844,837</b>	<b>(135,479,980)</b>	<b>(12.8)</b>
Income tax for the period on continuing operations	(410,776,995)	(382,725,760)	(28,051,235)	7.3
<b>Profit (loss) after tax on continuing operations</b>	<b>512,587,862</b>	<b>676,119,077</b>	<b>(163,531,215)</b>	<b>(24.2)</b>
Profit (loss) after tax from non-current assets being divested	1,142,153	(182,460)	1,324,613	N.S.
<b>Net profit (loss) for the year</b>	<b>513,730,015</b>	<b>675,936,617</b>	<b>(162,206,602)</b>	<b>(24)</b>

## **UNDERWRITING, CREDIT AND COLLECTION POLICIES**

### **Underwriting Procedures**

The initial phase consists of the loan application made directly by the customer at the counter or through “credit facilitators” (external companies with special arrangements with the bank). Credit facilitators simply “present” the customer’s application in order that the loan application procedure be conducted directly by Banca di Roma.

The credit investigation process related to a loan application take account, among other things, of the following aspects:

- type and purpose;
- amount;
- pricing;
- duration and repayment plan;
- valuation of the property (technical investigation), also involving external consultants, with a special focus on the saleability and type of the asset to be mortgaged;
- loan-to-value (up to a maximum of 80 per cent.);
- customer segment;
- assessment of the applicant’s loan-repayment capacity (credit investigation);
- income and collateral guarantees of the potential Borrower.

### **Preliminary Investigation About the Borrower**

Banca di Roma evaluates the following customer information after receiving an application for a Loan:

- employer and type of job (professional/employee);
- age;
- the borrowing capacity both of the Borrower and of any guarantors (bank control of internal data and of external data such as that provided by the Credit Risk Centre);
- the credit history of the applicant, in order to ascertain the absence of any elements that may prejudice the application in question.

### **Disbursement**

The disbursement of a Loan is set out in 4 phases:

- acquisition of the application by the branch’s business reference person and gathering of information;



- investigation (a simplified procedure only in those cases of mortgage loans on single properties applied for by natural persons who are not beneficiaries of loans, or an ordinary procedure);
- decision;
- to enter into a contract (execution and disbursement of the Loan).

- **Acquisition of the Application:**

Acceptance and processing of the loan application, and gathering of information regarding the customer (and any guarantors) in order to draw up the documents required to evaluation.

- **Investigation:**

Credit Investigation:

- ✓ evaluation of the customer's credit worthiness by the branch's business reference person by means of a credit rating process (positive outcome: instalment/available net income ratio  $\leq$  35 per cent., this ratio may be raised depending on the degree of kinship with the guarantor);
- ✓ forwarding of the complete file to the Credit Investigation Specialist at the competent local Credit Investigation Centre (including any statement attesting to the adequacy of the valuation of the property by the branch manager);

Technical-Legal Investigation: investigation by a professional expert and preliminary legal examination by a notary, both of whom appointed by the Credit Investigation Specialist;

Proposal by the Credit Investigation Specialist to the competent body responsible for the decision.

- **Decision**

The competent body finally decides on the case, while the Credit Investigation Specialist notifies the branch of the said decision and forwards the loan report to the said branch in order to disburse the Loan.

RULING BODY	RISK CATEGORY	
	FULL	GUARANTEED
<i>Amounts shown in Euros</i>		
Executive Committee	limitless	limitless
Credit Committee with Chief Executive Officer	25,900,000	51,800,000
Credit Committee	15,000,000	30,000,000
Credit Manager	3,700,000	7,400,000
Overdraft Manager (1)	100,000	500,000
Credit Investigation Specialist (*)	-----	250,000 (2)
Branch Manager (3)	Parameter loans up to 50,000**	

(\*) Decisions on the disbursement of loans for residential properties to natural persons with a positive credit rating is the exclusive competence of the Credit Investigation Specialist. The amount shall be 150,000 euros in the case of loans for property restoration.

*(\*\*) These powers may be exercised even if the applicant benefits from parameter loans of the standard amortisation type, subject to compliance with the criteria established for the granting of parameter products.*

*(1) Powers that may also be exercised over decisions regarding those loans outside of the powers of the Credit Investigation Centre and loans that do not fall within the rating procedure, subject, in both cases, to investigation by the Credit Investigation Centre.*

*(2) Limited to loan applications submitted by natural persons via simplified procedure.*

*(3) The Branch Manager, if appointed by the Network Manager, may grant loans on residential properties to natural persons with a positive credit rating in the same way as the Credit Investigation Specialist does.*

#### **- To enter into a Contract**

- ✓ execution: stipulation of a single public deed, between the branch and the Borrower, for the acquisition of a mortgage guarantee (equal to 200 per cent. of the amount granted), disbursement and release of the loaned amount;
- ✓ disbursement: with or without a limit on the amount.

#### **Evaluation of the Guarantee**

The investigation required for the purposes of a landed-property loan/home loan is of a technical, estimative nature; in other words, it is designed to certify compliance with the urban planning requirements governing the mortgaged asset, the entity thereof, its catastral identification, as well as its estimated value and saleability.

Technical surveys are conducted by external experts trained for this purpose by head office.

With regard to the aforesaid evaluation, the survey report shall contain the following:

- for existing finished properties:
  - the current market value of the property, that is, its hypothetical value calculated on the basis of the current dynamics of the property market;
- for properties to be restored:
  - the current market value of the property;
  - the cost of restoration, that is, all those costs actually borne/to be borne during the course of restoration;
  - the final market value of the property, that is, the hypothetical market value of the property upon completion of work, calculated on the basis of the current dynamics of the property market.

#### **Fire Insurance**

All properties guaranteeing Loans must be insured against fire damage for a sum equal to the amount to be disbursed as a Loan.

The insurance shall be taken out by Banca di Roma in the form of a standard policy, and the respective premium, to be charged exclusively to the Borrower, shall be calculated for landed-property loans/home loans in one single lump sum.

## Collection Policy

Banca di Roma's loan administration, collection, monitoring and recovery procedures, and management of overdue payments.

### 1. Ordinary Administration Procedures and Instalments Collection

Loan Instalments shall be collected in two different ways:

- a. in cash;
- b. by standing order.

"In cash" means the payment of Instalments in cash. For such operations, any branch of Banca di Roma, all of which are empowered to collect Loan Instalments, may be used regardless of which branch disbursed the Loan in the first place.

"By standing order" means the regular payment of Instalment, with value date as the last day of each month, against a current account compulsorily opened by the Borrower at the time the Loan is granted. In fact, upon signing of the Mortgage Loan agreement, the Borrower (together with any other joint holders of the said account) declares that he/she accepts the repayment of Loan Instalments by standing order, and undertakes to ensure that the account balance covers payment of the said Instalments.

The securitised portfolio contains Mortgage Loans that envisage payment of Instalments exclusively by "standing order".

At present the standing order procedure does not allow for payment of Loan Instalments through other Banks.

### 2. Monitoring, Credit Collection, and Management of Overdue Payments

In order to monitor those customer's credit positions he/she has been entrusted with, the credit manager has a quantity of information available both from his/her direct relationship with the customer, and from data processing systems providing daily and monthly figures, which the credit manager may evaluate, and adopt the most suitable measures necessary.

Credit manager, being responsible for customer management and for the regular performance of risks, constantly monitors customers' positions by examining the control procedure - the so-called "Credit Traffic Light" - according to the various different forms of inquiry provided for.

In case of arrearage, a special management procedure is implemented (Kor Delinquency Management - hereinafter "**Kor DM**") within the credit cycle, between the ordinary management (disbursement and monitoring), and forced credit recovery (customers in serious, persistent breach of contract). This procedure consists of the following:

1. different approaches based on customer value/risk;
2. a multitask process involving management structures (credit management, contact centre), and network structures (branches, local retail areas).

In case of Mortgage Loans, delinquency arises as a result of the following hypotheses:

<b>Delay</b>	<b>Amount paid</b>
> 15 days	> € 50 and > 10% of Instalment amount

The following paragraphs give a significant example of action to be taken in case of a “high” risk, and a “low” value customer.

### **3. Implementation of the Delinquency Management Procedure (DM)**

Following the monthly extraction of customers subjected to Delinquency Management (“NDG”) procedures, each branch manager views the new entries to the Kor DM area among the NDGs from his/her own portfolio, and within the next three days has the task of collecting further information, and of modifying and/or confirming segmentation on the basis of the information gathered. In the absence of any modifications, the segmentation shall be deemed confirmed, and handling procedures envisaged for each segment shall be implemented.

#### *First day of implementation of the Kor DM procedure*

Capitalia Informatica automatically sends a letter to the customers in question reminding them of the entity of the overdue payments, and inviting them to regularise their position.

#### *Fifth day following implementation of the Kor DM procedure*

The Reminders Clerk:

- identifies the position of the customer to be contacted;
- provides to acquiring all the information needed prior to making the telephone call (payment into the account of salary, etc.);
- phones the customer, inviting him/her to regularise his/her position;
- records the outcome of the phone call in the position-update procedure.

The outcome of the phone call may consist of:

- (a) a promise to pay (within 40 days);
- (b) failure to promise payment.

The case of “customer unavailable” is deemed equivalent to “refusal to pay”, as the reminder has already been sent.

#### **(a) Failure to honour the promise to pay**

#### *Forty-fifth day following implementation of the Kor DM procedure*

The Reminders Clerk:

- identifies the position of the customer to be contacted and consults the details of the promise to pay that has not been honoured;

- phones the customer and after having ascertained the reasons for the failed payment, invites the customer to regularise his/her position regarding the debt in question, informing them that failure to do so will result in action to reduce the risk and recover the overdue amount;
- records the outcome of the procedure so as to update the customer's position.

A person entrusted with Delinquency Management (the "**DM Specialist**"):

- identifies the position of the customer being processed, together with all the services/operations settled through current accounts (subject to DM or otherwise) held by the NDG (*numero di direzione generale* – General Administration Number) subject to DM;
- selects those services/operations to be terminated, and provides for termination thereof (a communication is automatically sent to the customer in those cases where such an option is provided for);
- forwards the Branch a request to Block Withdrawals and Cheque Books, and ascertains that these measures have been implemented.

*Ninetieth day following activation of the Kor DM procedure*

Capitalia Informatica automatically sends a registered letter asking the customer to regularise his/her position, otherwise debt recovery measures will have to be taken.

*One hundred and twentieth day following activation of the Kor DM procedure*

The DM Specialist:

- identifies the position of the customer being processed and the history of contacts made;
- identifies all current account credit facilities, subject to DM or otherwise, held by the NDG subject to DM;
- selects the overdraft facilities to be cancelled;
- notifies the customer of the cancellation;
- send a cancellation order to the Branch;
- within 5 days of notifying the customer of cancellation, the branch cancels the selected overdraft facilities, and includes the date of the letter of cancellation in the procedure.

On the 20<sup>th</sup> day following the date of cancellation of the overdraft, the DM Specialist:

- identifies the position of the customer being processed and the history of contacts made;
- verifies the presence of relations (current accounts and savings accounts in the red held either individually or jointly by the NDG subject to DM) against which balancing operations can be performed;
- sends the balancing order to the Branch.

The Branch, once it has received the said order:

- balances out the banking relations through the clearance system;
- notifies the customer of the balancing operation.

The DM Specialist records those notes regarding balancing operations.

*One hundred and fiftieth day following activation of the Kor DM procedure*

The Branch Manager:

- identifies the position of the customer being processed and the history of contacts made;
- suggests classification as *mutuo in sofferenza* of the relevant loan if the negative balance at that date is greater than 500 euros; should the said negative balance be less than 500 euros he suggests writing off the Loan;

*One hundred and eightieth day following activation of the Kor DM procedure*

The Branch Manager:

- closes relations and notifies the customer thereof;
- displays and prints out the file.

**(b) Absence of any promise to pay or customer unavailable**

*Fifth day following activation of the Kor DM procedure*

The DM Specialist:

- identifies the position of the customer being processed, together with all the services/operations settled through current accounts (subject to DM or otherwise) held by the NDG (*numero di direzione generale* – General Administration Number) subject to DM;
- selects those services/operations to be terminated, and provides for termination thereof (a communication is automatically sent to the customer in those cases where such an option is provided for);
- forwards the Branch a request to Block Withdrawals and Cheque Books, and ascertains that these measures have been implemented.

*Sixtieth day following activation of the Kor DM procedure*

Capitalia Informatica automatically sends a registered letter asking the customer to regularise his/her position, otherwise debt recovery measures will have to be taken.

*One hundred and twentieth day following activation of the Kor DM procedure*

The DM Specialist:

- identifies the position of the customer being processed and the history of contacts made;

- identifies all current account credit facilities, subject to DM or otherwise, held by the NDG subject to DM;
- selects the overdraft facilities to be cancelled;
- notify the customer of cancellation;
- send a cancellation order to the Branch;

Within 5 days of notifying the customer of cancellation, the branch cancels the selected overdraft facilities, including the date of the letter of cancellation in the procedure.

On the 20<sup>th</sup> day following the date of cancellation of the overdraft, the DM Specialist:

- identifies the position of the customer being processed and the history of contacts made;
- verifies the presence of relations (current accounts and savings accounts in the red held either individually or jointly by the NDG subject to DM) against which balancing operations can be performed;
- sends the balancing order to the Branch.

The Branch, once it has received the said order:

- balances out the banking relations through the clearance system;
- notifies the customer of the balancing operation.
- communicates to the DM Specialist that the balancing operation took place.

The DM Specialist records those notes regarding balancing operations.

*One hundred and fiftieth day following activation of the Kor DM procedure*

The Branch Manager:

- identifies the position of the customer being processed and the history of contacts made;
- suggests classification as *mutuo in sofferenza* of the relevant loan if the negative balance at that date is greater than 500 euros; should the said negative balance be less than 500 euros he suggests writing off the Loan;

*One hundred and eightieth day following activation of the Kor DM procedure*

The Branch Manager:

- closes relations and notifies the customer thereof;
- displays and prints out the file.

Upon closure of the contractual relationship, the Branch Manager proposes classification under either non performing loan (*mutuo in sofferenza*) or delinquent loan (*mutuo incagliato*).

#### 4. Definition of non performing loan (*mutuo in sofferenza*) and delinquent loan (*mutuo incagliato*)

When establishing the terms of classification of Loans as doubtful, a distinction is made between:

- a. **evaluational of *mutuo incagliato***: in such cases, the credit manager submits his classification proposal when the customer is either (i) in temporary objective financial and economic difficulty, regardless of the existence of guarantees (personal or real) covering the loans themselves; ; or (ii) is in extraordinary administration (when the state of insolvency does not appear to be irreversible and does not call for the classification of the loan as *mutuo incagliato*);
- b. **objective *mutuo incagliato***: corresponding to exposures for which the Bank of Italy's requirement for classification under *mutuo incagliato* loans exists: that is, in the case of low-interest mortgage loans and/or building loans granted to natural persons, fully covered by a mortgage guarantee, granted for the purchase of residential properties, for which the debtor has already been notified of foreclosure. In cases of monthly loan repayments, as a rule foreclosure is employed as of failure to pay the seventh loan Instalment.

The Manager shall however re-examine the file for the purpose of a classification proposal in the presence of:

- past loans and/or loans overdue by more than 180 days, equal to or over the limit of a compensated percentage of 5 per cent., obtained as the average between the past and/or overdue loans against total exposure (past – due);
- recommendations from the Monitoring expressly attesting to one of the aforesaid conditions, and for those positions subject to the Kor DM procedure, the occurrence of those conditions provided for in the reference regulations.

A position within this category, which must correspond to the recovery time-scale, may last:

- 6 months in case of objective *mutuo incagliato*;
- 12 months as a rule in case of evaluational of *mutui incagliati*. This term may be extended if there are proven reasons for doing so (such as plans to reduce the exposure in question).

In order to classify a loan as *mutuo in sofferenza*, the Credit Manager's proposal must refer to the presence of:

- a customer in such serious, long-term economic and financial difficulty that in order to reduce exposure, legal action needs to be brought so as to forcibly recover Banca di Roma's credit, even if under certain circumstances the decision may be made not to resort to such action (in the case where the chances of recovery do not justify the excessive cost of the action, or in the case of out-of-court settlements being established or already established with guarantors or with the customer, or in the case of the foreseen consolidation of mortgage registrations, etc.);



- an insolvent customer (even if not ascertained as such by the court) or a customer in a similar situation, regardless of the possibility of recovering the debts themselves or of the existence of any guarantees (real or personal) covering the said debts;
- a customer subjected to extraordinary administration proceedings (should the state of insolvency be deemed substantially irreversible) or bankruptcy proceedings, party to an agreement with creditors, or subjected to insolvency proceedings to recover immovable assets brought by third-party creditors.

The Manager shall however re-examine the file for the purpose of proposing a delinquency classification in the presence of:

- a low-interest mortgage loan and/or building loan exposures for which a petition for the sale of the property has been filed;
- an expired *mutuo incagliato*;
- recommendations from the Monitoring expressly attesting to one of the aforesaid conditions.

#### **5. Out-of-Court Settlement of a *mutuo in sofferenza***

Once a loan has been classified as *mutuo in sofferenza*, it is entrusted to one of the following external debt recovery companies, according to the value of the debt:

- a) SIGREC for debts of up to 55,000 euros;
- b) Capitalia Service JV for debts of between 55,000 and 20,000,000 euros;
- c) Capitalia for debts of more than 20,000,000 euros.

The aforesaid debt recovery companies are authorised to negotiate and conclude operations and out-of-court settlements when the outcome of such operations and agreements falls within the realm of healthy, prudent banking practices, and is objectively advantageous from Banca di Roma's point of view. In order to perform the said operations, the following powers are hereby granted in relation to low-interest mortgage loans:

*To SIGREC:*

1. actions resulting in losses, for the low-interest mortgage loans/building loans, of 30 per cent. of exposure (residual capital, delinquent instalments, interest on arrears and costs, deducted from receipts) calculated at the date of the write-off, with an upper limit of 15,493.71 euros;
2. acceptance of plans to reduce exposure, of a maximum duration of 36 months, or of 60 months provided real guarantees have been acquired to cover the aforesaid plans.

Payments in accordance with the managed position may be made by the debtor either to SIGREC or directly to Banca di Roma.

*To Capitalia Service JV:*

1. actions resulting in losses, in relation only to those low-interest mortgage loan/building loan positions to be recovered by the court (classified or otherwise): up to 70 per cent. of the accounting balance and up to a limit of 300,000 euros; if the said percentage is exceeded, the loss limit in absolute terms shall be 25,000 euros;
2. actions resulting in losses, in relation only to those low-interest mortgage loan/building loan positions to be recovered by the court (classified or otherwise) in the sole case of write-off of the unenforceable debt: up to a maximum loss of 300,000 euros in the accounting balance; and
3. actions resulting in losses, in relation only to those low-interest mortgage loan/building loan positions to be recovered by the court in the sole case of transactions and payments related to ordinary and bankruptcy actions for avoidance or on passive grounds; up to a maximum loss of 150,000 euros in the accounting balance.

Payments in regarding the positions managed by CSJV shall be made directly to Banca di Roma in one of the following ways:

- by crossed banker's cheque made out to Banca di Roma;
- by credit transfer;
- directly to one of the Group's branches.

Over and above the aforesaid limits, SIGREC and Capitalia Service JV send the proposals to Banca di Roma's competent bodies to decide.

The powers granted within Banca di Roma are granted as follows:

General Credit Manager: up to 70 per cent. of the accounting balance, and up to a maximum of 300,000 euros;

Credit Committee: up to 100 per cent. of the accounting balance, and up to a maximum of 2,600,000 euros;

Credit Committee together with the Chief Executive Officer: up to 100 per cent. of the accounting balance, and up to a maximum of 3,400,000 euros;

Executive Committee: up to 100 per cent. of the accounting balance, and up to a maximum of 5,200,000 euros;

Board of Directors: no limits on the amounts in question.

## **6. Renegotiation of Credit Facilities**

Banca di Roma may renegotiate the advance repayment penalty, the interest rate and the amortisation plan of mortgage loan agreements, without having to terminate the original agreement.

The reorganisation of the repayment schedule establishing the dates of repayment of all or part of the debtor's exposure, may be renegotiated provided that the new schedule establishes that

repayment of the final Instalments be made before the beginning of the eighth year prior to the Final Maturity Date.

Renegotiations of the interest rate and/or the amortisation plan by Banca di Roma shall be subject to the following limits:

- (a) the overall amount of capital due (calculated at the Valuation Date) of all Receivables constituting the object of the said renegotiations in each Quarterly Collection Period shall not exceed the limit of 0.25 per cent. of Portfolio capital due, calculated at the Valuation Date;
- (b) they shall not be performed after the date on which the overall amount of the capital due (calculated at the Valuation Date) of all Receivables being the object of the said renegotiations reach the limit of 1.00 per cent. of Portfolio capital due, calculated at the Valuation Date.

## THE ISSUER

### Introduction

The Issuer was incorporated in the Republic of Italy pursuant to the Securitisation Law on 15 November 2006 as a limited liability company under the name “Apple Finance S.r.l.” and changed its name to “Capital Mortgage S.r.l.” by an extraordinary resolution of the meeting of the quotaholders held on 2 February 2007. The registered office of the Issuer is in Via Eleonora Duse No. 53, 00197 Rome, Italy and its telephone number is +39-06 8091531. The Issuer is registered with No. 09218891001 in the Companies Register of Rome and with No. 39051 in the General Register of financial intermediaries held by *Ufficio Italiano dei Cambi* pursuant to Article 106 of the Consolidated Banking Act and in the Special Register of financial intermediaries held by the Bank of Italy pursuant to Article 107 of the Consolidated Banking Act. Since the date of its incorporation the Issuer has not engaged in any business other than the purchase of the Portfolio, no dividends have been declared or paid and no indebtedness, other than the Issuer's costs and expenses of incorporation, has been incurred by the Issuer. The Issuer has no employees and no subsidiaries.

The authorised and issued capital of the Issuer is € 10,000 and, at the date of this Offering Circular, it has been fully paid up. The Sole Quotaholder of the Issuer is Stichting Oudenallerburg which holds 100 per cent. of the quota capital.

The Issuer operates under Italian Law and shall expire on 31 December 2050.

### Issuer's Principal Activities

The principal corporate object of the Issuer as set out in Article 4 of its by-laws (*statuto*) and in compliance with the Securitisation Law is to perform securitisation transactions (*operazioni di cartolarizzazione*).

The Issuer was established as a multi-purpose vehicle and accordingly it may carry out further securitisation transactions in addition to the Securitisation, subject to the provisions set forth in Terms and Conditions.

So long as any of the Notes remain outstanding, the Issuer shall not, without the prior consent of the Representative of the Noteholders and as provided in the Letter of Undertakings, incur any other indebtedness for borrowed monies (except in relation to any further securitisation carried out in accordance with the Transaction Documents) or engage in any business (other than acquiring and holding the assets on which the Notes are secured, issuing the Notes and entering into the Transaction Documents to which it is a party), pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person or convey or transfer its property or assets to any person (otherwise than as contemplated in the Terms and Conditions or the Intercreditor Agreement) or increase its capital.

The Issuer will covenant to observe, *inter alia*, those restrictions which are detailed in Condition 3 (*Covenants*).

### Director

The current Sole Director of the Issuer is Mr Gordon Charles Edwin Burrows. Such Sole Director was appointed in the deed of incorporation (*atto costitutivo*) of the Issuer on 15 November 2006.

The domicile of Mr Gordon Charles Edwin Burrows, in his capacity as Sole Director of the Issuer, is at Via Cassia, No. 1170, 00100 Rome, Italy.

### Documents Available for Inspection

Until full redemption of the Notes, copies of the following documents may be inspected during normal business hours at the registered office of the Issuer and of the Luxembourg Paying Agent:

- (a) the memorandum and articles of association of the Issuer (*atto costitutivo* and *statuto*);
- (b) the Issuer's financial statements, the relevant auditor's report, and all reports, letters, and other documents, historical financial information, valuations and statements (if any) prepared by any expert at the Issuer's request, any part of which is included or referred to this Offering Circular; and
- (c) the historical financial information of the Issuer for the financial year ended on 31 December 2006.

### Capitalisation and Indebtedness Statement

The capitalisation of the Issuer as at the date of this Offering Circular, adjusted for the issue of the Notes, is as follows:

<i>Capital</i>	<i>Euro</i>
Issued, authorised quota capital (fully paid-up)	10,000
<i>Loan Capital</i>	<i>Euro</i>
€ 1,736,000,000 Class A1 Asset Backed Floating Rate Notes Series 2007-1 due January 2047	1,736,600,000
€ 644,000,000 Class A2 Asset Backed Floating Rate Notes Series 2007-1 due January 2047	644,000,000
€ 74,000,000 Class B Asset Backed Floating Rate Notes Series 2007-1 due January 2047	74,000,000
€ 25,350,000 Class C Asset Backed Floating Rate Notes Series 2007-1 due January 2047	25,350,000
<b>Total Loan Capital</b>	<b>2,479,950,000</b>
<b>Total Capitalisation and Indebtedness</b>	<b>2,479,960,000</b>

Subject to the above, as at the date of this Offering Circular, the Issuer has no borrowings or indebtedness in respect of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

### Financial Statements and Auditors' Report

The following is the text of a report received by the Sole Quotaholder of the Issuer from PKF Italia S.p.A. (whose offices are at Viale Vittorio Veneto, No. 10, 20124 Milan, Italy), external auditor to the Issuer, member of ASSIREVI (*Associazione Italiana Revisori Contabili*) and enrolled within the *albo speciale* for auditing companies (*società di revisione*) provided for by Article 161 of Italian Legislative Decree No. 58/1998. The Issuer's accounting reference date is 31 December in each year.

### **"Auditor's Report**

The Sole Director  
Capital Mortgage S.r.l. – Società Unipersonale  
Via Eleonora Duse, 53  
00197 Roma RM

Dear Sir,

#### **Basis of preparation**

The financial information set out in paragraphs 1 and 2 herebelow is based on the statutory audited statements of the Issuer for the period from incorporation on 15 November 2006 to 31 December 2006 and on the non statutory statements of the Issuer for the period from 1st January 2007 to 26 March 2007, prepared on the basis described in note 2.1, to which no adjustments were considered necessary (the "financial statements").

#### **Responsibility**

The financial statements referred to above, are the responsibility of the sole director of the Issuer.

The sole director of the Issuer is responsible for the contents of the Offering Circular dated April 2007 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the International Standards on Auditing (I.S.A.). Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

#### **Opinion**

In our opinion, the financial information summarised in paragraphs 1. and 2. below gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Issuer as at the date stated.

**1. Financial information**

<b>BALANCE SHEET</b>	<b>31 December 2006</b>	<b>26 March 2007</b>
Cash at banks and in hands	2.500	-
Quotaholders for capital subscription	7.500	7.500
Other receivable	-	5.614
Total assets	10.000	13.114
Account payable	3.114	3.114
Equity	10.000	10.000
Profit (Loss) for the prior period	-	(3.114)
Funds to offset prior period loss	-	3.114
Profit (Loss) for the period	(3.114)	-
Total liabilities and quotaholders' equity	10.000	13.114

<b>PROFIT AND LOSS</b>	<b>Period to 31 December 2006</b>	<b>Period to 26 March 2007</b>
Financial income	-	-
Other income	-	-
Extraordinary items	-	-
Total revenues	-	-
Administrative and miscellaneous Expenses	2.803	-
Other expenses	311	-
Taxes	-	-
Total cost	3.114	-
<b>Profit (loss) for the period</b>	<b>(3.114)</b>	<b>-</b>

## 2. Notes

### 2.1 *Accounting policies*

The financial information has been prepared in accordance with international accounting standards IAS/IFRS, as required by legal regulations applicable in Italy to financial entities.

### 2.2 *Registration*

The Issuer has applied for and obtained registrations as follows:

- Companies' Register of Rome with the number 09218891001
- the Italian Exchange Office (*Ufficio Italiano Cambi*) pursuant to Article 106 of the Italian Legislative Decree No. 385 of 1st September 1993, with the number 39051

### 2.3 *Trading Activity*

The Issuer did not trade during the period from its incorporation to 31 December 2006 and for the period from 1st January 2007 to 26 March 2007, nor did it receive any income, nor did it incur any expenses (other than the Issuer's costs and expenses of incorporation and start-up costs) or pay any dividends.



#### 2.4 **Formation and Equity**

The Issuer was incorporated on 15 November 2006 in the Republic of Italy as a limited liability company having as its sole corporate object the realisation of securitisation transactions of accounts receivable under the provisions of Italian law dated April 30, 1999 No. 130 and subsequent application norms. The original corporate name, Apple Finance S.r.l., was changed to Capital Mortgage S.r.l. by quotaholders' resolution on 2 February 2007.

On 23 March 2007, funds in the amount of Euro 3.114 were provided by the Sole Quotaholder to offset the loss at 31 December 2006, resulting from expenses incurred for the Company's start-up.

The subscribed and wholly paid up capital of the Issuer is Euro 10,000.

Milan, 30 March 2007

PKF ITALIA S.p.A.

Eliseo Piana

(Partner)".

## THE BNP PARIBAS GROUP

BNP Paribas and BNP Paribas Securities Services are members of the BNP Paribas Group (the “**BNP Paribas Group**”).

The Group (of which BNP Paribas is the parent company) is a European leader in banking and financial services. It has around 140 000 employees, 110 000 of whom are based in Europe. The group occupies leading positions in three significant fields of activity: Corporate and Investment Banking, Asset Management & Services and Retail Banking. It is present in 85 countries and has a strong presence in all the key financial centres. Present throughout Europe, in all its business lines, France and Italy are its two domestic markets in retail banking. BNP Paribas enjoys a significant and growing presence in the United States and leading positions in Asia and in emerging markets.

At June 30, 2006, the Group had consolidated assets of €1,428.5 billion (compared to €1,258.1 billion at December 31, 2005), consolidated loans and receivables due from customers of €377.1 billion (compared to €301.2 billion at December 31, 2005), consolidated items due to customers of €295.8 billion (compared to €247.5 billion at December 31, 2005) and shareholders' equity (Group share including income for 2005) of €45.6 billion (compared to €40.7 billion at December 31, 2005). Pre-tax net income for the first half-year ended June 30, 2006 was €5.8 billion (compared to €4.5 billion for the first half-year ended June 30, 2005). Net income, Group share, for the first half-year ended June 30, 2006 was €3.9 billion (compared to €3.2 billion for the first half-year ended June 30, 2005).

The Group currently has long-term senior debt ratings of “Aa2” with stable outlook from Moody's, “AA” with positive outlook from S&P and “AA” with stable outlook from Fitch Ratings. Moody's has also assigned the Bank a Bank Financial Strength rating of “B+” and Fitch Ratings has assigned the Bank an individual rating of “A/B”.

## THE HEDGING COUNTERPARTY

HSBC Bank plc and its subsidiaries form a UK-based group providing a comprehensive range of banking and related financial services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank Limited which it held until 1982 when it re-registered and changed its name to Midland Bank plc.

During the year ended 31 December, 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December, 1999.

The HSBC Group is one of the largest banking and financial services organisations in the world, with over 10,000 offices in 82 countries and territories in five geographical regions: Europe; Hong Kong; Rest of Asia-Pacific, including the Middle East and Africa; North America and Latin America. Its total assets at 31 December 2006 were £948 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short term senior unsecured and unguaranteed obligations of HSBC Bank plc are currently rated P-1 by Moody's, A-1+ by S&P and F1+ by Fitch and the long term senior, unsecured and unguaranteed obligations of HSBC Bank plc are currently rated Aa2 by Moody's, AA by S&P and AA by Fitch.

## **USE OF PROCEEDS**

The estimated proceeds from the issue of the Notes, being equal to € 2,479,350,000.00 will be applied by the Issuer on the Issue Date to pay the Initial Purchase Price of the Portfolio due and payable on such date pursuant to the Transfer Agreement.

## DESCRIPTION OF THE TRANSFER AGREEMENT

*The description of the Transfer Agreement set out below is a summary of certain features of this agreement and is qualified by reference to the detailed provisions of the Transfer Agreement. Prospective Noteholders may inspect a copy of the Transfer Agreement upon request at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### **General**

On 9 March 2007 the Originator and the Issuer entered into the Transfer Agreement pursuant to which the Originator assigned and transferred without recourse (*pro soluto*) to the Issuer, and the Issuer acquired from the Originator, in accordance with the Securitisation Law, all of its rights, title and interest in and to the Receivables comprised in the Portfolio.

The Receivables have been selected by the Originator on the basis of the Criteria (for further details, see the section "*The Portfolio*").

Under the terms of the Transfer Agreement, the transfer of the Receivables becomes effective in economic terms starting from the Valuation Date.

### **Purchase Price**

The Purchase Price payable by the Issuer to the Originator in respect of the Portfolio is composed of:

- (a) the Initial Purchase Price; and
- (b) the Deferred Purchase Price.

#### *The Initial Purchase Price*

The Initial Purchase Price is equal to Euro 2,479,367,027.39 and is the aggregate of the Individual Purchase Prices of all the Receivables comprised in the Portfolio (such Individual Purchase Price being equal to the Principal Component of the relevant Receivable as at the Valuation Date).

The Initial Purchase Price will be paid by the Issuer to the Originator, as follows:

- (a) an amount equal to Euro 2,479,350,000.00 will be paid on the Issue Date out of the proceeds deriving from the issue of the Notes; and
- (b) an amount equal to Euro 17,027.39 will be paid on each Payment Date out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

Interest will accrue on the Initial Purchase Price of the Portfolio at the rate equal to the three month EURIBOR (determined on the Transfer Date) during the period comprised between (i) the Valuation Date and (ii) the date on which such Initial Purchase Price will be actually paid. Such interest will be paid by the Issuer to the Originator on each Payment Date out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

#### *The Deferred Purchase Price*

The Deferred Purchase Price will be composed by various amounts each of which due and calculated with reference to each Interest Period comprised between the Issue Date and the Cancellation Date. For further details, see the definition of “*Deferred Purchase Price*” under the section entitled “*Glossary*”.

The amount of the Deferred Purchase Price due in respect of each Interest Period will be paid on each Payment Date out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

To the extent that on any Payment Date the Issuer Available Funds prove to be insufficient to pay all the amount due on such date as Deferred Purchase Price, then the relevant unpaid amount will be paid on the following Payment Dates out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

### **Adjustment of the Purchase Price**

The Transfer Agreement provides that:

- (a) if, after the Transfer Date, it transpires that any receivable included in the Portfolio did not to meet the Criteria as of the Valuation Date, then any such receivable will be deemed not to have been assigned and transferred to the Issuer pursuant to the Transfer Agreement; and
- (b) if, after the Transfer Date, it transpires that any Receivable meeting the Criteria as of the Valuation Date has not been included in the Portfolio, then any such Receivable will be deemed to have been assigned and transferred to the Issuer pursuant to the Transfer Agreement.

The Purchase Price shall be then adjusted, in accordance with the provisions of the Transfer Agreement, provided that any amounts due and payable by the Issuer to the Originator, as Adjustment Purchase Price, will be paid out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

### **Undertakings of the Originator**

The Transfer Agreement contains certain undertakings by the Originator in respect of the Receivables. The Originator has undertaken, *inter alia*, to refrain from carrying out any activities with respect to the Receivables which may have an adverse effect on the Receivables and, in particular, not to assign or transfer (in whole or in part) the Receivables to any third party or to create any security interest, charge, lien or encumbrance or other right in favour of any third party in respect of the Receivables in the period of time between (i) the date of proposal of the Transfer Agreement by the Originator and (ii) the date on which the relevant notice of sale is published in the Official Gazette and registered in the competent Companies Register. The Originator has also undertaken (i) to refrain from any action which could cause the invalidity or a reduction in the amount of any of the Receivables and (ii) not to assign or transfer any of the Mortgage Loan Agreements.

Under the Transfer Agreement the Originator has also undertaken to indemnify the Issuer in respect of the amounts to be paid by the Issuer for any claw-back actions (*azioni revocatorie*) of payments received by the Originator in respect of the Receivables prior to the Transfer Date.

## **Clean-up Call Option**

Under the Transfer Agreement the Issuer irrevocably granted to the Originator the Clean-Up Call Option, in accordance with Article 1331 of the Italian Civil Code. Pursuant to the Clean-Up Call Option the Originator may repurchase from the Issuer (in whole but not in part), as block and at once, all the Receivables comprised in the Portfolio not already collected as of the date of exercise of such option, starting from the date on which the aggregate of the Portfolio Outstanding Principal Amount is equal to or less than 10 per cent. of the Initial Purchase Price of the Portfolio.

The repurchase price due and payable by the Originator to the Issuer for the Receivables repurchased pursuant to the Clean-Up Call Option shall be as follows:

- (a) in relation to the Receivables which are not Defaulted Receivables as of the date on which the option is exercised, shall be equal to the relevant Outstanding Principal calculated as of such date; and
- (b) in relation to Receivables which are Defaulted Receivables as of the date on which the option is exercised, shall be equal to their fair value, as determined by a third party arbitrator independent from the Capitalia Group and from any other party involved in the Securitisation. The third party arbitrator shall be appointed by mutual agreement of the Originator and the Issuer or, if no agreement is reached, by the chairman of the Italian Banking Association or by another entity independent from the Capitalia Group.

The Originator will be entitled to exercise the Clean-Up Call Option subject to, *inter alia*, the purchase price of the Receivables, calculated as described above, is at least equal to the amount needed by the Issuer to discharge all of its outstanding liabilities in respect of the Notes of all Classes and any amount required to be paid under the applicable Priority of Payments in priority to or *pari passu* with such Notes.

## **Governing Law**

The Transfer Agreement is governed by and will be construed in accordance with Italian law.

## DESCRIPTION OF THE WARRANTY AND INDEMNITY AGREEMENT

*The description of the Warranty and Indemnity Agreement set out below is a summary of certain features of this agreement and is qualified by reference to the detailed provisions of the Warranty and Indemnity Agreement. Prospective Noteholders may inspect a copy of the Warranty and Indemnity Agreement upon request at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### General

On 9 March 2007, the Issuer and Banca di Roma, in its capacity as Originator, entered into a Warranty and Indemnity Agreement, pursuant to which Banca di Roma (i) has given certain representations and warranties in favour of the Issuer in relation to the Portfolio and (ii) has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio.

The Warranty and Indemnity Agreement contains representations and warranties by Banca di Roma in respect of the following categories:

- (1) *Status* of Banca di Roma
- (2) Receivables;
- (3) Transfer of the Receivables and Transaction Documents;
- (4) Mortgage Loan Agreements and Collateral Securities;
- (5) Mortgage Loans;
- (6) Privacy Law and Usury Law;
- (7) Mortgages;
- (8) Insurance Policies; and
- (9) Real Estate Assets.

### Representations and Warranties

Under the Warranty and Indemnity Agreement Banca di Roma has represented and warranted, *inter alia*, as follows:

- Each of the Receivables and the Mortgages relating to the Mortgage Loans arises from agreements executed as public deeds (*atti pubblici*) drawn up by an Italian Notary Public or as private deeds subsequently notarised (*scritture private autenticate*).
- Each Mortgage Loan Agreement and each other agreement, deed or document relating thereto is valid and effective and constitutes valid, legal and binding obligations of each party thereto (including the relevant Mortgagor(s) and any other Debtor(s)) enforceable in accordance with its terms.
- Each Mortgage Loan Agreement has been executed and each Mortgage Loan has been advanced in compliance with all applicable laws, rules and regulations, including, without



limitation, all laws, rules and regulations relating to *credito fondiario*, usury, interest capitalisation, credit activities, personal data protection and disclosure at the time in force, as well as in accordance with the internal rules, including underwriting and origination guidelines and lending policies and procedures adopted from time to time by Banca di Roma.

- Each Mortgage Loan has been fully advanced, disbursed and drawn-down to or to the account of the relevant Debtor and there is no obligation on the part of Banca di Roma to advance or disburse further amounts in connection therewith.
- Each Mortgage Loan Agreement, Collateral Security and any other related agreement, deed or document was entered into and executed without any fraud (*frode*) or wilful misrepresentation (*dolo*) or undue influence by or on behalf of Banca di Roma or any of its directors (*amministratori*), managers (*dirigenti*), officers (*funzionari*) and/or employees (*impiegati*), which would entitle the relevant Debtor(s), Mortgagor(s) and/or other Guarantor(s) to claim against Banca di Roma for fraud or wilful misrepresentation or to repudiate any of the obligations under or in respect of the relevant Mortgage Loan Agreement, Mortgage, Collateral Security or other agreement, deed or document relating thereto.
- Each Mortgage Loan Agreement was entered into substantially in the same form as the standard form agreements used by Banca di Roma from time to time and in compliance with the lending and financial practices adopted by Banca di Roma from time to time, as described in the Underwriting, Credit and Collections Policies. After the execution of each Mortgage Loan Agreement, the general conditions of such agreement were not substantially modified in respect of the standard form agreements used by the Originator.
- All the Mortgage Loans have been granted on the basis of an appraisal of the relevant Real Estate Assets, made and signed prior to the approval of the relevant Mortgage Loan Agreement, by an appraiser duly qualified and authorised, having no direct or indirect interest in the relevant Real Estate Asset or Mortgage Loan Agreement and whose compensation was not related or subject to the approval of such agreement.
- The list of Mortgage Loans set out in Schedule 3 to the Transfer Agreement is an accurate list of all of the Receivables comprised in the Portfolio and contains the indication of the Individual Purchase Price for each Receivable and the outstanding amount, as of the Valuation Date, of each Mortgage Loan out of which such Receivables arise and all information contained therein (including information on Mortgages and Real Estate Assets) is true and correct in all material respects.
- As of the Valuation Date each Receivable was fully and unconditionally owned by and available to Banca di Roma and was not subject to any lien (*pignoramento*), seizure (*sequestro*), pledge (*pegno*) or other charges in favour of any third party and was freely transferable to the Issuer.
- Banca di Roma has not assigned (whether absolutely or by way of security), participated, charged, transferred or otherwise disposed of any of the Mortgage Loan Agreements, the Security Interests and/or the Insurance Policies, or terminated, waived or amended any of the Mortgage Loan Agreements, the Security Interests and/or the Insurance Policies or

otherwise created or allowed creation or constitution of any further lien, pledge, encumbrance, security interest, arrangement or other right, claim or beneficial interest of any third party on any of the Mortgage Loan Agreements, the Security Interests and/or the Insurance Policies.

- There are no clauses or provisions in the Mortgage Loan Agreements, or in any other agreement, deed or document, pursuant to which Banca di Roma is prevented from fully transferring, assigning or otherwise disposing of the Receivables or of any of them.
- The transfer of the Receivables to the Issuer pursuant to the Transfer Agreement shall not impair or affect in any manner whatsoever the obligation of the relevant Debtors to pay the amounts outstanding in respect of any Receivables and the enforceability of the Mortgages and the Collateral Security.
- All the Mortgage Loans are performing (*in bonis*). To Banca di Roma's knowledge and belief, none of the Debtors is in a position or financial difficulties which could result in the non-payment or late payment in respect of any Receivable.
- As of the Valuation Date no Mortgage Loan fell within the definition of non performing loan (*mutuo in sofferenza*), delinquent loan (*mutuo incagliato*), restructured debt (*credito ristrutturato*) under the Bank of Italy Supervisory Regulations or the Underwriting, Credit and Collections Policies or was in the process of being restructured (*credito in corso di ristrutturazione*) under such regulations or the Underwriting, Credit and Collections Policies. The scheduled amortisation plans disclosed are the up to date amortisation plans applied to the Debtors and there has been no amendment which resulted in the reduction of instalments or deferral of the agreement duration.
- Each Mortgage has been duly granted, created, registered, renewed (when necessary) and preserved, is valid and enforceable and has been duly and properly perfected, meets all requirements under all applicable laws or regulations, is not affected by any material defect whatsoever.
- Each Mortgage has been created simultaneously with the granting of the relevant Mortgage Loan. The "hardening" period (*periodo di consolidamento*) applicable to each Mortgage has expired and the relevant security interest created thereby is not capable of being challenged under any applicable laws and regulations whether by way of claw-back action or otherwise including, without limitation, pursuant to Article 67 of the Bankruptcy Law or Article 39 of the Consolidated Banking Act.
- Each Mortgage is an "economic" first ranking priority mortgage (*ipoteca di primo grado economico*), i.e. there are no further mortgages granted on the relevant Real Estate Assets in favour of third parties ranking equal or in priority with respect to the rank of such Mortgage or, if such mortgages exist, the relevant granted creditors have been repaid in full and the relevant debt has been extinguished or is to be cancelled since a consent to the cancellation of the previous mortgage has been obtained or the Debtor has given to Banca di Roma an irrevocable mandate in order to extinguish the previous mortgage debt through the redemption of the loan. The Mortgages do not secure any loans other than the Mortgage Loans.

- Banca di Roma has not (whether in whole or in part) cancelled, released or reduced or consented to cancel, release or reduce any of the Mortgages except (i) to the extent such cancellation, release or reduction is in accordance with prudent and sound banking practice in Italy, (ii) when requested by the relevant Debtor or Mortgagor in circumstances where such cancellation, release or reduction is required by any applicable laws or contractual provisions of the relevant Mortgage Loan Agreement, provided that provisions relating to *credito fondiario* were complied with, and (iii) when the Receivable deriving from the relevant Mortgage Loan Agreement has been fully paid. No Mortgage Loan Agreement contains provisions entitling the relevant Debtor(s) or Mortgagor(s) to any cancellation, release or reduction of the relevant Mortgage other than where and to the extent it is required under any applicable law and/or regulation.
- All of the Real Estate Assets were fully owned by the relevant Mortgagors, at the time the relevant Mortgages were registered.
- All the Real Estate Assets have been completed and are not under construction
- All the Real Estate Assets comply with all applicable planning and building laws and regulations (*legislazione edilizia, urbanistica e vincolistica*) or, otherwise, a valid petition of amnesty with reference to any existing irregularity had been duly filed with the competent authorities.
- All the Real Estate Assets are duly registered with the competent land offices and registration offices, in compliance with all applicable laws and regulations.
- To the best of Banca di Roma's knowledge and belief, all the Real Estate Assets comply with all applicable laws and regulations concerning health and safety and environmental protection (*legislazione in materia di igiene, sicurezza e tutela ambientale*).
- All the Real Estate Assets comply with all applicable laws and regulations in matters of destination of use (*destinazione d'uso*) and, in particular, as a building intended for residential use.
- Each Real Estate Asset is located in Italy.
- The Real Estate Assets do not present any material defect, are in good condition and, to the best of Banca di Roma's knowledge and belief, are not damaged and there are no pending or threatened proceedings, seeking total or partial foreclosure or the declaration of non-occupancy (*dichiarazione di inagibilità*) of the related Mortgage.
- The Real Estate Assets are provided with a certificate of occupancy (*certificato di abitabilità e/o agibilità*).
- Risks of fire and explosion of the Real Estate Assets are covered by insurance policies for an amount at least equal to the value of the relevant mortgage loan, the *premia* for which have been already fully and timely paid. The relevant indemnity may be settled upon Banca di Roma's prior authorisation. The rights deriving in favour of Banca di Roma under the Insurance Policies can be assigned to the Issuer.

- Banca di Roma has not relieved or discharged any Debtor, Mortgagor or other Guarantor, or executed settlement, restructuring or rescheduling agreement providing for suspensions or undertakings not to enforce (*pactum de non petendo*) for a certain period of time or postponements or waivers of Banca di Roma's rights relating to Receivables or having similar effects, or subordinated its rights to claims of those of other creditors thereof, or waived any rights, except in relation to payments made in a corresponding amount in satisfaction of the relevant Receivables.
- The books, records, data and the documents relating to the Mortgage Loan Agreements, Receivables, Mortgages, Collateral Securities, all instalments and any other amounts paid or repaid thereunder have been maintained in all material respects complete, proper and up to date, and all such books, records, data and documents are kept by or are available to Banca di Roma.
- All the information supplied by Banca di Roma to the Issuer and/or their respective affiliates, representative agents and consultants for the purpose or in connection with the Transaction Documents or the Securitisation, including, without limitation, with respect to the Mortgage Loans, Mortgage Loan Agreements, the Receivables, Mortgages, the Real Estate Assets, the Collateral Security, as well as the application of the Criteria, is true, accurate and complete in every material respect and no material information available to Banca di Roma which may adversely impact on the Issuer has been omitted.
- Each surety, pledge, collateral and other security interest constituting Security has been duly granted, created, perfected and maintained and is still valid and enforceable in accordance with the terms upon which it was granted and relied upon by Banca di Roma, meets all requirements under all applicable laws and regulations and is not affected by any material defect whatsoever. No collateral security other than the Securities and which has not been transferred to the Issuer pursuant to the transfer Agreement or directly created in favour of the Issuer assists (even indirectly) the Receivables.
- To the best of Banca di Roma's knowledge no claim has been made for adverse possession (including *usucapione*) and no occupation and/or compulsory purchase decree or seizure order in respect of any of the Real Estate Assets has been issued.
- To the best of Banca di Roma's knowledge there are no prejudicial registration, annotation (*iscrizioni o trascrizioni pregiudizievoli*) or third party claim in relation to any of the Real Estate Assets which may impair, affect or jeopardise in any manner whatsoever the relevant Mortgages, their enforceability and/or their ranking and/or any of the Issuer's related rights.
- To the best of Banca di Roma's knowledge there are no Real Estate Assets preliminary purchase agreements, or similar or analogous agreements, executed between Mortgagors and third parties which have been registered with the competent land offices and registration offices.
- The transfer of the Receivables to the Issuer is in accordance with the Securitisation Law. The Receivables possess specific objective common elements such as to constitute a portfolio of homogenous monetary rights within the meaning and for the purposes of

Securitisation Law. The Criteria have been correctly applied in the selection of the Receivables.

Each of the representations and warranties of the Originator under the Warranty and Indemnity Agreement have been made as of the Transfer Date. However, such representations and warranties shall be deemed to be repeated and confirmed by the Originator on the Issue Date, with reference to the facts and circumstances then subsisting.

### **Limited Recourse Loan and Indemnities in favour of the Issuer**

Pursuant to the Warranty and Indemnity Agreement, in the event of any breach by Banca di Roma of any of its representations and warranties made under such agreement in relation to any Receivable included in the Portfolio (and to the extent such breach is not cured by Banca di Roma within 10 days from receipt of a written notice from the Issuer to that effect), then Banca di Roma shall advance to the Issuer, upon its first demand, within 10 Business Days from such demand, the Limited Recourse Loan equal to the Mortgage Loan Value, being an amount equal to the sum of (a) the Outstanding Balance of the relevant Mortgage Loan as of the date on which the Limited Recourse Loan is granted; (b) the costs and the expenses (including without limitation, the legal fees and the disbursements plus VAT, if applicable) incurred by the Issuer in respect of the relevant Receivable up to the date on which the Limited Recourse Loan is granted; (c) the damages and the losses incurred by the Issuer as a consequence of any claim raised by any third party in respect of the relevant Receivable up to the date on which the Limited Recourse Loan is granted; plus (d) an amount equal to the interest which would have accrued on the Outstanding Principal of the relevant Receivable (calculated on the basis of a rate equal to EURIBOR applicable during the relevant accrual period, plus a margin of 2 per cent.) between the date on which the Limited Recourse Loan is granted and the maturity date of the relevant Mortgage Loan Agreement.

The Limited Recourse Loan will constitute a non-interest bearing limited recourse advance made by Banca di Roma to the Issuer which shall be repayable by the Issuer to Banca di Roma only if and to the extent that the Receivable in respect of which the relevant Limited Recourse Loan is granted is collected or recovered by the Issuer.

Pursuant to the Warranty and Indemnity Agreement, the Originator has agreed to indemnify and hold harmless the Issuer, its directors 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) any representations and/or warranties made by the Originator thereunder, being false, incomplete or incorrect;
- (b) the failure by Banca di Roma to comply with any of its obligations under the Transaction Documents;
- (c) any amount of any Receivable not being collected as a result of the proper and legal exercise of any right of set-off against the Originator or right of termination by the relevant Debtor and/or insolvency receiver of any Debtor;
- (d) the failure of the terms and conditions of any Mortgage Loan to comply with the provision of Article 1283 or Article 1346 of the Italian Civil Code; or

- (e) the failure to comply with the provisions of the Usury Law in respect of any interest accrued under the Mortgage Loans.

If a Counterclaim is raised, being a counterclaim raised by a Debtor and/or a Mortgagor and/or a Guarantor or the insolvency receiver of any Debtor or Mortgagor in respect of any Receivable in the circumstances referred to in the Warranty and Indemnity Agreement, including those referred to in the preceding paragraph under (c), (d) and (e) above, then Banca di Roma shall give a notice thereof to the Issuer. Under such notice Banca di Roma shall also specify the amount of the Counterclaim and whether it is in Banca di Roma's view legally founded or legally unfounded (in full or in part).

Following service of the notice, the Originator shall pay to the Issuer by transfer into the Transaction Account an amount equal to the amount of the above Counterclaim, together with interest accrued thereon from and including (i) the date on which such amount should have been paid by the relevant Debtor (and/or Mortgagor and/or any Guarantor) to but excluding (ii) the date on which such amount is actually paid to the Issuer at an annual rate equal to the EURIBOR applicable during such period plus a margin of 2 per cent..

Such payment shall be deemed to constitute:

- (i) with reference to a Counterclaim (or the part of it) which is, in Banca di Roma's view legally founded, a payment on account of the indemnity obligation of the Originator; and
- (ii) with reference to a Counterclaim (or the part of it) which is, in Banca di Roma's view legally unfounded, a limited recourse advance made by the Originator to the Issuer which shall not accrue interest and which shall be repayable by the Issuer to the Originator if and to the extent that the amounts which are the subject of the relevant Counterclaim are actually paid to the Issuer by the relevant Debtor (and/or Mortgagor and/or any Guarantor).

### **Governing Law**

The Warranty and Indemnity Agreement is governed by and will be construed in accordance with Italian law.

## DESCRIPTION OF THE SERVICING AGREEMENT

*The description of the Servicing Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Servicing Agreement. Prospective Noteholders may inspect a copy of the Servicing Agreement at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### General

On 9 March 2007, the Issuer and Banca di Roma entered into the Servicing Agreement pursuant to which the Issuer has appointed Banca di Roma as Servicer of the Receivables and the Servicer has agreed to administer and service the Receivables.

Under the Servicing Agreement, the Servicer shall credit all the Collections and the Recoveries received and recovered in relation to the Receivables into the Principal Collection Account and into the Interest Collection Account, as the case may be, within two Business Days after the relevant payment is made.

The receipt of cash collections in respect of the Mortgage Loans is the responsibility of the Servicer. Banca di Roma will also act as the *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento* pursuant to the Securitisation Law. In such capacity, Banca di Roma shall also be responsible for verifying that the operations comply with the law and the Offering Circular pursuant to Article 2, paragraph 3(c) and Article 2, paragraph 6 of the Securitisation Law.

The Servicer will also be responsible for carrying out, on behalf of the Issuer, in accordance with the Servicing Agreement and the Underwriting, Credit and Collections Policies, any activities related to the Management of the Defaulted Receivables, including activities in connection with the enforcement and recovery of the Defaulted Receivables.

### Obligations of the Servicer

Under the Servicing Agreement the Servicer has undertaken, *inter alia*:

- (a) to carry out the management, administration and collection of the Receivables and to manage the recovery of the Defaulted Receivables and to bring or participate in the relevant enforcement procedures in relation thereto in accordance with best professional skills;
- (b) to maintain effective accounting and auditing procedures so as to ensure the compliance with the provisions of the Servicing Agreement; and
- (c) not to authorise, other than in certain limited circumstances specified in the Servicing Agreement, any waiver in respect of any Receivables or other security interest, lien or privilege pursuant to or in connection with the Mortgage Loan Agreements and not to authorise any modification thereof which may be prejudicial to the Issuer's interests to the extent such waiver or modification is not imposed by law, by judicial or other authority or is authorised by the Issuer; and
- (d) to ensure that the Usury Law will not be breached in carrying out its functions under the Servicing Agreement.

The activities to be carried out by the Servicer include also the processing of administrative and accounting data in relation to the Receivables and the management of such data. The Servicer has represented to the Issuer that it has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Servicing Agreement.

The Servicer has undertaken to use all due diligence to maintain all accounting records in respect of the Receivables and on the Defaulted Receivables and shall supply all relevant information to the Issuer to enable it to prepare its financial statements.

In the event of any material failure on the part of the Servicer to observe or perform any of its obligations under the Servicing Agreement, the Issuer and the Representative of the Noteholders shall be authorised to carry out all the necessary activities to perform the relevant obligation in accordance with the terms thereunder. The Servicing Agreement provides that the Servicer will indemnify the Issuer and the Representative of the Noteholders from and against any cost and expenses incurred by them in connection with performance of the relevant obligation.

Pursuant to the terms of the Servicing Agreement, the Issuer has authorised the Servicer to execute settlement agreements or re-negotiate the terms of the Mortgage Loan Agreements in relation to interest, amortisation plan and prepayment fee under the Mortgage Loan Agreements, only in certain limited circumstances specified in the Servicing Agreement.

The Issuer and the Representative of the Noteholders have the right to inspect and take copies of the documentation and records relating to the Receivables in order to verify the performance by the Servicer of its obligations pursuant to the Servicing Agreement to the extent the Servicer has been informed reasonably in advance of such inspection.

Pursuant to the Servicing Agreement, the Servicer shall perform the duties provided for by the Servicing Agreement and take any steps and decision in relation to the management, servicing, recovery and collection of the Receivables in compliance with:

- (a) the Collection Procedures;
- (b) the sound and prudent banking management (*sana e prudente gestione bancaria*) adopted by the Servicer in the management of its receivables;
- (c) any laws and regulation applicable to the Receivables and/or the Servicer, including the Consolidated Banking Act, the Bank of Italy Supervisory Regulations, the Bank of Italy decree dated 3 November 2003 and the Usury Law;
- (d) the provisions of the Mortgage Loans Agreements; and
- (e) the instructions which may be given by the Issuer and, following a Trigger Notice, by the Representative of the Noteholders.

### **Reports of the Servicer**

The Servicer has undertaken to prepare and send to, *inter alios*, the Issuer, the Calculation Agent, the Rating Agencies and the Representative of the Noteholders, within each:

- (a) Monthly Servicer's Report Date the Monthly Servicer's Report; and



(b) Quarterly Servicer's Report Date the Quarterly Servicer's Report.

The above reports shall set out detailed information in relation to, *inter alia*, the Collections and the Recoveries in relation to the Receivables comprised in the Portfolio.

A firm of internationally recognised auditors acceptable to the Representative of the Noteholders (the "**External Auditor**") shall, within 20 days of the second and fourth Quarterly Servicer's Report Date of each calendar year, produce a report in respect of the data provided by the Servicer in the last two Quarterly Servicer's Reports.

### **Servicing Fee**

In return for the services provided by the Servicer, the Issuer will pay to the Servicer a Servicing Fee calculated in accordance with the Servicing Agreement.

The Issuer shall reimburse to the Servicer on each Payment Date any expenses incurred and properly documented by the Servicer in connection with the recovery of the Defaulted Receivables and the out-of pocket expenses of any of the delegates of the Servicer to the extent that such out-of pocket expenses are reasonable and in line with market prices. The costs of any delegation of duties made by the Servicer pursuant to the Servicing Agreement will be borne by the Servicer.

### **Termination of the Appointment of the Servicer**

The Servicer may not terminate its appointment before the Cancellation Date.

The Issuer may terminate the Servicer's appointment and appoint a successor Servicer if one of the events indicated in the Servicing Agreement occurs, which include, *inter alia*, the following events:

- (i) an Insolvency Event occurs in respect of the Servicer;
- (ii) a failure on the part of Banca di Roma to observe or perform any of its undertakings under any Transaction Documents to which it is party and such failure is not remedied within 7 (seven) days after the receipt by the Servicer and the Representative of the Noteholders of a notice by the Issuer requiring the same to be remedied;
- (iii) any of the representations and warranties given by Banca di Roma under any Transaction Documents to which it is party proves to be false or inaccurate in any material respect and this could be materially prejudicial (at the sole discretion of the Representative of the Noteholders) to the Issuer or the interests of the Noteholders;
- (iv) the Servicer fails to pay any amount due under the Servicing Agreement within 5 (five) Business Days from the day on which such amount is due (unless such failure is due to strike, technical interruption or other just cause); and
- (v) the External Auditor fails to deliver the report on the information contained in the Quarterly Servicer's Report(s) within the time stated therein due to the Servicer's wilful default (*dolo*) or gross negligence (*colpa grave*).

### **Downgrading**

Pursuant to the Servicing Agreement, if:

- (i) the rating given to Banca di Roma or to any substitute servicer by Moody's or Fitch is withdrawn or falls below "F2" or "P-1", respectively; or
- (ii) an Insolvency Event occurs in respect of Banca di Roma or any substitute servicer, as the case may be; or
- (iii) the mandate given by the Issuer to Banca di Roma as Italian Account Bank is terminated in accordance with the Cash Allocation Management Payment Agreement,

then, the Servicer, on behalf of the Issuer, shall immediately instruct all the Borrowers so as to pay any future amounts due and payable in respect of the Portfolio in separate accounts opened in the name of the Issuer with an Eligible Institution or with any entity appointed in the meanwhile as account bank.

Moreover, under the Servicing Agreement if Moody's withdraws or lowers under the investment grade (i.e. "Baa3") the rating given to Banca di Roma, subject to a specific request of the Representative of the Noteholders, the Issuer shall enter into a back-up servicing agreement with a back-up servicer which (i) meet the requirements for a substitute servicer, as provided for by the Servicing Agreement and (ii) shall be available, pursuant to such agreement, to act as substitute servicer of the Portfolio.

#### **Governing Law**

The Servicing Agreement is governed by and shall be construed in accordance with Italian law.

## **DESCRIPTION OF THE CASH ALLOCATION, MANAGEMENT AND PAYMENT AGREEMENT**

*The description of the Cash Allocation, Management and Payment Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Cash Allocation, Management and Payment Agreement. Prospective Noteholders may inspect a copy of the Cash Allocation, Management and Payment Agreement upon request at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### **General**

Pursuant to the Cash Allocation, Management and Payment Agreement entered into on or about the Issue Date, the Calculation Agent, the Account Banks, the Servicer, the Principal Paying Agent, the Luxembourg Listing Agent, the Cash Manager and the Luxembourg Paying Agent have agreed to provide the Issuer with certain agency services and certain calculation, notification and reporting services together with account handling, investment and cash management services in relation to monies and securities from time to time standing to the credit of the Accounts.

### **Account Banks**

The Account Banks have agreed to (i) open in the name of the Issuer and manage in accordance with the Cash Allocation, Management and Payment Agreement, the BdR Accounts and (ii) provide the Issuer with certain reporting services together with certain handling services in relation to monies from time to time standing to the credit of the BdR Accounts. For further details, see the section entitled "*The Accounts*".

Banca di Roma and Banca di Roma, London Branch shall be entitled to act as Account Banks so long as:

- (a) Banca di Roma's rating assigned by Fitch or by Moody's' does not fall to "F2" or "P-1", respectively, or below; and
- (b) their obligations as Account Banks are guaranteed by the Account Guarantee Provider pursuant to the Account Guarantee or by any other Eligible Institution acting as substitute guarantor on the same terms and conditions as the Account Guarantee.

Any substitute account bank shall be an Eligible Institution.

For further details, see the section entitled "*Description of the Account Guarantee*".

### **Cash Manager**

The Cash Manager has agreed to provide the Issuer with certain cash management services in relation to the funds standing to the credit of the Accounts and to instruct the Account Banks (in relation to the BdR Accounts) and the Principal Paying Agent (in relation to the Eligible Account) to invest funds standing to the credit of their respective Accounts. All Eligible Investments will be made in accordance with the Cash Allocation, Management and Payment Agreement and shall be liquidated by each Eligible Investment Maturity Date.

### **Calculation Agent**

The Calculation Agent has agreed to provide the Issuer with certain other calculation, monitoring and reporting services. In particular, the Calculation Agent shall:

- (a) on or prior each Payment Report Date, prepare the Quarterly Payments Report setting out, *inter alia*, the amount of the Issuer Available Funds and the amounts of each of the payments and allocations to be made by the Issuer on the next Payment Date, in accordance with the Pre-Trigger Interest Priority of Payments and the Pre-Trigger Principal Priority of Payments;
- (b) on or prior each Investors Report Date, prepare the Investors Report setting out certain information with respect to the Notes and send it to Bloomberg as well as to main investors website platforms within 15 (fifteen) Business Days following each Payment Date; and
- (c) following the service of a Trigger Notice, on or prior each Payment Report Date or upon request (within a reasonable term) of the Representative of the Noteholders, prepare the Post Trigger Report setting out, *inter alia*, the amount of the Issuer Available Funds and the amounts of each of the payments and allocations to be made by the Issuer on the next Payment Date, in accordance with the Post-Trigger Priority of Payments.

#### **Principal Paying Agent and Luxembourg Paying Agent**

The Principal Paying Agent and the Luxembourg Paying Agent have agreed to provide the Issuer with certain calculation, payment and agency services in relation to the Notes, including without limitation, calculating the Rate of Interest, making payments to the Noteholders, giving notices and issuing certificates and instructions in connection with any meeting of the Noteholders.

The Principal Paying Agent has agreed to (i) open in the name of the Issuer and manage in accordance with the Cash Allocation, Management and Payment Agreement, the Payments Account and the Eligible Account and (ii) provide the Issuer with certain reporting services together with certain handling services in relation to monies from time to time standing to the credit of such Accounts.

Under the Cash Allocation, Management and Payment Agreement, two Business Days before each Payment Date, amounts shall be transferred to the Payments Account from the other Accounts, so as to be applied by the Principal Paying Agent on each such Payment Date to make the payments due by the Issuer under the applicable Priority of Payments, including, *inter alios*, the payments due to the Noteholders, in each case, in accordance with the payments instructions of the Issuer issued on the basis of the Quarterly Payments Report and the provisions of the Cash Allocation, Management and Payment Agreement. For further details, see the section entitled "*The Accounts*".

BNP Paribas Securities Services, Milan Branch shall be entitled to act as Principal Paying Agent so long as:

- (a) it is an Eligible Institution; or
- (b) for so long as BNP Paribas Securities Services, Milan Branch, in its capacity as Principal Paying Agent, does not qualify as an Eligible Institution, it will nonetheless be deemed as an Eligible Institution if BNP Paribas S.A. is an Eligible Institution and has guaranteed in a

manner satisfactory to the Rating Agencies the payment obligations of BNP Paribas Securities Services, Milan Branch, which arise from the Cash Allocation, Management and Payment Agreement.

Any substitute principal paying agent shall be an Eligible Institution.

**Governing Law**

The Cash Allocation, Management and Payment Agreement is governed by and shall be construed in accordance with Italian law.

## DESCRIPTION OF THE INTERCREDITOR AGREEMENT

*The description of the Intercreditor Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Intercreditor Agreement. Prospective Noteholders may inspect a copy of the Intercreditor Agreement at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### **General**

On or about the Issue Date, the Issuer, the Representative of the Noteholders, the Originator, the Servicer, the Hedging Counterparty, the Account Banks, the Principal Paying Agent, the Cash Manager, the Luxembourg Paying Agent, the Corporate Servicer, the Calculation Agent, the Subordinated Loan Provider, the Luxembourg Listing Agent, the Account Guarantee Provider, and the Sole Quotaholder have entered into the Intercreditor Agreement, pursuant to which provision is made as to the application of the Issuer Available Funds and as to the circumstances in which the Representative of the Noteholders will be entitled to exercise certain of the Issuer's rights in respect of the Portfolio and the Transaction Documents.

The Intercreditor Agreement also sets out, *inter alia*, the Priority of Payments to be followed by the Issuer in connection with the Securitisation.

The obligations owed by the Issuer to each of the Other Issuer Creditors, including without limitation, the obligations under any Transaction Document to which such Other Issuer Creditor is a party, will be limited recourse obligations of the Issuer. Each of the Other Issuer Creditors will have a claim against the Issuer only to the extent of the Issuer Available Funds in each case subject to and as provided in the Intercreditor Agreement and the other Transaction Documents.

Under the terms of the Intercreditor Agreement, the Issuer shall, upon the service of a Trigger Notice, to comply with all directions of the Representative of the Noteholders, acting pursuant to the Terms and Conditions, in relation to the management and administration of the Portfolio.

### **Disposal of the Portfolio upon Trigger Event**

Following the delivery of a Trigger Notice and in accordance with the Terms and Conditions, the Issuer may (with the prior consent of the Representative of the Noteholders), or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the holders of the Most Senior Class of Noteholders) direct the Issuer to, dispose of the Portfolio if:

- (a) a sufficient amount would be realised from such disposal to allow discharge in full of all amounts owing to the Noteholders of all Classes and amounts ranking in priority thereto or *pari passu* therewith or, if such amount would not be realised, a certificate issued by a reputable bank or financial institution stating that the purchase price for the Portfolio is adequate (based upon such bank or financial institution's evaluation of the Portfolio) has been obtained by the Issuer or by the Representative of the Noteholders;
- (b) the relevant purchaser has obtained all the necessary approvals and authorisations;
- (c) the relevant purchaser has produced:

- (i) a certificate signed by its legal representative stating that such purchaser is solvent;
- (ii) a good standing certificate (*certificato di iscrizione nella sezione ordinaria*) issued by the competent Companies Register office and dated not more than ten days before the date on which the Portfolio will be disposed;
- (iii) a certificate, issued by the Court competent for the territory in which is based the legal office of such purchaser, stating that no applications for commencement of any insolvency proceedings against such purchaser has been made in the last five years; and
- (iv) evidence of its solvency satisfactory to the Representative of the Noteholders.

### **Disposal of the Portfolio following the occurrence of a Tax Event**

Following the occurrence of a Tax Event and in accordance with the Terms and Conditions, the Issuer may, or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the holders of the most senior Class of Notes then outstanding) direct the Issuer to dispose of the Portfolio or any part thereof to finance the early redemption of the relevant Notes under for tax reasons if:

- (a) (i) a sufficient amount would be realised from such disposal to allow discharge in full of all amounts owing to the Noteholders of all Classes and amounts ranking in priority thereto or *pari passu* therewith or (ii) if such amount would not be realised, a certificate issued by a reputable bank or financial institution stating that the purchase price for the Portfolio is adequate (based upon such bank or financial institution's evaluation of the Portfolio) has been obtained by the Issuer or by the Representative of the Noteholders and the Issuer satisfies the Representative of the Noteholders that, in addition to the sums deriving from the sale of the Portfolio, it will have sufficient other funds in order to discharge in full all amounts owing to the Noteholders of all Classes and amounts ranking in priority thereto or *pari passu* therewith;
- (b) the relevant purchaser has obtained all the necessary approvals and authorisations; and
- (c) the relevant purchaser has produced evidence of its solvency satisfactory to the Representative of the Noteholders.

### **Option to repurchase Receivables in case of merger of the Originator with other companies of the Capitalia Group**

The Originator has undertaken to the Issuer that if at any time:

- (a) the Originator is merged with another company of the Capitalia Group; and
- (b) as a result of such merger, any Borrower becomes an employee of the Originator,

then the Originator shall repurchase all the Receivables due by any such Borrower mentioned under paragraph (b) above, in accordance with the terms and conditions of the Intercreditor Agreement.

The price for the repurchase of each of the above-mentioned Receivables shall be:

- (a) if the relevant Receivable is not a Defaulted Receivable as of the date of the relevant merger, equal to the Outstanding Principal of such Receivable as of such date; and
- (b) if the relevant Receivable is a Defaulted Receivable as of the date of the merger, equal to the relevant market value of such Receivable, as determined by a third party arbitrator independent from the *Capitalia Group* and from the other parties of the Securitisation, or, in the absence of agreement between the parties, by the chairman of the Italian Banking Association or from another person independent from the *Capitalia Group*.

### **Repurchase of individual Receivables in case of discrepancy of Appraisal Value**

Under the Intercreditor Agreement, Banca di Roma shall, within six months and three weeks from the Issue Date, instruct a firm of internationally recognised auditors acceptable to the Representative of the Noteholders to carry out a pool audit in respect of the Portfolio aimed at verifying any discrepancy between, *inter alia*:

- (a) the appraisal value of all the Real Estate Assets relating to the Portfolio, as set out in documentation relating to the Mortgage Loans prepared and delivered by the relevant appraiser upon execution of the Mortgage Loan Agreements and held by Banca di Roma; and
- (b) the appraisal value of all the Real Estate Assets relating to the Portfolio, as set out in the data file provided by Banca di Roma to the Issuer, the Sole Arranger and the Rating Agencies prior to the Transfer Date.

Following completion of the above pool audit, Banca di Roma shall repurchase all the Receivables comprised of the Portfolio relating to any Real Estate Assets in relation to which there is a discrepancy between the two appraisal values described under paragraphs (a) and (b) above greater than 5%.

The price for the repurchase of each of the above-mentioned Receivables shall be:

- (a) if the relevant Receivable is not a Defaulted Receivable as of the date of the relevant merger, equal to the Outstanding Principal of such Receivable as of such date; and
- (b) if the relevant Receivable is a Defaulted Receivable as of the date of the merger, equal to the relevant market value of such Receivable, as determined by a third party arbitrator independent from the *Capitalia Group* and from the other parties of the Securitisation, or, in the absence of agreement between the parties, by the chairman of the Italian Banking Association or by another person independent from the *Capitalia Group*.

### **Governing Law**

The Intercreditor Agreement is governed by and shall be construed in accordance with Italian law.



## DESCRIPTION OF THE SECURITY DOCUMENTS

*The description of the security documents set out below is a summary of certain features of the Deed of Pledge and of the Deed of Charge and is qualified by reference to the detailed provisions of such agreements. Prospective Noteholders may inspect a copy of the Deed of Pledge and of the Deed of Charge at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### **The Deed of Pledge**

In order to ensure the segregation of and create a pledge over the rights of the Issuer arising out of certain Transaction Documents, on or about the Issue Date the Issuer, the Representative of the Noteholders (acting on behalf of the Noteholders and the Other Issuer Creditors), the Principal Paying Agent, the Cash Manager and the Italian Account Bank entered into the Italian law Deed of Pledge.

Pursuant to the Deed of Pledge, without prejudice and in addition to any security, guarantees and other rights provided by the Securitisation Law securing the discharge of the Issuer's obligations towards the Noteholders and the Other Issuer Creditors, the Issuer (i) has pledged in favour of the Noteholders and the Other Issuer Creditors all monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is or will be entitled to from time to time pursuant to certain Transaction Documents (except for the Receivables and the amounts deriving from the collection and recovery of the Receivables) and (ii) has undertaken to pledge in favour of the Noteholders and the Other Issuer Creditors all the Issuer's rights, title, interest and benefit from time to time under any Eligible Investments that will be made with the sums standing to the credit of the Eligible Account pursuant to the Cash Allocation, Management and Payment Agreement and all moneys, property and other rights which may from time to time be distributed or derived therefrom.

The Deed of Pledge is governed by and shall be construed in accordance with Italian law.

### **The Deed of Charge**

In order to ensure the segregation of and create security over the rights of the Issuer arising out of the Hedging Agreement and to create security over the rights of the Issuer to and in the Investment Accounts, the Securities Account and the Eligible Investments that will be made with the sums standing to the credit of the Investment Accounts pursuant to the Cash Allocation, Management and Payment Agreement, on or about the Issue Date the Issuer and the Representative of the Noteholders (acting on behalf of the Noteholders and of the Other Issuer Creditors) have executed the English law Deed of Charge.

Pursuant to the Deed of Charge, without prejudice and in addition to any security, guarantees and other rights provided by the Securitisation Law securing the discharge of the Issuer's obligations towards the Other Issuer Creditors, the Issuer has assigned by way of security in favour of the Representative of the Noteholders (for the benefit of the Noteholders and the Other Issuer Creditors) (a) all of the Issuer's rights, title, interest and benefit (present and future) in, to and under the Hedging Agreement, and all dividends, interest and other monies payable in respect thereof and all other rights, benefits and proceeds deriving therefrom (b) all funds, moneys and other assets now or hereafter standing to the credit of the Investment Accounts and the Securities

Account and (c) the Eligible Investments purchased from time to time with the monies standing to the credit of the Investment Accounts, all debts represented thereby and all rights and proceeds derived therefrom.

The Deed of Charge is governed by and shall be construed in accordance with English law.

## DESCRIPTION OF THE MANDATE AGREEMENT

*The description of the Mandate Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Mandate Agreement. Prospective Noteholders may inspect a copy of the Mandate Agreement at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### **General**

On or about the Issue Date, the Issuer and the Representative of the Noteholders, have entered into the Mandate Agreement, which provides that, subject to a Trigger Notice being served or upon failure by the Issuer to exercise its rights under the Transaction Documents, the Representative of the Noteholders shall be authorised to exercise, in the name and on behalf of the Issuer, all the Issuer's non-monetary rights arising out of the Transaction Documents to which the Issuer is a party.

### **Governing Law**

The Mandate Agreement is governed by and shall be construed in accordance with Italian law.

## DESCRIPTION OF THE HEDGING AGREEMENT

*The description of the Hedging Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Hedging Agreement. Prospective Noteholders may inspect a copy of the Hedging Agreement at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### General

In order to hedge its potential interest rate exposure in relation to the Notes, on or about the Issue Date the Issuer entered into the Hedging Agreement with the Hedging Counterparty in the form of an ISDA 1992 Master Agreement (Multicurrency – Cross Border) together with a Schedule thereto, the CSA and the related confirmation.

### *Payments to be made under the Hedging Agreement*

Under the Hedging Agreement:

- (a) on each Payment Date, the Issuer shall pay to the Hedging Counterparty an amount equal to the aggregate of (i) the Floating Amount, (ii) the Fixed Amount, (iii) the Modular Amount and (iv) the Initial Period Amount (all these terms as defined in the Confirmation); and
- (b) on each Hedging Payment Date, the Hedging Counterparty shall pay to the Issuer an amount equal to the product between (i) the Principal Amount Outstanding of the Notes; (ii) the rate applicable to the Notes for the relevant Calculation Period plus the Swap Margin (all these terms as defined in the Confirmation); and (iii) an actual/360 day count fraction in respect of the relevant Calculation Period.

### *Rating Events of the Hedging Counterparty*

The Hedging Counterparty, any credit support provider of the Hedging Counterparty (where applicable) and any of its permitted successors or assignees (a “**Relevant Hedging Entity**”) under the Hedging Agreement shall, at all times, have a rating in compliance with the criteria set out by the relevant Rating Agency and indicated in the Hedging Agreement.

1. In the event that the Relevant Hedging Entity under the Hedging Agreement is downgraded below certain required ratings, then if the Relevant Hedging Entity does not, within a certain period of time after the occurrence of the relevant downgrade, carry out one of the following actions, in certain circumstances the Issuer will be entitled to terminate the Hedging Agreement:
  - (a) provide, or cause to be provided, a guarantee meeting certain rating criteria from a guarantor meeting certain criteria to the Issuer in respect of all of its present and future obligations under the Hedging Agreement; or
  - (b) transfer its rights and obligations under the Hedging Agreement to a replacement hedging counterparty meeting certain rating criteria; or
  - (c) deliver eligible collateral to the Issuer in accordance with the terms of the CSA, and following such delivery, maintain such levels of collateral as are required under the CSA;

- (d) with respect to S&P only, take such other action as Party A may agree with S&P as will result in the rating of the Notes by S&P following the taking of such action being maintained at, or restored to, the level it would have been had the relevant downgrade event not occurred.
2. In the event that the Relevant Hedging Entity is downgraded below certain lower required ratings than those to which paragraph 1 above applies, then in the event that the Relevant Hedging Entity does not, within a certain period of time of the occurrence of the relevant downgrade, carry out one of the following actions, in certain circumstances the Issuer will be entitled to terminate the Hedging Agreement:
- (a) provide, or cause to be provided, a guarantee meeting certain criteria from a guarantor meeting certain criteria to the Issuer in respect of all of its present and future obligations under the Hedging Agreement; or
  - (b) transfer its rights and obligations under the Hedging Agreement to a replacement hedging counterparty meeting certain criteria.

3. For these purposes:

In respect of paragraph 1 above, the required ratings are:

- (a) in respect of Fitch, a Short-term Rating or Long-term Rating of F1 and A+, respectively;
- (b) in respect of Moody's, (A) where the Relevant Hedging Entity has a Moody's Short-term Rating, a rating of "Prime-1" and a Long-term Rating of "A2" or (B) where such entity does not have a Moody's Short-term Rating, a Long-term Rating of "A1"; and
- (c) in respect of S&P, a Short-term Rating of A-1+.

In respect of paragraph 2 above the required ratings are:

- (a) in respect of Fitch, a Short-term Rating or Long-term Rating of F2 and BBB+, respectively;
- (b) in respect of Moody's, (A) where the Relevant Hedging Entity has a Moody's Short-term Rating, a rating of "Prime-2" and a Long-term Rating of "A3" or (B) where such entity does not have a Moody's Short-term Rating, a Long-term Rating of "A3"; and
- (c) in respect of S&P, a Long-term Rating of BBB-.

#### *Collateral Account*

In the event that any Collateral Amounts (as defined below) are posted as collateral pursuant to the CSA for the Hedging Agreement, the Issuer shall be obliged to open, with an Eligible Institution, the Collateral Account for the Collateral Amounts (such account to be in the name of the Issuer, *provided that* the Collateral Amounts contained in the Collateral Account will not form part of the Issuer Available Funds and will not be available to discharge the Issuer's obligations to the Noteholders and the Other Issuer Creditors under or pursuant to the Transaction Documents, except in circumstances in which the Issuer is entitled to use such monies following a termination

of the Hedging Agreement and to pay such monies into the Payments Account in accordance with the terms of the Cash Allocation, Management and Payment Agreement and the Hedging Agreement.)

*Termination of the Hedging Agreement*

The Hedging Agreement will terminate on the Final Maturity Date.

The Hedging Agreement shall also terminate following the occurrence of a Trigger Event and in certain other limited circumstances.

**Governing Law**

The Hedging Agreement is governed and shall be construed in accordance with English law.

## DESCRIPTION OF THE CORPORATE SERVICES AGREEMENT

*The description of the Corporate Services Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Corporate Services Agreement. Prospective Noteholders may inspect a copy of the Corporate Services Agreement at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### **General**

On or about the Issue Date, the Issuer and the Corporate Servicer entered into the Corporate Services Agreement.

Pursuant to the Corporate Services Agreement, the Corporate Servicer will provide the Issuer with a number of services, including, *inter alia*:

- (a) the keeping and updating of various corporate and accounting books and records including, for example, inventories, statutory records, preparation of annual and interim financial statements in accordance with applicable legislation;
- (b) various corporate services such as secretarial services, assistance to the auditors, communications to the Representative of the Noteholders pursuant to the Transaction Documents; and
- (c) miscellaneous services of a fiscal nature including tax returns and declarations and the keeping of fiscal records.

The Issuer may terminate the appointment of the Corporate Servicer in certain circumstances including, *inter alia*, in the event of breach by the Corporate Servicer of its obligations or representations and warranties under the Corporate Services Agreement. Under the terms of the Corporate Services Agreement, the Corporate Servicer may resign in certain circumstances upon notice to the Issuer.

The Corporate Servicer will agree that any claim for payment of sums due to it from the Issuer under the Corporate Services Agreement will be limited to the lesser between the amount of such claim and the Issuer Available Funds available to satisfy such claim, in accordance with the applicable Priority of Payments.

### **Governing Law**

The Corporate Services Agreement is governed by and shall be construed in accordance with Italian law.

## DESCRIPTION OF THE LETTER OF UNDERTAKINGS

*The description of the Letter of Undertakings set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Letter of Undertakings. Prospective Noteholders may inspect a copy of the Letter of Undertakings at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### **General**

On or about the Issue Date, the Issuer, Banca di Roma, the Sole Quotaholder and the Representative of the Noteholders have entered into the Letter of Undertakings.

Pursuant to the Letter of Undertakings, the Sole Quotaholder has given certain undertakings to the Representative of the Noteholders in relation to the management of the Issuer and the exercise of its rights as Sole Quotaholder of the Issuer.

Pursuant to the Letter of Undertakings, the Sole Quotaholder has granted to Banca di Roma a call option to purchase 100 per cent. of its participation in the Issuer. Such option will be exercisable during the 12 months following the date on which the Notes have been redeemed in full or cancelled in accordance with the Terms and Conditions.

With the exception of the above call option, the Sole Quotaholder has agreed not to dispose of, or charge or pledge, the quotas of the Issuer without the prior written consent of the Representative of the Noteholders.

### **Governing Law**

The Letter of Undertakings is governed by and shall be construed in accordance with Italian law.



## DESCRIPTION OF THE SUBORDINATED LOAN AGREEMENT

*The description of the Subordinated Loan Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Subordinated Loan Agreement. Prospective Noteholders may inspect a copy of the Subordinated Loan Agreement at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

### General

Pursuant to the Subordinated Loan Agreement, the Subordinated Loan Provider has agreed to grant the Issuer the Subordinated Loan in an amount of Euro 37,190,250.00. The Subordinated Loan will be used by the Issuer to provide the Initial Cash Reserve Amount on the Issue Date.

As consideration for the granting of the Subordinated Loan, the Issuer shall pay to the Subordinated Loan Provider (a) interest on the outstanding principal amount of such Subordinated Loan at a rate equal to the three month EURIBOR applicable to the Notes *plus* (b) the Additional Return. Such interest and Additional Return will be paid by the Issuer on each Payment Date out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

Under the terms of the Subordinated Loan Agreement, the Issuer shall repay the principal under the Subordinated Loan starting from the Payment Date (and on each Payment Date thereafter) on which:

- (i) all the Cash Reserve Amortisation Conditions are met; and
- (ii) the aggregate of the Principal Amount Outstanding of the Class B Notes and the Class C Notes, as a percentage of the aggregate Principal Amount Outstanding of all Notes is at least twice of such percentage as calculated on the Issue Date.

Repayment of the principal under the Subordinated Loan will be made on such Payment Dates out and within the limits of the Issuer Available Funds which will be available for such purposes on such dates, in accordance with the applicable Priority of Payments; *provided however that* the Subordinated Loan Provider may, on any Payment Date falling after the Initial Period, elect to receive all or a portion of the Additional Return due on such Payment Date by way of repayment of principal due under the Subordinated Loan.

### Governing Law

The Subordinated Loan Agreement is governed by and shall be construed in accordance with Italian law.

## DESCRIPTION OF THE FOUNDATION CORPORATE SERVICES AGREEMENT

*The description of the Foundation Corporate Services Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Foundation Corporate Services Agreement. Prospective Noteholders may inspect a copy of the Foundation Corporate Services Agreement at the registered offices of each the Representative of the Noteholders and the Luxembourg Paying Agent.*

On or about the Issue Date, the Issuer, the Sole Quotaholder, the Representative of the Noteholders and the Foundation Corporate Servicer have entered into the Foundation Corporate Services Agreement pursuant to which the Foundation Corporate Servicer will provide the Sole Quotaholder with a number of services, including, *inter alia*, the provision of accounting and financial services and the management and administration of the Sole Quotaholder.

The Foundation Corporate Servicer has agreed to be bound to the limited recourse and non petition provisions as set out in the Intercreditor Agreement.

### *Governing Law and Jurisdiction*

The Foundation Corporate Services Agreement is governed by and shall be construed in accordance with Italian law.

## DESCRIPTION OF THE ACCOUNT GUARANTEE

*The description of the Account Guarantee set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Account Guarantee. Prospective Noteholders may inspect a copy of the Account Guarantee at the registered office of each of the Representative of the Noteholders and the Luxembourg Paying Agent.*

On or about the Issue Date, the Issuer, Banca di Roma, Banca di Roma, London Branch and the Account Guarantee Provider entered into the Account Guarantee under which the Account Guarantee Provider has issued a 364 days renewable guarantee. Under the Account Guarantee the Account Guarantee Provider will guarantee in favour of the Issuer the due and punctual performance of the following payment obligations of:

- (a) Banca di Roma, as Servicer, to transfer amounts received as Collections and Recoveries and any other amounts due and payable in respect of the Receivables, in accordance with the terms of the Servicing Agreement;
- (b) Banca di Roma, as Italian Account Bank, to pay and transfer amounts credited into the BdR Accounts other than the Investment Accounts and the Securities Account in accordance with the terms of the Cash Allocation, Management and Payment Agreement; and
- (c) Banca di Roma, London Branch, as English Account Bank, to pay, transfer invest and disinvest amounts and securities, respectively, credited into the Investment Accounts and deposited in the Securities Account in accordance with the terms of the Cash Allocation, Management and Payment Agreement,

(collectively, the "**Guaranteed Obligations**").

The Account Guarantee will be issued for the Guaranteed Amount, being an amount equal to:

- (a) up to the date of the first renewal (included), Euro 495,860,000.00; and
- (b) starting from the second renewal and on each annual renewal thereafter, the higher between (i) 20 per cent. of the then Principal Amount Outstanding of the Notes and (ii) Euro 35,158,848.00,

in both cases *minus* the amount of all the payments already made by the Account Guarantee Provider under the Account Guarantee during the 364 days period on which the relevant Guaranteed Amount is applicable.

If any of the following events occurs:

- (A) the rating assigned by Fitch or Moody's to Banca di Roma falls to "F2" or "P-1" or below, respectively; or
- (B) the Account Guarantee Provider is subject to Downgrading, or refuses to renew the Account Guarantee and a substitute guarantor is not found by:
  - (i) the 20th Business Day after any such Downgrading, or

- (ii) 10 Business Days before the expiry date of the Account Guarantee, in case of any such refusal to renew the guarantee,

then the Issuer shall take all necessary steps in order to:

- (a) terminate the appointment of the Account Banks pursuant to the Cash Allocation, Management and Payment Agreement;
- (b) appoint an Eligible Institution as new account bank, accepting to perform the duties of the Account Banks provided for in the Cash Allocation, Management and Payment Agreement;
- (c) open with the above-mentioned new account bank new Euro denominated deposit accounts with the same purposes of the BdR Accounts; and
- (d) transfer into such new accounts the balance standing to the credit of the respective BdR Accounts.

In addition, the Servicer, on behalf of the Issuer, shall instruct all the Borrowers so as to pay, directly into the above-mentioned new accounts, any future amounts due and payable in respect of the Portfolio.

The performance of the above described actions shall take place no later than:

- (i) the earlier of (a) the 30<sup>th</sup> day following the Downgrading and (b) the expiry date of the Account Guarantee, in the case of occurrence of the Downgrading, and
- (ii) the expiry date of the Account Guarantee, in the case of absence of a renewal of the Account Guarantee by the Account Guarantee Provider.

The Eligible Institution appointed as new account bank shall agree to the terms and conditions of the Intercreditor Agreement and to any other relevant Transaction Documents or, if not practicable, shall agree to act upon such terms as will not prejudice the interests of the Noteholders. The Issuer has undertaken to pledge in favour of the Noteholders and the Other Issuer Creditors any right and claim which it may acquire against the new account bank.

All the costs and expenses incurred in finding a substitute guarantor and performing all the actions described under paragraphs (a) to (e) above, will be borne by the Account Guarantee Provider, whilst the commitment fee of any substitute guarantor shall be payable by Banca di Roma.

Upon appointment of the substitute guarantor or transfer of the sums standing to the credit of the BdR Accounts into new accounts pursuant to the terms and conditions of the Account Guarantee, the Account Guarantee will be automatically terminated.

### **Governing Law**

The Account Guarantee is governed by, and shall be construed in accordance with, Italian law.

## THE ACCOUNTS

### Introduction

The Issuer shall at all times maintain the following the Euro denominated accounts with the Italian Account Bank: (i) the Principal Collection Account, (ii) the Interest Collection Account, (iii) the Cash Reserve Account, (iv) the Expense Account and (v) the Transaction Account.

The Issuer shall at all times maintain the following the Euro denominated accounts with the English Account Bank: (i) the Interest Collection Investment Account, (ii) the Principal Collection Investment Account, (iii) the Transaction Investment Account, (iv) the Cash Reserve Investment Account, and (v) the Securities Account.

The Issuer shall at all times maintain with the Principal Paying Agent the Euro denominated Payments Account and the Euro denominated Eligible Account. In addition, the Issuer shall open with the Principal Paying Agent a securities account under the conditions set out below under the paragraph entitled "*Eligible Account*".

### Interest Collection Account

#### *Credit*

All the Interest Collections and all the Recoveries received and recovered by the Servicer pursuant to the Servicing Agreement shall be credited into the Interest Collection Account.

#### *Debit*

The sums standing from time to time to the credit of the Interest Collection Account (other than the interests accrued and paid on such account) shall, within two Business Days from the date on which they are credited into such Account, be fully transferred by the Italian Account Bank into the Interest Collection Investment Account so as to be invested in Eligible Investments, in accordance with the terms of the Cash Allocation, Management and Payment Agreement.

Two Business Days before each Payment Date, the interests accrued and paid on the Interest Collection Account during the immediately preceding Quarterly Collection Period shall be transferred by the Italian Account Bank into the Payments Account.

### Principal Collection Account

#### *Credit*

All the Principal Collections received by the Servicer pursuant to the Servicing Agreement shall be credited into the Principal Collection Account.

#### *Debit*

The sums standing from time to time to the credit of the Principal Collection Account (other than the interests accrued and paid on such account) shall, within two Business Days from the date on which they are credited into such Account, be fully transferred by the Italian Account Bank into the Principal Collection Investment Account so as to be invested in Eligible Investments, in accordance with the terms of the Cash Allocation, Management and Payment Agreement.

Two Business Days before each Payment Date, the interests accrued and paid on the Principal Collection Account during the immediately preceding Quarterly Collection Period shall be transferred by the Italian Account Bank into the Payments Account.

### **Transaction Account**

#### *Credit*

All amounts paid to the Issuer pursuant to the Transaction Documents shall be credited into the Transaction Account, including any Originator Indemnity Amount but excluding (i) the Collections, (ii) the Recoveries and (iii) the amounts paid by the Hedging Counterparty pursuant to the Hedging Agreement.

#### *Debit*

The sums standing from time to time to the credit of the Transaction Account (other than the interests accrued and paid on such account) shall, within two Business Days from the date on which they are credited into such Account, be fully transferred by the Italian Account Bank into the Transaction Investment Account so as to be invested in Eligible Investments, in accordance with the terms of the Cash Allocation, Management and Payment Agreement.

Two Business Days before each Payment Date, the interests accrued and paid on the Transaction Account during the immediately preceding Quarterly Collection Period shall be transferred by the Italian Account Bank into the Payments Account.

### **Cash Reserve Account**

#### *Credit*

On the Issue Date the Initial Cash Reserve Amount (being the amounts drawn-down under the Subordinated Loan) shall be credited on the Cash Reserve Account.

On each Payment Date prior to the service of a Trigger Notice (other than the Payment Date on which the Notes shall be fully redeemed), if the amount standing to the credit of the Cash Reserve is lower than the Scheduled Cash Reserve Amount, then the Issuer shall credit Issuer Interest Available Funds into the Cash Reserve Account, in accordance with the applicable Priority of Payments, to bring the balance of such account equal to the Scheduled Cash Reserve Amount.

#### *Debit*

The sums standing from time to time to the credit of the Cash Reserve Account (other than the interests accrued and paid on such account) shall be fully transferred by the Italian Account Bank promptly after each Payment Date into the Cash Reserve Investment Account so as to be invested in Eligible Investments, in accordance with the terms of the Cash Allocation, Management and Payment Agreement.

Two Business Days before each Payment Date, the interests accrued and paid on the Cash Reserve Account during the immediately preceding Quarterly Collection Period shall be transferred by the Italian Account Bank into the Payments Account.

Following the service of a Trigger Notice, all amounts (if any) standing to the credit of the Cash Reserve Account shall be transferred by the Italian Account Bank to the Payments Account and the Cash Reserve Account shall be closed.

## **Investment Accounts**

### *Credit*

The Issuer has opened and shall maintain with the English Account Bank the following Investment Accounts:

- (a) the Interest Collection Investment Account, for the deposit (i) and investment of all the amounts transferred to the Interest Collection Account and (ii) of the proceeds from the investment thereof;
- (b) the Principal Collection Investment Account, for the deposit (i) and investment of all the amounts transferred to the Principal Collection Account and (ii) of the proceeds from the investment thereof;
- (c) the Transaction Investment Account, for the deposit (i) and investment of all the amounts transferred to the Transaction Account and (ii) of the proceeds from the investment thereof; and
- (d) the Cash Reserve Investment Account, for the deposit (i) and investment of all the amounts transferred to the Cash Reserve Account and (ii) of the proceeds from the investment thereof.

### *Investments*

The amounts standing to the credit of each of the Investment Accounts may be invested by the English Account Bank, on the basis of the instructions of the Cash Manager, in Eligible Investments, in accordance with the Cash Allocation, Management and Payment Agreement.

By each Eligible Investments Maturity Date all the Eligible Investments made with the amounts of each of the Investment Accounts relating to the preceding Quarterly Collection Period shall be liquidated and the relevant sums, together with the profits thereof shall be deposited in the relevant Investment Account.

### *Debit*

Two Business Days prior to each Payment Date the following amounts shall be transferred by the English Account Bank from each Investment Account into the Payments Account in order to fund the payments of the Issuer due on each such Payment Date under the applicable Priority of Payments, in each case in accordance with the payments instructions of the Issuer issued on the basis of the Quarterly Payments Report and the Cash Allocation, Management and Payment Agreement:

- (a) from the Interest Collection Investment Account, all the amounts credited into such account during the preceding Quarterly Collection Period;
- (b) from the Principal Collection Investment Account, the following amounts credited into such account during the preceding Quarterly Collection Period:

- (i) prior to each Payment Date on which no repayment of principal under the Notes is required pursuant to the Terms and Conditions, any amount necessary to fund any Interest Shortfall Amount; and
  - (ii) prior to each Payment Date on which repayment of principal under the Notes is required pursuant to the Terms and Conditions, all the amounts standing to the credit of such Principal Collection Investment Account;
- (c) from the Transaction Investment Account, all the Originator Indemnity Amounts and the other interest amounts credited into such account during the preceding Quarterly Collection Period, plus the following amounts:
- (i) prior to each Payment Date on which no repayment of principal under the Notes is required pursuant to the Terms and Conditions, any amount necessary to fund any Interest Shortfall Amount; and
  - (ii) prior to each Payment Date on which repayment of principal under the Notes is required pursuant to the Terms and Conditions, all the amounts standing to the credit of such Transaction Investment Account.
- (d) from the Cash Reserve Investment Account, the following amounts:
- (i) prior to each Payment Date before the service of a Trigger Notice,
    - the amount (if any) by which the balance of the Cash Reserve, exceeds the Scheduled Cash Reserve Amount payable on the immediately succeeding Payment Date in accordance with the applicable Priority of Payments; and
    - the amount (if any) equal to the difference, if positive, between (a) the aggregate of the amounts payable under item *First* to *Tenth* of the Pre-Trigger Interest Priority of Payments and (b) the Issuer Interest Available Funds, without taking into account the Cash Reserve;
  - (ii) prior to the first Payment Date after the service of a Trigger Notice, all the amounts standing to the credit of such Cash Reserve Investment Account (and, thereafter, such account shall be closed); and
- (e) from all the Investment Accounts, all the profits of the Eligible Investments made with the amounts of each Investment Account relating to the preceding Quarterly Collection Period, the interests accrued and paid on such Accounts and any other amounts as may be specified in the payments instructions of the Issuer issued on the basis of the Quarterly Payments Report.

### **Securities Account**

Any Eligible Investments represented by bonds, debentures, other kind of notes or other financial instrument purchased with the moneys standing to the credit of each of the Investment Accounts, shall be deposited in the Securities Account.

### **Eligible Account**

*Credit*



If at any time the aggregate of

- (i) the balance of the amounts standing to the credit of the BdR Accounts; and
- (ii) the amounts of the Eligible Investments made with sums of the BdR Accounts,

exceeds the Guaranteed Amount *minus* Euro 35,158,848.00, then, the Account Banks (and failing the Account Banks, the Issuer) shall immediately transfer the relevant exceeding amount into the Eligible Account. Any such transfer into the Eligible Account shall be made so as to ensure that the Collections and the Recoveries are always kept separate and segregated from any other amounts.

#### *Investments*

The amounts standing to the credit of the Eligible Account may be invested by the Principal Paying Agent, on the basis of the instructions of the Cash Manager, in Eligible Investments, in accordance with the Cash Allocation, Management and Payment Agreement.

In the event that on the basis on the Investment Direction Letter any sum of the Eligible Account is to be invested on Eligible Investments represented by bonds, debentures, other kind of notes or other financial instruments, then the Principal Paying Agent shall immediately open a securities account for the deposit of such bonds, debentures, other kind of notes or other financial instrument.

By each Eligible Investments Maturity Date all the Eligible Investments made with the amounts of the Eligible Investment relating to the preceding Quarterly Collection Period shall be liquidated and the relevant sums, together with the profits thereof shall be deposited in the Eligible Account.

#### *Debit*

Two Business Days prior to each Payment Date amounts shall be transferred by the Principal Paying Agent from the Eligible Account into the Payments Account in order to fund the payments of the Issuer due on each such Payment Date under the applicable Priority of Payments, in each case in accordance with the payments instructions of the Issuer issued on the basis of the Quarterly Payments Report and the Cash Allocation, Management and Payment Agreement.

### **Expense Account**

#### *Credit*

On the Issue Date the Retention Amount shall be credited into the Expense Account. On each Payment Date (other than the Payment Date on which the Notes shall be fully redeemed), if the amount standing to the credit of the Expense Account is lower than the Retention Amount, then the Issuer shall credit Issuer Available Funds into the Expense Account in accordance with the applicable Priority of Payments to bring the balance of such account equal to the Retention Amount.

#### *Debit*

During each Interest Period, the Retention Amount standing to the credit of the Expense Account shall be used by the Issuer to pay the Expenses.

## **Payments Account**

### *Credit*

All the sums paid to the Issuer by the Hedging Counterparty pursuant to the Hedging Agreement shall be credited into the Payments Account.

Two Business Days before each Payment Date, amounts shall be transferred to the Payments Account from the other Accounts, in each case, in accordance with the payments instructions of the Issuer issued on the basis of the Quarterly Payments Report and the Cash Allocation, Management and Payment Agreement.

### *Debit*

On each Payment Date amounts shall be transferred from the Payments Account by the Principal Paying Agent so as to be applied on each such date to make the payments due by the Issuer under the applicable Priority of Payments, including, *inter alios*, the payments due to the Noteholders, in each case, in accordance with the payments instructions of the Issuer issued on the basis of the Quarterly Payments Report and the Cash Allocation, Management and Payment Agreement.

## EXPECTED AVERAGE LIFE OF THE NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security. The weighted average life of the Notes will be influenced by, *inter alia*, the actual rate of collection of the Receivables.

Calculations as to the weighted average life and the expected maturity of the Notes can be made on the basis of certain assumptions, including the rate at which the Receivables are prepaid, the amount of the Defaulted Receivables and whether the Issuer exercises its option for an early redemption of the Notes.

The following table shows the weighted average life and the expected maturity of the Notes and has been prepared based on the characteristics of the Receivables included in the Portfolio, on historical performance and on the following additional assumptions (the “**Modelling Assumptions**”):

- (i) no Trigger Event occurs in respect to the Notes; and
- (ii) repayment of principal under the Notes occurs from the Payment Date falling in January 2009; and
- (iii) the Optional Redemption is exercised under Condition 6.3 (*Redemption, Purchase and Cancellation - Optional Redemption*).

The actual characteristics and performance of the Receivables are likely to differ from the assumptions used in constructing the table set forth below, which is hypothetical in nature and is provided only to give a general sense of how the principal cash-flows might behave. Any difference between such assumptions and the actual characteristics and performance of the Receivables will cause the weighted average life and the expected maturity of the Notes to differ (which difference could be material) from the corresponding information in the following table.

Weighted Average Life

Notes	CPR %						
	0.00	2.00	4.00	5.00	6.00	8.00	10.00
<b>Class A1</b>	10.78	8.62	7.15	6.54	6.06	5.24	4.46
<b>Class A2</b>	20.66	17.85	15.33	14.25	13.19	11.55	10.58
<b>Class B</b>	20.66	17.85	15.33	14.25	13.19	11.55	10.58
<b>Class C</b>	20.66	17.85	15.33	14.25	13.19	11.55	10.58

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the “**Terms and Conditions**”). In these Terms and Conditions, references to the “holder” of a Note or to the “Noteholders” are to the ultimate owners of the Notes, issued in bearer form and dematerialised and evidenced as book entries with Monte Titoli S.p.A. (“**Monte Titoli**”) in accordance with the provisions of (i) Article 28 of Decree No. 213 and (ii) CONSOB Resolution No. 11768. The Noteholders 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 Noteholders attached to these Terms and Conditions as Exhibit 1.*

### INTRODUCTION

The € 1,736,000,000 Class A1 Asset Backed Floating Rate Notes Series 2007-1 due January 2047 (the “**Class A1 Notes**”), the € 644,000,000 Class A2 Asset Backed Floating Rate Notes Series 2007-1 due January 2047 (the “**Class A2 Notes**” and, together with the Class A1 Notes, the “**Class A Notes**”), the € 74,000,000 Class B Asset Backed Floating Rate Notes Series 2007-1 due January 2047 (the “**Class B Notes**”) and the € 25,350,000 Class C Asset Backed Floating Rate Notes Series 2007-1 due January 2047 (the “**Class C Notes**” and, together with the Class A Notes and the Class B Notes, the “**Notes**”) have been issued by Capital Mortgage S.r.l. (the “**Issuer**”) on 16 May 2007 (the “**Issue Date**”) to finance the purchase of the Portfolio of the Receivables arising out of certain residential Mortgage Loans originated by Banca di Roma S.p.A. (the “**Originator**” or “**Banca di Roma**”).

Any reference in these Terms and Conditions to a “**Class**” of Notes or a “**Class**” of holders of Notes shall be a reference to the Class A Notes, the Class B Notes or the Class C Notes, as the case may be, or to the respective holders thereof and to any agreement or document shall be a reference to such agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

The principal source of payment of interest and of repayment of principal on the Notes will be Collections and Recoveries made in respect of the Portfolio of the Receivables arising out of certain residential Mortgage Loan Agreements entered into by Banca di Roma and the Debtors thereunder. The Portfolio was purchased by the Issuer from Banca di Roma pursuant to the Transfer Agreement on 9 March 2007.

By virtue of the operation of Article 3 of the Securitisation Law and the Transaction Documents, the Issuer's right, title and interest in and to the Portfolio and to any sums collected therefrom will be segregated from all other assets of the Issuer (including any other receivables purchased by the Issuer pursuant to the Securitisation Law) and, therefore, any cash-flow deriving therefrom (to the extent identifiable) will only be available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders, to the Other Issuer Creditors and to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation.

By the Subscription Agreement dated on or about the Issue Date between the Issuer, Banca di Roma, as Originator, Capitalia, HSBC and Morgan Stanley, as Joint Lead Managers, and BNP Paribas Securities Services, Milan Branch, as Representative of the Noteholders, HSBC and Morgan Stanley have agreed to subscribe for the Notes, subject to the terms and conditions set

out thereunder. Under the Subscription Agreement, HSBC and Morgan Stanley, in their capacity as subscribers and initial holders of the Notes, have also appointed BNP Paribas Securities Services, Milan Branch, which has accepted, as Representative of the Noteholders.

By the Warranty and Indemnity Agreement entered into on 9 March 2007 between Banca di Roma, as Originator, and the Issuer, the Originator has given certain representations and warranties in favour of the Issuer in relation to the Portfolio and certain other matters and has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio.

By the Servicing Agreement entered into on 9 March 2007 (as amended on 8 May 2007) between Banca di Roma, as Servicer, and the Issuer, the Servicer has agreed to administer, service, collect and recover amounts in respect of the Portfolio on behalf of the Issuer. The Servicer will be the "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento*" pursuant to Article 2, paragraph 3(c) of the Securitisation Law and, therefore, it will verify that the operations comply with the law and the Offering Circular.

By the Corporate Services Agreement dated on or about the Issue Date between KPMG, as Corporate Servicer, the Representative of the Noteholders and the Issuer, the Corporate Servicer has agreed to provide the Issuer with certain corporate administrative services including the maintenance of corporate books and of accounting and tax registers, in compliance with reporting requirements relating to the Receivables and with other regulatory requirements imposed on the Issuer.

By the Foundation Corporate Services Agreement, dated on or about the Issue Date between KPMG, as Foundation Corporate Servicer, Stichting Oudenallerburg, as Sole Quotaholder, the Representative of the Noteholders and the Issuer, the Foundation Corporate Servicer has agreed to provide the Sole Quotaholder with a number of services, including, *inter alia*, the provision of accounting and financial services and the management and administration of the Sole Quotaholder.

By the Cash Allocation, management and Payment Agreement dated on or about the Issue Date between the Issuer, Capitalia, as Calculation Agent, BNP Paribas Securities Services, Milan Branch, as Principal Paying Agent and Representative of the Noteholders, Banca di Roma, as Italian Account Bank, Cash Manager, Servicer and Subordinated Loan Provider, Banca di Roma, London Branch, as English Account Bank, KPMG, as Corporate Servicer, and BNP Paribas Securities Services, Luxembourg Branch, as Luxembourg Paying Agent, the parties thereto (other than the Issuer) have agreed to provide the Issuer with certain calculation, notification, reporting and agency services together with account handling, investment and cash management services in relation to moneys from time to time standing to the credit of the Accounts. The Cash Allocation, Management and Payment Agreement contains provisions for, *inter alia*, the payment of principal and interest in respect of the Notes.

By the Monte Titoli Mandate Agreement dated on or about the Issue Date, between Monte Titoli and the Issuer, Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Notes.

By the Intercreditor Agreement dated on or about the Issue Date between the Issuer and the Other Issuer Creditors, provision has been made as to the application of funds received by the

Issuer as Collections, Recoveries or pursuant to the Transaction Documents according to the Priority of Payments and as to the circumstances in which the Representative of the Noteholders will be entitled to exercise certain rights in relation to the Portfolio.

By the Hedging Agreement dated on or about the Issue Date between HSBC, as Hedging Counterparty, and the Issuer, the Hedging Counterparty has agreed to hedge the potential interest rate exposure of the Issuer in relation to its floating rate interest obligations under the Notes.

By the Italian law Deed of Pledge dated on or about the Issue Date between the Issuer, the Italian Account Bank, the Principal Paying Agent, the Cash Manager and the Representative of the Noteholders (acting on behalf of the Noteholders and the Other Issuer Creditors), the Issuer has pledged in favour of the Noteholders and the Other Issuer Creditors (i) all monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is or will be entitled to from time to time pursuant to certain Transaction Documents (except for the Receivables and the amounts deriving from the collection and recovery of the Receivables) and (ii) has undertaken to pledge in favour of the Noteholders and the Other Issuer Creditors all the Issuer's Rights, title, interest and benefit from time to time under any Eligible Investments that will be made with the sums of the Eligible Account pursuant to the Cash Allocation, Management and Payment Agreement and all moneys, property and other rights which may from time to time be distributed or derived therefrom.

By the English law Deed of Charge dated on or about the Issue Date, the Issuer has assigned by way of security, in favour of the Noteholders and the Other Issuer Creditors, (i) all of the Issuer's rights, title, interest and benefit (present and future) in, to and under the Hedging Agreement, and all dividends, interest and other monies payable in respect thereof and all other rights, benefits and proceeds deriving therefrom, (ii) all funds, moneys and other assets now or hereafter standing to the credit of the Investment Accounts and the Securities Account and (iii) the Eligible Investments purchased from time to time with the monies standing to the credit of the Investment Accounts, all debts represented thereby and all rights and proceeds derived therefrom.

By the Mandate Agreement dated on or about the Issue Date between the Issuer and the Representative of the Noteholders, the Representative of the Noteholders shall be authorised, subject to a Trigger Notice being served or upon failure by the Issuer to exercise its rights under the Transaction Documents, to exercise, in the name and on behalf of the Issuer, all the Issuer's non-monetary rights arising out of the Transaction Documents to which the Issuer is a party.

By the Letter of Undertakings dated on or about the Issue Date between the Issuer, Banca di Roma as Originator, the Representative of the Noteholders and Stichting Oudenallerburg, as Sole Quotaholder, the latter has given certain undertakings to the Representative of the Noteholders in relation to the management of the Issuer and the exercise of its rights as Sole Quotaholder of the Issuer.

By the Subordinated Loan Agreement dated on or about the Issue Date between the Subordinated Loan Provider and the Issuer, the Subordinated Loan Provider has agreed to grant the Issuer the Subordinated Loan in an amount of Euro 37,190,250.00 to be used by the Issuer to provide initial funding to the Cash Reserve on the Issue Date.

By the Account Guarantee dated on or about the Issue Date between Banca di Roma as Italian Account Bank and Servicer, Banca di Roma, London Branch as English Account Bank, Capitalia as Account Guarantee Provider and the Issuer, the Account Guarantee Provider has agreed to issue a 364-day renewable first demand guarantee in order to guarantee in favour of the Issuer the due and punctual performance of the following payment obligations of: (a) Banca di Roma, as Servicer, to transfer amounts received as Collections and Recoveries and any other amounts due and payable in respect of the Receivables, in accordance with the terms of the Servicing Agreement; (b) Banca di Roma, as Italian Account Bank, to pay and transfer amounts credited into the BdR Accounts other than the Investment Accounts and the Securities Account in accordance with the terms of the Cash Allocation, Management and Payment Agreement; and (c) Banca di Roma, London Branch, as English Account Bank, to pay, transfer invest and disinvest amounts and securities, respectively, credited into the Investment Accounts and deposited in the Securities Account in accordance with the terms of the Cash Allocation, Management and Payment Agreement.

By the Master Definitions Agreement dated on or about the Issue Date between all the parties to each of the Transaction Documents, the definitions of certain terms used in the Transaction Documents have been set forth.

These Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Offering Circular, the Transfer Agreement, the Subscription Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Corporate Services Agreement, the Foundation Corporate Services Agreement, the Cash Allocation, Management and Payment Agreement, the Monte Titoli Mandate Agreement, the Intercreditor Agreement, the Hedging Agreement, the Deed of Pledge, the Deed of Charge, the Mandate Agreement, the Letter of Undertakings, the Account Guarantee, the Subordinated Loan Agreement and the Master Definitions Agreement (together, the **“Transaction Documents”**). Copies of the Transaction Documents are available for inspection during normal business hours at the office of the Representative of the Noteholders, being, as at the Issue Date, Via Ansperto No. 5, 20123 Milan, Italy, and at the registered office of the Luxembourg Paying Agent, being, as at the Issue Date, 33, rue de Gasperich, Howald – Hesperange, L-2085 Luxembourg.

The rights and powers of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (the **“Noteholders”**), may only be exercised in accordance with the rules of the organisation of the Noteholders (respectively, the **“Rules of the Organisation of the Noteholders”** and the **“Organisation of the Noteholders”**) which are attached to these Terms and Conditions as Exhibit 1 and are deemed to form part of these Terms and Conditions.

Each Noteholder recognises that the Representative of the Noteholders is its representative and accepts to be bound by the terms of the Transaction Documents which have been signed by the Representative of the Noteholders as if it has signed such documents itself.

Pursuant to the Cash Allocation, Management and Payment Agreement, the Issuer has established the following Accounts:

- (1) with the Italian Account Bank:
  - (a) the Interest Collection Account;
  - (b) the Principal Collection Account;

- (c) the Transaction Account;
  - (d) the Expense Account; and
  - (e) the Cash Reserve Account;
- (2) with the English Account Bank:
- (a) the Interest Collection Investment Account;
  - (b) the Principal Collection Investment Account;
  - (c) the Transaction Investment Account;
  - (d) the Cash Reserve Investment Account; and
  - (e) the Securities Account; and
- (3) with the Principal Paying Agent:
- (a) the Payments Account; and
  - (b) the Eligible Account.

The Issuer has established with Banca di Roma also the Quota Capital Account for the deposit of its quota capital.

## INTERPRETATION

In these Terms and Conditions the following expressions shall, except where the context otherwise requires and save where defined therein, have the following meanings:

**“Account”** means each of the Principal Collection Account, the Interest Collection Account, the Cash Reserve Account, the Expense Account, the Transaction Account, the Investment Accounts, the Securities Account, the Payments Account and the Eligible Account and **“Accounts”** means all of them.

**“Account Banks”** means the Italian Account Bank and the English Account Bank collectively, and **“Account Bank”** means each of them.

**“Account Guarantee”** means the agreement entered into on or about the Issue Date between the Account Guarantee Provider, the Issuer, Banca di Roma and Banca di Roma, London Branch under which the Account Guarantee Provider has issued a first demand guarantee in favour of the Issuer.

**“Account Guarantee Provider”** means Capitalia or any other person acting as account guarantee provider pursuant to the Account Guarantee from time to time.

**“Account Report”** means the quarterly report setting out certain information in respect of the amounts standing to the credit of the Accounts which shall be prepared by the Account Banks (with reference to the BdR Accounts) and the Principal Paying Agent (with reference to the



Payments Account and the Eligible Account) and it shall be delivered, *inter alios*, to the Issuer, the Representative of the Noteholders, the Cash Manager, the Servicer, the Paying Agents, the Corporate Servicer and the Calculation Agent.

**“Account Report Date”** means the fourteenth Business Day preceding each Payment Date or, if such day is not a Business Day, the immediately following Business Day and, in the case of the first Account Report Date, 10 July 2007.

**“Additional Return”** means the additional return payable by the Issuer to the Subordinated Loan Provider under the Subordinated Loan Agreement, being equal to the difference (if any) between A – B where:

“A” means an amount equal to the sum of: (a) the interest accrued on the Mortgage Loans during the relevant Quarterly Collection Period, net of any devaluation or loss recorded by the Servicer at the end of such Quarterly Collection Period; plus, (b) any Recoveries and defaulted interests and penalties due pursuant to the Mortgage Loan Agreements and collected during such Quarterly Collection Period (including any penalties due as a result of any early repayment of the Mortgage Loan Agreements); plus, (c) any further profit recorded by the Servicer at the end of such Quarterly Collection Period; plus (d) any interest accrued on the Accounts and any profit accrued on the investments made pursuant to the Cash Allocation, Management and Payment Agreement during such Quarterly Collection Period; plus (e) the Originator Indemnity Amounts paid by the Originator to the Issuer in during such Quarterly Collection Period pursuant to the Servicing Agreement; plus (f) the amounts due and payable to the Issuer pursuant to the Hedging Agreement during such Interest Period; and

“B” means an amount equal to the portion of general expenses of the Issuer relating to the Securitisation and the expenses, costs and charges (including operative, financial, ordinary, extraordinary, foreseen or unforeseen expenses, costs and charges of the Securitisation), accrued in or in any event relating to such Quarterly Collection Period (including any taxes to be paid by the Issuer in relation to the Securitisation, fees and reimbursement of expenses due to the various parties involved in the Securitisation, the payments due by the Issuer pursuant to the Hedging Agreement, the interests due under the Notes, the interest accrued and unpaid on the Purchase Price of the Portfolio and any other amount due and payable to the Issuer pursuant to the Transaction Documents),

all the above increased on any Issuer Available Funds which are not used by the Issuer on the relevant Payment Date in order to discharge any obligation ranking senior to the Additional Return under the Priority of Payments.

**“Additional Screen Rate”** shall have the meaning ascribed to it Condition 5 (*Interest*).

**“Adjustment Purchase Price”** means in relation to any Receivable transferred to the Issuer pursuant to the Transfer Agreement, but for which no purchase price was agreed upon transfer, an amount, calculated in accordance with the Transfer Agreement, which shall be paid by the Issuer to the Originator out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

**“Agency”** means the Revenue Agency – Regional Direction of Lombardy.

**“Ancillary Expenses”** means all the expenses, except for the Collection Expenses and the administrative expenses relating to Delinquent Receivables, afforded by Banca di Roma in relation to the Receivables, including, but not limited to, the notarial expenses and those expenses concerning assessments of the Real Estate Assets, as specified in the communications to the clients made pursuant to the applicable transparency provisions for banking and finance services, as well as probable sanctions relating to the Real Estate Assets.

**“Article 65”** means Article 65 of the Italian Bankruptcy Law.

**“Average Collateral Portfolio Outstanding Principal”** means, in relation to each Quarterly Collection Period, the average of (a) the sum of the Outstanding Principal Amount of all the Receivables comprised in the Collateral Portfolio on the last day of the Quarterly Collection Period immediately preceding such Quarterly Collection Period; and (b) the sum of the Outstanding Principal Amount of the Receivables comprised in the Collateral Portfolio on the last day of such Quarterly Collection Period (except in relation to the first Quarterly Collection Period, when the relevant first average shall be calculated as the average of (i) the sum of the Collateral Portfolio Outstanding Principal of the Portfolio on the Valuation Date and (ii) the sum of the Outstanding Principal Amount of all the Receivables comprised in the Collateral Portfolio on the last day of the first Quarterly Collection Period).

**“Banca di Roma”** means Banca di Roma S.p.A., a bank incorporated under the laws of the Republic of Italy, subject to direction and co-ordination of Capitalia, whose registered office is at Viale Umberto Tupini No. 180, 00144 Rome, Italy, Fiscal Code and enrolment with the Companies Register of Rome No. 06978161005, registered under No. 5526 with the register of banks held by the Bank of Italy pursuant to Article 13 of the Consolidated Banking Act.

**“Banca di Roma, London Branch”** means the London branch of Banca di Roma S.p.A., duly established and authorised to carry on banking business in England, whose registered office is at 87 Gresham Street, London, England.

**“Bank of Italy Supervisory Regulations”** means the Supervisory Regulations for the Banks and/or the Supervisory Regulations for Financial Intermediaries, as the case may be.

**“BdR Account”** means each of the Principal Collection Account, the Interest Collection Account, the Cash Reserve Account, the Expense Account, the Transaction Account, the Investment Accounts and the Securities Account, and **“BdR Accounts”** means all of them.

**“BNP Paribas Securities Services, Luxembourg Branch”** means the Luxembourg branch of BNP Paribas Securities Services, a company incorporated under the laws of France, having its registered office at 3 Rue d'Antin, 75002 Paris, with offices at 33, rue de Gasperich, Howald-Hesperange, L-2085 Luxembourg.

**“BNP Paribas Securities Services, Milan Branch”** means the Milan branch of BNP Paribas Securities Services, a company incorporated under the laws of France, having its registered office at 3 Rue d'Antin, 75002 Paris, with office at Via Ansperto No. 5, 20123 Milan, Italy.

**“Bookrunners”** means Capitalia, HSBC and Morgan Stanley, and **“Bookrunner”** means each of them.

**“Borrower”** means, in relation to a Mortgage Loan Agreement, any person who has executed it

as borrower.

**“Business Day”** means any day on which the Trans-European Automated Real Time Gross Transfer System (TARGET) (or any successor thereto) is open.

**“Calculation Agent”** means Capitalia or any other person acting as calculation agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Cancellation Date”** means the earlier of (i) the date on which the Notes have been redeemed in full, (ii) the Final Maturity Date and (iii) the date on which the Representative of the Noteholders has certified to the Issuer and the Noteholders that there are no more Issuer Available Funds to be distributed as a result of no additional amount or asset relating to the Portfolio being available to the Issuer at which date any amount outstanding, whether in respect of interest, principal or other amounts in respect of the Notes, shall be finally and definitively cancelled.

**“Capital Mortgage”** means Capital Mortgage S.r.l., a company incorporated under the laws of the Republic of Italy, Fiscal Code and enrolment with the Companies Register of Rome No. 09218891001, enrolled under No. 39051 with the General Register held by *Ufficio Italiano dei Cambi* pursuant to Article 106 of the Consolidated Banking Act and in the Special Register held by the Bank of Italy pursuant to Article 107 of the Consolidated Banking Act, having its registered office at Via Eleonora Duse No. 53, 00197 Rome, Italy, and having as its sole corporate object the realisation of securitisation transactions pursuant to Article 3 of the Securitisation Law.

**“Capitalia”** means Capitalia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, whose registered office is at Via Marco Minghetti No. 17, 00187 Rome, Italy, VAT and enrolment with the Companies Register of Rome No. 00644990582 and enrolled with the register of banks held by the Bank of Italy pursuant to Article 13 of the Consolidated Banking Act.

**“Cash Allocation Management and Payment Agreement”** means the cash allocation management and payment agreement entered into on or about the Issue Date between the Issuer, the Calculation Agent, the Account Banks, the Cash Manager, the Originator, the Subordinated Loan Provider, the Servicer, the Principal Paying Agent, the Luxembourg Paying Agent, the Luxembourg Listing Agent, the Corporate Servicer and the Representative of the Noteholders, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Cash Manager”** means Banca di Roma or any other person acting as cash manager pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Cash Reserve”** means the amounts standing from time to time to the balance of the Cash Reserve Account and the Cash Reserve Investment Account.

**“Cash Reserve Account”** means the Euro denominated Account with No. 100309/35 established in the name of the Issuer with the Italian Account Bank (i) into which on the Issue Date, the Initial Cash Reserve Amount and, on each Payment Date prior to the service of a Trigger Notice (other than the Payment Date on which the Notes will be fully redeemed) the Scheduled Cash Reserve Amount, in accordance with the applicable Priority of Payments shall be credited and (ii) out of which amounts shall be transferred into the Cash Reserve Investment Account and the Payments Account, in accordance with the Cash Allocation, Management and Payment Agreement.

**“Cash Reserve Amortisation Conditions”** means the following conditions:

- (i) the balance of the Cash Reserve having been equal to the Scheduled Cash Reserve Amount at the immediately preceding Payment Report Date;
- (ii) the unpaid Principal Deficiency being equal to zero at the immediately preceding Payment Date following payments under the applicable Priority of Payments are made;
- (iii) the Cumulative Gross Default Level not exceeding 3.5 per cent.; and
- (iv) the aggregate Outstanding Principal Amounts of all Mortgage Loans having Instalments in arrears for more than 90 (ninety) days, not exceeding 3.5 per cent. of the Outstanding Principal Amount of all Mortgage Loans comprised in the Portfolio.

**“Cash Reserve Investment Account”** means the Euro denominated Account with No. 627356EURCURR4 established in the name of the Issuer with the English Account Bank for the deposit (i) and investment of all the amounts transferred from the Cash Reserve Account and (ii) of the proceeds from the investment thereof.

**“Class”** shall be a reference to a class of Notes, being the Class A1 Notes, the Class A2 Notes, the Class B Notes or the Class C Notes and **“Classes”** shall be construed accordingly.

**“Class A Gross Cumulative Defaults Trigger”** means the trigger which is breached if on a Payment Date the Cumulative Gross Default Level is equal to or greater than 15 per cent.

**“Class A1 Noteholder”** means any Holder of a Class A1 Notes and **“Class A1 Noteholders”** means all of them.

**“Class A2 Noteholder”** means any Holder of a Class A2 Notes and **“Class A2 Noteholders”** means all of them.

**“Class A Notes”** means the Class A1 Notes and the Class A2 Notes, collectively.

**“Class A Principal Subordination Event”** means on any Payment Date, the ratio, expressed as a percentage, between (a) the unpaid Principal Deficiency as of the immediately preceding Payment Report Date and (b) the Portfolio Initial Outstanding Principal Amount, being higher than 1.0 per cent.

**“Class A1 Notes”** means the € 1,736,000,000 Class A1 Asset Backed Floating Rate Notes Series 2007-1 due January 2047.

**“Class A2 Notes”** means the € 644,000,000 Class A2 Asset Backed Floating Rate Notes Series 2007-1 due January 2047.

**“Class B Gross Cumulative Defaults Trigger”** means the trigger which is breached if on a Payment Date the Cumulative Gross Default Level is equal to or greater than 7 per cent.

**“Class B Noteholder”** means the Holder of a Class B Notes and **“Class B Noteholders”** means all of them.

**“Class B Notes”** means the € 74,000,000 Class B Asset Backed Floating Rate Notes Series 2007-1 due January 2047.

“**Class C Noteholder**” means the Holder of a Class C Notes and “**Class C Noteholders**” means all of them.

“**Class C Notes**” means the € 25,350,000 Class C Asset Backed Floating Rate Notes Series 2007-1 due January 2047.

“**Clean-Up Call Option**” means the option provided for by the Transfer Agreement pursuant to Article 1331 of the Italian Civil Code, according to which the Originator may repurchase from the Issuer (in whole but not in part), as block and at once, all the Receivables comprised in the Portfolio not already collected as of the date of exercise of such option, starting from the date on which the aggregate of the Outstanding Principal of the Portfolio is equal to or less than 10 per cent. of the Initial Purchase Price of the Portfolio.

“**Clearstream**” means Clearstream Banking, société anonyme.

“**Collateral Account**” means the account to be opened in the name of the Issuer with an Eligible Institution if any Collateral Amounts are posted as collateral pursuant to the CSA for the Hedging Agreement.

“**Collateral Amounts**” means any payments made to or deposits of securities made with the Issuer as collateral pursuant to the CSA to the Hedging Agreement.

“**Collateral Portfolio**” means, on a given date, the aggregate of all Receivables owned by the Issuer which are not Defaulted Receivables as of that date, comprised in the Portfolio.

“**Collateral Portfolio Outstanding Principal**” means the sum of the Outstanding Principal of all the Receivables comprised in the Collateral Portfolio.

“**Collateral Security**” means the Guarantees and the Mortgages, and “**Collateral Securities**” means all of them.

“**Collection Date**” means the last calendar day of March, June, September and December of each year.

“**Collection Expenses**” means the administrative expenses relating to the collection and dispatching afforded by Banca di Roma in connection with the Receivables.

“**Collection Period End Date**” means the last calendar day of March, June, September and December of each year.

“**Collections Policies**” means the procedures for the management, collection and recovery of Receivables attached as Schedule 4 to the Servicing Agreement.

“**Collections**” means the Interest Collections and the Principal Collections, collectively.

“**Condition**” means a condition of the Terms and Conditions.

“**Confirmation**” means the confirmation between the Hedging Counterparty and the Issuer evidencing the terms of the transactions under the Hedging Agreement.

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

“**CONSOB Resolution No. 11768**” means CONSOB Resolution No. 11768 of 23 December

1998, as amended by CONSOB Resolutions No. 12497 of 20 April 2000 and No. 13085 of 18 April 2001, as subsequently amended and supplemented from time to time.

**“Consolidated Banking Act”** means Legislative Decree No. 385 of 1 September 1993, as subsequently amended and implemented from time to time.

**“Corporate Servicer”** means KPMG or any other person acting as corporate servicer pursuant to the Corporate Services Agreement from time to time.

**“Corporate Services”** means the services which the Corporate Servicer will provide to the Issuer pursuant to the Corporate Services Agreement.

**“Corporate Services Agreement”** means the corporate services agreement entered into on or about the Issue Date between the Issuer and the Corporate Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Counterclaim”** means any counterclaim raised by a Debtor and/or a Mortgagor and/or a Guarantor or the insolvency receiver of any Debtor or Mortgagor in respect of any Receivable in the circumstances referred to in the Warranty and Indemnity Agreement.

**“Criteria”** means the objective criteria for the identification of the Receivables set out in Schedule 1 of the Transfer Agreement and in the section entitled *“The Portfolio”* above.

**“CSA”** means the ISDA 1995 Credit Support Annex (Bilateral Form – Transfer - English Law).

**“Cumulative Gross Default Level”** means, on any Payment Date, the ratio between: (a) the Cumulative Outstanding Principal Amount of the Defaulted Receivables included in the Portfolio, and (b) the aggregate Outstanding Principal Amount of all Mortgage Loans of the Portfolio as of the Valuation Date.

**“Cumulative Outstanding Principal Amount”** means the aggregate Outstanding Principal Amount of all the Defaulted Receivables which, for the first time, have become Defaulted Receivables during the period between the Valuation Date and the Collection Date immediately preceding the relevant Payment Date, as at the date each such Receivable became a Defaulted Receivable.

**“Debtor”** means any borrower and any other person or entity who or which entered into a Mortgage Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due under a Mortgage Loan Agreement, as a consequence of having granted any Guarantee to Banca di Roma or having assumed the borrower's obligation under an assumption (*accollo*), or otherwise.

**“Decree No. 213”** means Italian Legislative Decree No. 213 of 24 June 1998, as amended and supplemented from time to time.

**“Decree No. 239”** means Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented from time to time and any related regulations.

**“Decree 239 Deduction”** means any withholding or deduction for or on account of *“imposta sostitutiva”* under Decree No. 239.

**“Decree No. 350”** means Italian Law Decree No. 350 of 25 September 2001, converted into law with amendments by Law No. 409 of 23 November 2001, as amended and supplemented from time to time.

**“Decree No. 351”** means Italian Law Decree No. 351 of 25 September 2001, as amended and supplemented from time to time.

**“Decree No. 435”** means Italian Legislative Decree No. 435 of 21 November 1997, as amended and supplemented from time to time.

**“Deed of Charge”** means the English law deed of charge entered into on or about the Issue Date between the Issuer and the Representative of the Noteholders (acting on behalf of the Noteholders and of the Other Issuer Creditors), as from time to time modified in accordance with the provisions herein contained and including any agreement or other document expressed to be supplemental thereto.

**“Deed of Pledge”** means the Italian law deed of pledge entered into on or about the Issue Date between the Issuer, the Italian Account Bank, the Cash Manager, the Principal Paying Agent and the Representative of the Noteholders (acting on behalf of the Noteholders and of the Other Issuer Creditors), as from time to time modified in accordance with the provisions herein contained and including any agreement or other document expressed to be supplemental thereto.

**“Defaulted Receivables”** means any Receivables arising from Mortgage Loan Agreements (i) in respect of which there are Instalments past due and unpaid for more than 180 days after the Scheduled Instalment Date or (ii) classified, also before the expiry of the above-mentioned period of 180 days, as *“incaglio”* or *“in sofferenza”* pursuant to the Collections Policies.

**“Defaulting Party”** has the meaning ascribed to it in the Hedging Agreement.

**“Deferred Purchase Price”** means the deferred purchase price of the Portfolio, being composed by various amounts each of which due and calculated with reference to each Quarterly Collection Period comprised between the Issue Date and the Cancellation Date. The amount of the Deferred Purchase Price due for each Interest Period is equal to:

- (i) zero, until the Subordinated Loan has not been repaid; and
- (ii) after the Subordinated Loan has been repaid, the difference (if positive) between A – B where:

“A” means an amount equal to the sum of: (a) the interest accrued on the Mortgage Loans during the relevant Quarterly Collection Period, net of any devaluation or loss recorded by the Servicer at the end of such Quarterly Collection Period; plus, (b) any Recoveries and defaulted interests and penalties due pursuant to the Mortgage Loan Agreements and collected during such Quarterly Collection Period (including any penalties due as a result of any early repayment of the Mortgage Loan Agreements); plus, (c) any further profit recorded by the Servicer at the end of such Quarterly Collection Period; plus (d) any interest accrued on the Accounts and any profit accrued on the investments made pursuant to the Cash Allocation, Management and Payment Agreement during such Quarterly Collection Period; plus (e) the Originator Indemnity Amounts paid by the Originator to the Issuer in

during such Quarterly Collection Period pursuant to the Servicing Agreement; plus (f) the amounts due and payable to the Issuer pursuant to the Hedging Agreement during such Interest Period; and

“B” means an amount equal to the portion of general expenses of the Issuer relating to the Securitisation and the expenses, costs and charges (including operative, financial, ordinary, extraordinary, foreseen or unforeseen expenses, costs and charges of the Securitisation), accrued in or in any event relating to such Quarterly Collection Period (including any taxes to be paid by the Issuer in relation to the Securitisation, fees and reimbursement of expenses due to the various parties involved in the Securitisation, the payments due by the Issuer pursuant to the Hedging Agreement, the interests due under the Notes, the interest accrued and unpaid on the Purchase Price of the Portfolio and any other amount due and payable to the Issuer pursuant to the Transaction Documents),

all the above increased on any Issuer Available Funds which are not used by the Issuer on the relevant Payment Date in order to discharge any obligation ranking senior to the Deferred Purchase Price under the Priority of Payments.

“**Delinquent Instalment**” means an Instalment which remains unpaid by the Debtor for 30 days or more after the Scheduled Instalment Date.

“**Delinquent Receivable**” means any Receivable which is not a Defaulted Receivable and with respect to which there is at least one Delinquent Instalment.

“**Downgrading**” means the rating of Capitalia or any substitute Account Guarantee Provider falling below the Minimum Rating.

“**ECOFIN**” means the EU Council of Economic and Finance Ministers.

“**Eligible Account**” means the Euro denominated Account with No. 800783501, ABI 3479, CAB 1600, swift PARBITMM, established in the name of the Issuer with the Principal Paying Agent, where, if at any time the aggregate of:(i) the balance of the amounts standing to the credit of the BdR Accounts and (ii) the amounts of the Eligible Investments made with sums of the BdR Accounts, exceeds the 20 per cent. of the Principal Amount Outstanding of the Notes *minus* Euro 35,158,848.00, then the Issuer shall immediately transfer the relevant exceeding amount.

“**Eligible Institution**” means a depository institution organised under the laws of any state which is a member of the European Union or of the United States, the short-term unsecured and unsubordinated debt obligations of which are rated at least F1 by Fitch, P-1 by Moody’s and A-1+ by S&P or, provided that the amounts of all deposit or investment held at any time by the Issuer with all A-1 institutions (including the guaranteed accounts) does not exceed 20 per cent. of the Principal Amount Outstanding of the Notes, A-1 by S&P or such other rating as may be acceptable to the Rating Agencies.

“**Eligible Investments**” means any Euro denominated investment which shall include any senior, unsubordinated debt security investment, money market fund, commercial paper, deposit or other debt instruments issued by, or fully and unconditionally guaranteed on an unsubordinated basis by, or held at, an institution having at least the following ratings for the maturity (or the residual maturity as applicable) as indicated:



Maturity	Fitch	Moody's	S&P
1 – 3 months	F1+	A1 and/or P-1	A-1+
Less than 1 month	F1	A2 and /or P-1	A-1

provided that:

- (i) any such investment shall have a maturity date falling no later than the third Business Day (inclusive) preceding the following Payment Date and as for investments rated A-1 by S&P such investments shall have a maturity which is the earlier of (a) the date falling 30 days after; and (b) a few days before the next succeeding Payment Date;
- (ii) a fixed principal amount at maturity shall be at least equal to the principal amount invested and in case of disposal of the eligible investment before maturity, there should be no penalty upon disposal and the principal amount upon disposal shall be at least equal to the principal amount invested;
- (iii) in the case of money market fund, any such investment shall have a rating of “MR1+ Aaa” by Moody's, “AAAm” or “AAAm-G” by S&P and “AAA” and “V1+” by Fitch; and
- (iv) the aggregate nominal amount of all A-1 investments plus the amount deposited at any time in all Accounts with a rating of A-1 from S&P (including those guaranteed by an A-1 institution) shall not, at any time, exceed 20 per cent. of the then Principal Amount Outstanding of the Notes.

**“Eligible Investments Maturity Date”** means the third Business Day immediately preceding each Payment Date.

**“EMU”** means the European Economic and Monetary Union introduced pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union.

**“English Account Bank”** means Banca di Roma, London Branch or any other person, being an Eligible Institution, acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“EURIBOR”** shall have the meaning ascribed to it in Condition 5 (*Interest*).

**“Euro”, “€” and “cents”** refer to the single currency introduced in the Member States of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25 March 1957, as amended by, *inter alia*, the Single European Act 1986, the Treaty of the European Union of 7 February 1992 establishing the European Union and the European Council of Madrid of 16 December 1995.

**“Euroclear”** means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

**“European Union Insolvency Regulation”** means European Council Regulation (EC) No. 1346 of 29 May 2000 on insolvency proceeding, as amended and supplemented from time to time.

**“Euro-Zone”** means the region comprised of Member States of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht

on 7 February 1992).

**“Expense Account”** means the Euro denominated account established in the name of the Issuer with the Italian Account Bank with No. 100310/36 (i) into which the Retention Amount shall be credited and (ii) out of which the Expenses will be paid during each Interest Period.

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

**“Expert”** means an internationally recognised accountancy or a legal firm or a company with expertise in the recovery of claims, in each case selected by the Issuer.

**“External Auditor”** means a firm of internationally recognised auditors acceptable to the Representative of the Noteholders appointed to produce a report in respect of the data provided by the Servicer in the Quarterly Servicer’s Report of January of each calendar year.

**“Extraordinary Resolution”** means a resolution passed at a Meeting of the relevant Noteholders, duly convened and held in accordance with the provisions contained in the Rules of the Organisation of the Noteholders, by a majority of not less than three quarters of the votes cast.

**“Final Maturity Date”** means the Payment Date falling in January 2047.

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

**“First Payment Date”** means the Payment Date falling on 30 July 2007.

**“Fitch”** means Fitch Ratings Limited.

**“Foundation Corporate Servicer”** means KPMG or any other person acting as foundation corporate servicer pursuant to the Foundation Corporate Services Agreement from time to time.

**“Foundation Corporate Services Agreement”** means the foundation corporate services agreement entered into on or about the Issue Date between the Issuer and the Foundation Corporate Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“FSMA”** means the Financial Services and Markets Act 2000.

**“Further Securitisation”** means any further securitisation transaction which may be carried out by the Issuer pursuant to the Securitisation Law and in accordance with Condition 3.2 (*Further Securitisations*).

**“Guarantee”** means any guarantee (but does not include any Mortgages), given to the Originator guaranteeing the repayment of the Receivables.

**“Guaranteed Amount”** means the amount guaranteed under the Account Guarantee, being equal to:

- (a) up to the date of the first renewal (included) of the Account Guarantee, Euro 495,860,000.00; and
- (b) starting from the second renewal of the Account Guarantee and on each annual renewal thereafter, the higher between (i) 20 per cent. of the then Principal Amount Outstanding of the Notes and (ii) Euro 35,158,848.00,

in both cases *minus* the amount of all the payments already made by the Account Guarantee Provider under the Account Guarantee during the 364 days period on which the relevant Guaranteed Amount is applicable.

**“Guarantor”** means any person, other than a Mortgagor, who has granted a Guarantee.

**“Hedging Agreement”** means the hedging agreement entered into on or about the Issue Date between the Issuer and the Hedging Counterparty, 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.

**“Hedging Counterparty”** means HSBC or any other person acting as hedging counterparty pursuant to the Hedging Agreement from time to time.

**“Hedging Payment Date”** means 2 Business Days before each Payment Date, being the date on which the Hedging Counterparty shall make the payments due to the Issuer pursuant to the terms of the Hedging Agreement.

**“Holder”** of a Note means the beneficial owner of a Note.

**“HSBC”** means HSBC Bank plc, a public limited company incorporated under the laws of England and Wales, having its registered offices at 8 Canada Square, London E14 5HQ, United Kingdom.

**“Individual Purchase Price”** means the price of the each Receivable, as indicated in Schedule 3 of the Transfer Agreement, being equal to the Principal Component of the relevant Receivable.

**“Initial Cash Reserve Amount”** means an amount of Euro 37,190,250.00 to be funded by way of the Subordinated Loan and to be paid into the Cash Reserve Account on or about the Issue Date.

**“Initial Interest Period”** means the first Interest Period, that shall begin on (and include) the Issue Date and end on (but exclude) the First Payment Date.

**“Initial Period”** means the period commencing on the Issue Date and ending on the Payment Date falling in January 2009 (excluded).

**“Initial Principal Amount”** means the principal amount of the Notes in the Issue Date.

**“Initial Purchase Price”** means, the initial purchase price of the Portfolio, being equal to the sum of all the Individual Purchase Prices of the Receivables comprised in the Portfolio.

**“Insolvency Event”** means in respect of any company or corporation that:

- (a) such company 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 also any equivalent or analogous proceedings under the law of any jurisdiction in which such company or corporation is deemed to carry on business 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 or corporation are subject to a *pignoramento* or similar procedure having a similar effect (other than in the case of the Issuer, any portfolio of assets purchased by the Issuer for the purposes of further securitisation transactions), unless in the opinion of the Representative of the Noteholders, such proceedings are being disputed in good faith with a reasonable prospect of success; or

- (b) an application for the commencement of any of the proceedings under (a) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Noteholders, the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (c) such company 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 the case of the Issuer, the Other Issuer Creditors) 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; or
- (d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation (except a winding-up 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 Noteholders) or any of the events under Article 2484 of the Italian civil code occurs with respect to such company or corporation.

**"Instalment"** means with respect to each Mortgage Loan Agreement, each instalment due from the relevant Debtor thereunder and which consists of an Interest Instalment and a Principal Instalment.

**"Insurance Policy"** means an insurance policy taken out in relation to a Real Estate Asset and the related Mortgage Loan.

**"Intercreditor Agreement"** means the agreement entered into on or about the Issue Date between the Issuer and the Other Issuer Creditors, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**"Interest Amount"** means the amount of interest payable on each Class of Notes in respect of the relevant Interest Period as determined in accordance with Condition 5 (*Interest*).

**"Interest Amount Arrears"** means any Interest Amounts which are unpaid on their due date and remain unpaid in respect of the Notes of any Class.

**“Interest Collection Account”** means the Euro denominated Account with No. 100306/33 established in the name of the Issuer with the Italian Account Bank (i) into which all the Interest Collections and all the Recoveries from time to time, respectively, received and recovered by the Servicer shall be credited, in accordance with the provisions of the Servicing Agreement and (ii) out of which amounts shall be transferred into the Interest Collection Investment Account and the Payments Account, in accordance with the Cash Allocation, Management and Payment Agreement.

**“Interest Collection Investment Account”** means the Euro denominated Account with No. 627356EURCURR1 established in the name of the Issuer with the English Account Bank for the deposit (i) and investment of all the amounts transferred from the Interest Collection Account and (ii) of the proceeds from the investment thereof.

**“Interest Collections”** means all the amounts paid in respect of Interest Instalments due under the Receivables (which are not Defaulted Receivables) and any other amounts (other than Principal Instalments) whatsoever paid in respect of such Receivables, including without limitations, the penalties and the indemnities payable by the Debtors upon withdrawal from termination of the Mortgage Loan Agreements.

**“Interest Determination Date”** means, with respect to the Initial Interest Period, the date falling two Business Days prior to the Issue Date and with respect to each subsequent Interest Period, the date falling two Business Days prior to the Payment Date at the beginning of such Interest Period.

**“Interest Instalment”** means, the interest component of each Instalment.

**“Interest Payment Amount”** has the meaning given to it in Condition 5.3 (*Interest - Determination of Rates of Interest and Calculation of Interest Payments*).

**“Interest Period”** means each period from (and including) a Payment Date to (but excluding) the next following Payment Date.

**“Interest Shortfall Amount”** means, with reference to each Payment Date, the difference (if positive) between:

- (a) the amount necessary for the payment in full of:
  - (i) items *First* to *Fifth* (inclusive), plus items *Seventh* and *Ninth* of the Pre-Trigger Interest Priority of Payments; or
  - (ii) from (and including) the Payment Date on which the Class B Gross Cumulative Defaults Trigger has occurred to (and including) the Payment Date on which the Class B Notes are redeemed in full, items from *First* to *Fifth* (inclusive) plus item *Seventh* of the Pre-Trigger Interest Priority of Payments; or
  - (iii) from (and including) the Payment Date on which the Class A Gross Cumulative Defaults Trigger has occurred to (and including) the Payment Date on which the Class A Notes are redeemed in full, items *First* to *Fifth* (inclusive) of the Pre-Trigger Interest Priority of Payments; and
- (b) the Issuer Interest Available Funds.

**“Investment Account”** means each of the Principal Collection Investment Account, the Cash Reserve Investment Account, the Interest Collection Investment Account and the Transaction Investment Account, and **“Investment Accounts”** means all of them.

**“Investors Report”** means the quarterly report issued by the Calculation Agent on the Investors Report Date, setting out certain information with respect to the Notes and sent to Bloomberg as well as to main investors website platforms.

**“Investors Report Date”** means the 15th Business Day following each Payment Date.

**“IRAP”** means the regional tax on productive activities at a rate of 4.25 per cent.

**“IRES”** means *imposta sul reddito delle società* applied on the corporate taxable income.

**“ISDA”** means the International Swaps and Derivatives Association, Inc.

**“Issue Date”** means 16 May 2007.

**“Issue Price”** means 100 per cent.

**“Issuer”** means Capital Mortgage.

**“Issuer Available Funds”** means with reference to each Payment Date, the aggregate of:

- (a) the Issuer Principal Available Funds, and
- (b) the Issuer Interest Available Funds.

**“Issuer Interest Available Funds”** means, with reference to each Payment Date, the aggregate of:

- (a) all Interest Collections received by the Servicer in accordance with the Servicing Agreement during the immediately preceding Quarterly Collection Period;
- (b) all Recoveries made by the Servicer in accordance with the Servicing Agreement during the immediately preceding Quarterly Collection Period;
- (c) all amounts paid by the Hedging Counterparty pursuant to the Hedging Agreement;
- (d) interest (if any) accrued on and credited to the Accounts (other than the Expense Account) during the immediately preceding Quarterly Collection Period;
- (e) all Originator Indemnity Amounts received by the Issuer during the immediately preceding Quarterly Collection Period;
- (f) any profit (including capital gain, if any) generated by or interest accrued on the Eligible Investments made with the amounts relating to the immediately preceding Quarterly Collection Period;
- (g) the interest component of the proceeds from the sale (including any capital gain, if any) of any Receivables made during the immediately preceding Quarterly Collection Period;
- (h) the Cash Reserve as of the immediately preceding Collection Period End Date;

- (i) any amount payable on such Payment Date out of the Issuer Principal Available Funds as Interest Shortfall Amount; and
- (j) all interest amounts received by the Issuer from any party to the Transaction Documents during the immediately preceding Quarterly Collection Period not already included in the items above.

**“Issuer Principal Available Funds”** means, with reference to each Payment Date, the aggregate of:

- (a) all Principal Collections received by the Servicer in accordance with the Servicing Agreement during the immediately preceding Quarterly Collection Period;
- (b) the aggregate of all amounts (if any) payable under items *Sixth*, *Eighth* and *Tenth* of the Pre-Trigger Interest Priority of Payments on such Payment Date towards reduction of the debit balance of the Principal Deficiency Ledgers;
- (c) the principal component of the proceeds from the sale of any Receivables made during the immediately preceding Quarterly Collection Period;
- (d) any amount paid by the Originator to the Issuer as adjustment of the Purchase Price pursuant to the Transfer Agreement during the immediately preceding Quarterly Collection Period; and
- (e) all principal amounts received by the Issuer from any party to the Transaction Documents during the immediately preceding Quarterly Collection Period not already included in the items above.

**“Issuer's Rights”** mean the Issuer's rights under the Transaction Documents.

**“Issuer Security”** means the security interests created under the Security Documents and any other agreement entered into by the Issuer from time to time and granted as security to the Other Issuer Creditors (or some of them) or to the Representative of the Noteholders for all or some of the Other Issuer Creditors.

**“Italian Account Bank”** means Banca di Roma or any other person, being an Eligible Institution, acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Italian Bankruptcy Law”** means Royal Decree No. 267 of 16 March 1942, as amended and supplemented from time to time.

**“Italy”** means the Republic of Italy.

**“Joint Lead Managers”** means Capitalia, HSBC and Morgan Stanley in their capacity as joint lead managers and Bookrunners for the Notes and **“Joint Lead Manager”** means each of them.

**“KPMG”** means KPMG Fides Servizi di Amministrazione S.p.A., a joint stock company incorporated under the laws of Italy, registered with No. 00731410155 in the Companies Register of Milan, having its registered office at Via Vittor Pisani No. 27, 20124 Milan, Italy and acting through its office in Via Eleonora Duse No. 53, 00197 Rome, Italy.

**“Law No. 383”** means Law No. 383 of 18 October 2001, as amended and supplemented from time to time.

**“Letter of Undertakings”** means the letter of undertakings entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders, Banca di Roma and the Sole Quotaholder, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof.

**“Limited Recourse Loan”** means the limited recourse loan to be advanced by Banca di Roma to the Issuer pursuant to the Warranty and Indemnity Agreement in the event of any breach of any of the representations and warranties of Banca di Roma under such agreement in relation to any Receivables, in an amount equal to the relevant Mortgage Loan Value.

**“Long-term Rating”** means, within the Hedging Agreement, a rating assigned in respect of an entity’s long-term, unsecured and unsubordinated debt obligations.

**“Luxembourg Listing Agent”** means BNP Paribas Securities Services, Luxembourg Branch or any other person acting as Luxembourg listing agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Luxembourg Paying Agent”** means BNP Paribas Securities Services, Luxembourg Branch or any other person acting as Luxembourg paying agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Luxembourg Stock Exchange”** means the Luxembourg Stock Exchange.

**“Mandate Agreement”** means the mandate agreement entered into on or about the Issue Date between the Issuer and the Representative of the Noteholders, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Master Definitions Agreement”** means the master definitions agreement entered into on or about the Issue Date between all the parties to each of the Transaction Documents, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Meeting”** means a meeting of Noteholders duly convened (whether originally convened or resumed following an adjournment) and held in accordance with the provisions contained in the Rules of the Organisation of the Noteholders.

**“Minimum Rating”** means, an unguaranteed, unsecured and unsubordinated short term debt rating assigned by S&P of at least (i) A1 for Capitalia and (ii) A1+ for any substitute Account Guarantee Provider.

**“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 including any depository banks appointed by Euroclear and Clearstream.

**“Monte Titoli Mandate Agreement”** means the agreement entered into on or about the Issue



Date between the Issuer and Monte Titoli, 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.

**“Monthly Collection Period”** means each period of one month, commencing on (and including) the first calendar day of each month and ending respectively on (and including) the last calendar day of each month, and in the case of the first Monthly Collection Period, commencing on (and including) 1 May 2007 and ending on (and including) 31 May 2007.

**“Monthly Servicer’s Report”** means the monthly report setting out certain information in relation to the performance of the Receivables and the Mortgages during the preceding Monthly Collection Period which shall be delivered by the Servicer on each Monthly Servicer’s Report Date pursuant to the Servicing Agreement.

**“Monthly Servicer’s Report Date”** means the fifteenth day of each month or, if such day is not a Business Day, the immediately following Business Day and the first Monthly Servicer’s Report Date will be 15 June 2007.

**“Moody’s”** means Moody’s Investors Service Inc.

**“Morgan Stanley”** means Morgan Stanley & Co. International Limited, a private limited company incorporated under the laws of England and Wales, having its registered office is at 25 Cabot Square, Canary Wharf, London E14 4QW, United Kingdom.

**“Mortgage Loan”** or **“Loan”** means a loan granted by Banca di Roma to a borrower and secured by a mortgage, which qualifies as a *mutuo fondiario* for the purposes of Italian law and regulations in force as at the Transfer Date, the receivables in respect of which have been transferred by Banca di Roma to the Issuer pursuant to the Transfer Agreement.

**“Mortgage Loan Agreement”** means an agreement under which a Mortgage Loan has been granted by Banca di Roma to a borrower and out of which the Receivables arise, and **“Mortgage Loan Agreements”** means all of them.

**“Mortgage Loan Value”** means the amount to be advanced under any Limited Recourse Loan, being equal to the sum of (a) the Outstanding Balance of the relevant Mortgage Loan as of the date on which the Limited Recourse Loan is granted; (b) the costs and the expenses (including without limitation, the legal fees and the disbursements plus VAT, if applicable) incurred by the Issuer in respect of the relevant Receivable up to the date on which the Limited Recourse Loan is granted; (c) the damages and the losses incurred by the Issuer as a consequence of any claim raised by any third party in respect of the relevant Receivable up to the date on which the Limited Recourse Loan is granted; plus (d) an amount equal to the interest which would have accrued on the Outstanding Principal of the relevant Receivable (calculated on the basis of a rate equal to EURIBOR applicable during the relevant accrual period, plus a margin of 2 per cent.) between the date on which the Limited Recourse Loan is granted and the maturity date of the relevant Mortgage Loan Agreement.

**“Mortgages”** means the mortgage securities (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Receivables.

**“Mortgagor”** means any person, either a borrower or a third party, who has granted a Mortgage

in favour of Banca di Roma to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

**“Most Senior Class of Noteholders”** means the holders of the Most Senior Class of Notes.

**“Most Senior Class of Notes”** means the Class of Notes outstanding which ranks highest with respect to the repayment of principal pursuant to Condition 2.2. (*Priority*) and in accordance with the applicable Priority of Payments.

**“Noteholders”** means the Holders of the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class C Notes, collectively, and **“Noteholder”** means each of them.

**“Notes”** means the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class C Notes, collectively.

**“Offering Circular”** means the offering circular made in relation to the issue of the Notes.

**“Official Gazette”** means the *Gazzetta Ufficiale della Repubblica Italiana*.

**“Organisation of the Noteholders”** means the association of the Noteholders, organised pursuant to the Rules of the Organisation of the Noteholders.

**“Original Loan Amount”** means the amount advanced by the Originator to the Debtor in relation to each Mortgage Loan Agreement at the date of inception of such Mortgage Loan Agreement.

**“Originator”** means Banca di Roma.

**“Originator Indemnity Amounts”** means all indemnities and compensations due by the Originator to the Issuer following any renegotiations made between the Debtors and the Originator in accordance with the terms of the Servicing Agreement in respect of the interest rates and/or prepayment fees under the Mortgage Loans.

**“Other Issuer Creditors”** means the Originator, the Servicer, the Representative of the Noteholders, the Calculation Agent, the Corporate Servicer, the Foundation Corporate Servicer, the Subordinated Loan Provider, the Account Guarantee Provider, the Principal Paying Agent, the Cash Manager, the Luxembourg Paying Agent, the Italian Account Bank, the English Account Bank, the Sole Quotaholder and the Hedging Counterparty.

**“Outstanding Balance”** means, on any given date and in relation to any Mortgage Loan, the sum of the outstanding principal and the Interest Instalments due but unpaid as at that day and any outstanding penalties for accrued and unpaid Instalments with respect thereto.

**“Outstanding Principal Amount”** means, with respect to each Receivable, the aggregate principal amounts not yet due or collected (including, for the avoidance of doubt, any overdue and unpaid Principal Instalment).

**“Paying Agents”** means the Luxembourg Paying Agent and the Principal Paying Agent, collectively.

**“Payments Account”** means the Euro denominated account established in the name of the Issuer with the Principal Paying Agent with No. 800783500, ABI 3479, CAB 1600 and SWIFT PARBITMM (i) for the deposit of all the amounts paid to the Issuer by the Hedging Counterparty

pursuant to the Hedging Agreement and (ii) into which two Business Days before each Payment Date, amounts shall be transferred from the other Accounts, in accordance with the Cash Allocation, Management and Payment Agreement, so as to be applied on each such Payment Date to make payments in accordance with the applicable Priority of Payments, including, *inter alios*, the payments due to the Noteholders.

**“Payment Date”** means (a) before service of a Trigger Notice the 30<sup>th</sup> day of January, April, July, October of each year (provided that if such day is not a Business Day, the next succeeding Business Day) and (b) following service of a Trigger Notice, any Business Day specified in the Trigger Notice.

**“Payment Report Date”** means the seventh Business Day before the relevant Payment Date on which the Quarterly Payments Report is due and the first Payment Report Date will be 19 July 2007.

**“Pension Fund Tax”** means an annual substitutive tax of 11 per cent. on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes) applied to Italian resident pension funds subject to the regime provided by Articles 14, 14-ter and 14-quater, paragraph 1 of Legislative Decree No. 124 of 21 April 1993.

**“Performing Receivable”** means any Receivable which is not a Defaulted Receivable.

**“Portfolio”** means the portfolio of residential mortgage loan receivables purchased by the Issuer from Banca di Roma pursuant to the terms of the Transfer Agreement.

**“Portfolio Initial Outstanding Principal Amount”** means the Portfolio Outstanding Principal Amount as of the Valuation Date.

**“Portfolio Outstanding Principal Amount”** means, in respect of any date, the sum of the Principal Component of all the Receivables comprised in the Portfolio as of the relevant date.

**“Post-Trigger Priority of Payments”** means the order of priority in which the Issuer Available Funds shall be applied following the delivery of a Trigger Notice in accordance with Condition 4.2.

**“Post Trigger Report”** means the report setting out all the payments to be made on the following Payment Date under the Post-Trigger Priority of Payments which shall be delivered, on each Payment Report Date or upon request or the Representative of the Noteholders, by the Calculation Agent after a Trigger Notice has been served to the Issuer, the Representative of the Noteholders, each of the Other Issuer Creditors and the Rating Agencies, pursuant to the Cash Allocation, Management and Payment Agreement.

**“Pre-Trigger Interest Priority of Payments”** means the order of priority in which the Issuer Interest Available Funds shall be applied on each Payment Date prior to the service of an Trigger Notice in accordance with Condition 4.1.

**“Pre-Trigger Principal Priority of Payments”** means the order of priority in which the Issuer Principal Available Funds shall be applied on each Payment Date prior to the service of a Trigger Notice in accordance with Condition 4.2.

**“Principal Amount”** means the amount which shall be determined in relation to each Payment

Date pursuant to the provisions of the Confirmation (Amortisation Schedule) of the Hedging Agreement.

**“Principal Amount Outstanding”** means, with respect to any Note on any date, the principal amount thereof upon issue less the aggregate amount of all principal payments that have been made in respect of that Note prior to such date.

**“Principal Collection Account”** means the Euro denominated Account with No. 100307/31 established in the name of the Issuer with the Italian Account Bank (i) into which all the Principal Collections from time to time received by the Servicer shall be credited, in accordance with the provisions of the Servicing Agreement and (ii) out of which amounts shall be transferred into the Principal Collection Investment Account and the Payments Account, in accordance with the Cash Allocation, Management and Payment Agreement.

**“Principal Collection Investment Account”** means the Euro denominated Account with No. 627356EURCURR2 established in the name of the Issuer with the English Account Bank for the deposit (i) and investment of all the amounts transferred from the Principal Collection Account and (ii) of the proceeds from the investment thereof.

**“Principal Collections”** means all the amounts paid in respect of Principal Instalments relating to Receivables which are not Defaulted Receivables.

**“Principal Component”** means, on any date in relation to each Receivable, the sum of (i) all the Principal Instalments due on any subsequent Scheduled Instalment Date and (ii) any Principal Instalments due but unpaid as at that date, such amount being equal to the Individual Purchase Price of each such Receivable.

**“Principal Deficiency”** means, with reference to each Payment Report Date, the aggregate of: (a) the Outstanding Principal Amount of any Defaulted Mortgage Loan which (i) has been classified as Defaulted Mortgage Loan during the immediately preceding Quarterly Collection Period, and (ii) has never been a Defaulted Mortgage Loan before, (b) any Interest Shortfall Amount with reference to the immediately preceding Payment Date, and (c) the aggregate debit balance then resulting on any of the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger and/or the Class C Principal Deficiency Ledger (for the avoidance of doubt, prior to the allocation of such amount of Principal Deficiency).

**“Principal Deficiency Ledger”** means a ledger comprised of three ledgers (respectively, the **“Class A Principal Deficiency Ledger”**, the **“Class B Principal Deficiency Ledger”** and the **“Class C Principal Deficiency Ledger”**) which shall be established by or on behalf of the Issuer in order to record any Principal Deficiency.

**“Principal Instalment”** means the principal component of each Instalment.

**“Principal Paying Agent”** means BNP Paribas Securities Services, Milan Branch or any other person, being an Eligible Institution, acting as principal paying agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Principal Paying Agent Report”** means the report setting out certain information in respect of certain calculations to be made on the Notes pursuant to the Cash Allocation, Management and Payment Agreement and sent to the Issuer, the Servicer, the Hedging Counterparty, the

Representative of the Noteholders, the Account Banks, the Cash Manager, the Calculation Agent, the Corporate Servicer, the Luxembourg Paying Agent, Euroclear, Clearstream and Monte Titoli.

**“Priority of Payments”** means, collectively, the Priority of Payments prior to the delivery of a Trigger Notice and the Post-Trigger Priority of Payments.

**“Priority of Payments prior to the delivery of a Trigger Notice”** means the Pre-Trigger Interest Priority of Payments and the Pre-Trigger Principal Priority of Payments.

**“Privacy Law”** means (i) Italian Law n. 675 of 31 December 1996, (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) as subsequently amended, modified or supplemented from time to time, with reference to the period starting on the entry into force of such law and ending on the repealing of such law by the entry into force of Legislative Decree No. 196 of 30 June 2003, published in the Official Gazette No. 174 of 29 July 2003, Ordinary Supplement No. 123/L (hereinafter, the **“Personal Data Protection Code”**) and (ii) after such repeal of Italian Law n. 675 of 31 December 1996, the Personal Data Protection Code (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) as subsequently amended, modified or supplemented from time to time.

**“Pro-Rata Amortisation Payment Date”** means each Payment Date after the Initial Period on which the Pro-Rata Conditions have been satisfied.

**“Pro-Rata Cessation Event”** means on any Payment Date following a Pro-Rata Amortisation Payment Date, the priority of payments for the repayment of the principal of the Notes has returned to sequential for the third time (including for the avoidance of doubt, the change taking place on any such Payment Date) as a result of the non satisfaction of the Pro-Rata Conditions.

**“Pro-Rata Conditions”** means, in respect of any Payment Date, the following conditions:

- (i) the unpaid Principal Deficiency being equal to zero at the immediately preceding Payment Date following payments under the applicable Priority of Payments are made;
- (ii) the balance of the Cash Reserve being equal to the Scheduled Cash Reserve Amount at the immediately preceding Payment Report Date;
- (iii) at least five years having elapsed from the Issue Date;
- (iv) the Cumulative Gross Default Level not exceeding 3.5 per cent.;
- (v) the aggregate Outstanding Principal Amount of all Mortgage Loans having Instalments in arrears for more than 90 (ninety) days not exceeding 3.5 per cent. of the Outstanding Principal Amount of all Mortgage Loans comprised in the Portfolio;
- (vi) the Portfolio Outstanding Principal Amount being greater than 10 per cent. of the Portfolio Initial Outstanding Principal Amount; and
- (vii) the aggregate of the Principal Amount Outstanding of the Class B Notes and the Class C Notes, as a percentage of the aggregate Principal Amount Outstanding of all the Notes, being at least twice of such percentage as calculated on the Issue Date.

**“Purchase Price”** means the aggregate of the Initial Purchase Price and the Deferred Purchase Price.

**“Quarterly Collection Period”** means each period of three months, commencing on (and including) 1 January, 1 April, 1 July and 1 October of each year and ending respectively on (and including) 31 March, 30 June, 30 September and 31 December of each year, and in the case of the first Quarterly Collection Period, commencing on (and including) the Valuation Date and ending on (and including) 30 June 2007.

**“Quarterly Payments Report”** means the quarterly report setting out all the payments to be made on the following Payment Date under the applicable Priority of Payments which shall be prepared and delivered on each Payment Report Date by the Calculation Agent to, *inter alios*, the Issuer, the Representative of the Noteholders, the Servicer, the Hedging Counterparty, the Luxembourg Paying Agent, the Account Bank, the Principal Paying Agent, the Corporate Servicer and the Rating Agencies, pursuant to the Cash Allocation, Management and Payment Agreement.

**“Quarterly Servicer’s Report”** means the quarterly report setting out details of the performance of the Receivables during the relevant Quarterly Collection Period, which shall be prepared and delivered by the Servicer on each Quarterly Servicer’s Report Date to, *inter alios*, the Issuer, the Corporate Servicer, the Calculation Agent, the Representative of the Noteholders, the Principal Paying Agent, the Account Bank, the Hedging Counterparty and the Rating Agencies, pursuant to the Servicing Agreement.

**“Quarterly Servicer’s Report Date”** means the tenth Business Day preceding each Payment Date or if such day is not a Business Day, the immediately succeeding Business Day and the first Quarterly Servicer’s Report Date will be 16 July 2007.

**“Quota Capital Account”** means the Euro denominated account opened by the Issuer with Banca di Roma with No. 10293/33, for the deposit of the quota capital of the Issuer.

**“Rate of Interest”** shall have the meaning ascribed to it in Condition 5.2 (*Interest - Rate of Interest*).

**“Rating Agency”** means each of Fitch, Moody’s and S&P and **“Rating Agencies”** means both of them.

**“Real Estate Assets”** means the real estate properties which have been mortgaged in order to secure payment of the Receivables pursuant to the Mortgage Loan Agreements, and **“Real Estate Asset”** means any of them.

**“Receivables”** means each and every claim arising under or otherwise related to the Mortgage Loan Agreements meeting the Criteria, including but not limited to:

- (a) the right to be paid by the relevant Debtors any amount (including any Instalments) in relation to the Mortgage Loan Agreements due as at and after the Valuation Date, including but not limited to:
  - (i) the outstanding unpaid principal as of the Valuation Date;
  - (ii) interest (including default interests) accrued as of the Valuation Date and to accrue

after such date; and

- (iii) penalties and any other amounts in the case of early termination of the Mortgage Loan Agreements pursuant to the provisions of such Mortgage Loan Agreement;
- (b) the right to be paid any indemnity, including payments due by the Debtors in case of early termination of the Mortgage Loan Agreements; and
- (c) the right to be paid any amount due pursuant to a Collateral Security in respect of the Mortgage Loan Agreements of which the Originator is the beneficiary,

all of the above together with any right in respect of the security interests and any other type of guarantees granted in favour of the Originator, the liens and all the other ancillary rights related to such claims, but excluding any reimbursement of costs and expenses provided for by the Mortgage Loan Agreements (such as, for instance, all the amounts due as VAT, the claims for the reimbursement of the Collection Expenses and the Ancillary Expenses).

**“Recoveries”** means (i) all amounts recovered by the Servicer in respect of the Defaulted Receivables and (ii) all Collections received by the Servicer in relation to Receivables which previously have been Defaulted Receivables.

**“Reference Banks”** means three (3) major banks in the Euro-Zone inter-bank market selected by the Principal Paying Agent with the approval of the Representative of the Noteholders.

**“Relevant Margin”** has the meaning given to it in Condition 5.2 (*Interest - Rate of Interest*).

**“Representative of the Noteholders”** means BNP Paribas Securities Services, Milan Branch or any other person acting as representative of the Noteholders pursuant to the Subscription Agreement from time to time.

**“Retention Amount”** means an amount equal to € 20,000.

**“Rules of the Organisation of the Noteholders”** means the Rules of the Organisation of Noteholders 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 thereof.

**“S&P”** means Standard & Poor's Rating Services, a division of the McGraw Hill Companies.

**“Scheduled Cash Reserve Amount”** means:

- (a) to (but excluding) the Payment Date on which the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes, as a percentage of the aggregate Principal Amount Outstanding of all Notes is at least twice of such percentage as calculated on the Issue Date, an amount equal to 1.50 per cent. of the aggregate of the Initial Principal Amount of the Notes of all Classes; and
- (b) from (and including) the Payment Date on which the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes, as a percentage of the aggregate Principal Amount Outstanding of all Notes, is at least twice of such percentage as calculated on the Issue Date, the higher of

- (i) 3.0 per cent. of the Principal Amount Outstanding of the Notes on the immediately preceding Payment Date;
- (ii) 0.70 per cent. of the Initial Principal Amount of the Notes of all Classes.

*provided however that any reduction of the Cash Reserve shall be made only if all of the Cash Reserve Amortisation Conditions have been met.*

**“Scheduled Instalment Date”** means any date on which payment is due pursuant to each Mortgage Loan Agreement.

**“Screen Rate”** shall have the meaning ascribed to it Condition 5 (*Interest*).

**“Securities Account”** means the Euro denominated Account with No. 627356EURCSDY1 established in the name of the Issuer with the English Account Bank for the deposit of any Eligible Investments represented by bonds, debentures, other kinds of notes or other financial instruments purchased with the monies standing to the credit of the Investment Accounts.

**“Securities Act”** means the U.S. Securities Act of 1933, as amended and supplemented from time to time.

**“Securitisation”** means the securitisation of the Receivables made by the Issuer through the issuance of the Notes.

**“Securitisation Law”** means Italian Law No. 130 of 30 April 1999, as amended and supplemented from time to time.

**“Security”** means, collectively, the security created under the Deed of Pledge and under the Deed of Charge.

**“Security Documents”** means, collectively, the Deed of Pledge and the Deed of Charge.

**“Security Interest”** means any mortgage, charge pledge, lien, right of set-off, special privilege (*privilegio speciale*), assignment by way of security, retention of title or any other security interest whatsoever or any other agreement or arrangement having the effect of conferring security.

**“Servicer”** means Banca di Roma or any other person acting as Servicer pursuant to the Servicing Agreement from time to time.

**“Servicer Termination Event”** means any termination event of the Servicer as provided for by the Servicing Agreement.

**“Servicing Agreement”** means the servicing agreement entered into on 9 March 2007 between the Issuer and the Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Servicing Fee”** means the fee payable by the Issuer to the Servicer, in accordance with the terms of the Servicing Agreement.

**“Short-term Rating”** means, within the Hedging Agreement, a rating assigned in respect of an entity’s short-term, senior unsecured and unsubordinated debt obligations.



**“Sole Affected Party”** has the meaning ascribed to it in the Hedging Agreement.

**“Sole Arranger”** means Capitalia.

**“Sole Quotaholder”** means Stichting Oudenallerburg.

**“Stabilising Manager”** means HSBC.

**“Stichting Oudenallerburg”** means Stichting Oudenallerburg, a foundation incorporated under the laws of the Netherlands, having its registered office at Amsteldijk 166, 1079 LH Amsterdam, Netherlands.

**“Subordinated Loan”** means the limited recourse loan granted to the Issuer by the Subordinated Loan Provider pursuant to the Subordinated Loan Agreement.

**“Subordinated Loan Agreement”** means the subordinated loan agreement entered into on or about the Issue Date between the Issuer and Banca di Roma, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Subordinated Loan Provider”** means Banca di Roma in its capacity as subordinated loan provider pursuant to the Subordinated Loan Agreement and any of its permitted successors and assignees.

**Subscription Agreement** means the subscription agreement entered into on or about the Issue Date, between the Issuer, the Joint Lead Managers, the Originator and the Representative of the Noteholders, 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.

**“Supervisory Regulations for the Banks”** means the *“Istruzioni di Vigilanza per le banche”* issued by the Bank of Italy by Circular No. 229 of 21 April 1999, as amended and supplemented from time to time.

**“Supervisory Regulations for Financial Intermediaries”** means the *“Istruzioni di Vigilanza per gli Intermediari Finanziari”* issued by the Bank of Italy by Circular No. 216 of 5 August 1996, as amended and supplemented from time to time.

**“Tax Event”** shall have the meaning ascribed to it in Condition 6.4 (*Redemption for taxation reasons*).

**“Terms and Conditions”** means the terms and conditions of the Notes.

**“Transaction Account”** means the Euro denominated account established in the name of the Issuer with the Italian Account Bank with No. 100308/38 (i) into which all amounts paid to the Issuer pursuant to the Transaction Documents shall be credited, including any Originator Indemnity Amount, but excluding (a) the Collections, (b) the Recoveries and (b) the amounts paid by the Hedging Counterparty pursuant to the Hedging Agreement and (ii) out of which amounts shall be transferred into the Transaction Investment Account and the Payments Account, in accordance with the Cash Allocation, Management and Payment Agreement.

**“Transaction Documents”** means the Transfer Agreement, the Subscription Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Subordinated Loan

Agreement, the Corporate Services Agreement, the Foundation Corporate Services Agreement, the Cash Allocation, Management and Payment Agreement, the Monte Titoli Mandate Agreement, the Account Guarantee, the Intercreditor Agreement, the Hedging Agreement, the Deed of Pledge, the Deed of Charge, the Mandate Agreement, the Letter of Undertakings, the Master Definitions Agreement and the Offering Circular.

“**Transaction Investment Account**” means the Euro denominated account established in the name of the Issuer with the English Account Bank with No. 627356EURCURR3, for the deposit of (i) all the amounts transferred from the Transaction Account to the Transaction Investment Account and (ii) the proceeds from the investment thereof.

“**Transfer Agreement**” means the transfer agreement entered into on 9 March 2007 between the Issuer and Banca di Roma, 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.

“**Transfer Date**” means 9 March 2007.

“**Trigger Event**” means any of the events described in Condition 11 (*Trigger Events*).

“**Trigger Notice**” means the notice described in Condition 11 (*Trigger Events*).

“**Valuation Date**” means 1 January 2007 at 00:01 Italian time.

“**Warranty and Indemnity Agreement**” means the warranty and indemnity agreement entered into on 9 March 2007 between Banca di Roma and the Issuer, as from time to time modified in accordance with the provisions herein contained and including any agreement or other document expressed to be supplemental thereof.

## 1. **FORM, DENOMINATION AND TITLE**

1.1 The Notes are in bearer form and dematerialised and will be wholly and exclusively deposited with Monte Titoli in accordance with Article 28 of Decree No. 213, through the authorised institutions listed in Article 30 of such Decree No. 213.

1.2 The Notes will be held by Monte Titoli on behalf of the Noteholders until redemption for the account of the relevant Monte Titoli Account Holder. Title to the Notes will be evidenced by one or more book entries in accordance with the provisions of: (i) Article 28 of Decree No. 213 and (ii) CONSOB Resolution No. 11768. No physical document of title will be issued in respect of the Notes.

1.3 The Notes are issued in the denomination of € 50,000.

1.4 The rights arising from the Deed of Pledge are included in each Note.

## 2. **STATUS, PRIORITY AND SEGREGATION**

2.1 *Status*: The Notes constitute limited recourse obligations of the Issuer and, accordingly, the extent of the obligation of the Issuer to make payments under the Notes is limited to the amounts received or recovered by the Issuer in respect of the Portfolio and the Issuer's Rights subject to amount required under applicable the Priority of Payments to be paid in priority to or *pari passu* with the Notes. By holding Notes the Noteholders

acknowledge that the limited recourse nature of the Notes produces the effects of a *contratto aleatorio* under Italian law and are deemed to accept the consequences thereof, including but not limited to the provisions under Article 1469 of the Italian Civil Code. By operation of the Securitisation Law and of the Transaction Documents, the Issuer's right, title and interest in and to the Portfolio are segregated from all other assets of the Issuer and amounts deriving therefrom (to the extent identifiable) will only be available both prior to and following a winding-up of the Issuer to satisfy the obligations of the Issuer to the Noteholders and the Other Issuer Creditors, according to the applicable Priority of Payments and to any third party creditors in respect of costs, fees and expenses incurred by the Issuer to such third party creditors in relation to the Securitisation. In addition, the Notes have the benefit of security over certain assets of the Issuer pursuant to the Deed of Pledge and the Deed of Charge.

## 2.2 *Priority:*

2.2.1 In respect of the obligation of the Issuer to pay interest on the Notes before the delivery of a Trigger Notice:

- (i) the Class A1 Notes and the Class A2 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes;
- (ii) the Class B Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class C Notes, but subordinated to the Class A Notes; and
- (iii) the Class C Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves, but subordinated to the Class A Notes and the Class B Notes.

2.2.2 In respect of the obligation of the Issuer to repay principal on the Notes, after the Initial Period, but before the delivery of a Trigger Notice:

- (i) the Class A1 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class A2 Notes, the Class B Notes and the Class C Notes;
- (ii) the Class A2 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes, but subordinated to the Class A1 Notes;
- (iii) the Class B Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class C Notes, but subordinated to the Class A Notes; and
- (iv) the Class C Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves, but subordinated to the Class A Notes and the Class B Notes.

2.2.3 *Provided however that*, subject to no Trigger Notice having been served:

- (i) starting from and including any Payment Date after the Initial Period on which a Class A Principal Subordination Event has occurred and on each Payment Date (other than a Pro-Rata Amortisation Payment Date) thereafter until the Cancellation Date, the Class A1 Notes and the Class A2 Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal;
- (ii) on each Pro-Rata Amortisation Payment Date until the earlier of (a) the Payment Date (excluded) on which the Pro Rata Cessation Event occurs and (b) the Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal; and
- (iii) starting from any Payment Date (included) on which the Pro Rata Cessation Event occurs and on each Payment Date thereafter until the Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank in accordance with Condition 2.2.2 above with respect to the repayment of principal.

2.2.4 In respect of the obligation of the Issuer to pay interest and repay principal on the Notes after the delivery of a Trigger Notice:

- (i) the Class A1 Notes and the Class A2 Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes;
- (ii) the Class B Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves and in priority to the Class C Notes, but subordinated to the Class A Notes; and
- (iii) the Class C Notes will rank *pari passu* and *pro rata* without preference or priority amongst themselves but subordinated to the Class A Notes and the Class B Notes.

2.3 The Intercreditor Agreement and the Rules of the Organisation of the Noteholders contains provisions regarding the protection of the respective interests of all Noteholders in connection with the exercise of the powers, authorities, rights, duties and discretions of the Representative of the Noteholders under or in relation to the Notes or any of the Transaction Documents. If, however, in the opinion of the Representative of the Noteholders, there is a conflict between the interest of different Class of Noteholders, then the Representative of the Noteholders is required under the Rules of the Organisation of the Noteholders to have regard only to the interests of the then Most Senior Class of Noteholders.

### 3. COVENANTS

#### 3.1 Covenants by the Issuer

For so long as any amount remains outstanding in respect of the Notes of any Class, the Issuer shall not, save with the prior written consent of the Representative of the Noteholders, or as provided in or contemplated by any of the Transaction Documents:

- (i) *Negative pledge*: create or permit to subsist any Security Interest whatsoever over the Portfolio or any part thereof or over any of its other assets or sell, lend, part with or otherwise dispose of all or any part of the Portfolio or any of its assets; or
- (ii) *Restrictions on activities*:
  - (a) engage in any activity whatsoever which is not incidental to or necessary in connection with any Further Securitisation (as defined below) or with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage; or
  - (b) have any *società controllata* (as defined in Article 2359 of the Italian Civil Code) or any employees or premises; or
  - (c) at any time approve or agree or consent to any act or thing whatsoever which may be materially prejudicial to the interests of the Noteholders under the Transaction Documents and shall not do, or permit to be done, any act or thing in relation thereto which may be materially prejudicial to the interests of the Noteholders under the Transaction Documents; or
  - (d) become the owner of any real estate asset, including in the context of a foreclosure proceeding over a Real Estate Asset; or
- (iii) *Dividends or Distributions*: pay any dividend or make any other distribution or return or repay any equity capital to its quotaholders, or increase its capital, save as required by the applicable law; or
- (iv) *De-registrations*: ask for de-registration from the General Register held by *Ufficio Italiano Cambi* under Article 106 of the Consolidated Banking Act or from the Special Register held by the Bank of Italy under Article 107 of the Consolidated Banking Act, for as long as the Securitisation Law, the Consolidated Banking Act or any other applicable law or regulation requires an issuer of notes issued under the Securitisation Law or companies incorporated pursuant to the Securitisation Law to be registered thereon; or
- (v) *Borrowings*: incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of indebtedness or of any obligation of any person; or
- (vi) *Merger*: consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person; or
- (vii) *No variation or waiver*: permit any of the Transaction Documents to which it is party to be amended, terminated or discharged, or exercise any powers of consent or waiver pursuant to the terms of any of the other Transaction Documents to which it is a party, or permit any party to any of the Transaction Documents to which it is a party to be released from such obligations; or
- (viii) *Bank Accounts*: have an interest in any bank account other than the Accounts and the Quota Capital Account; or

- (ix) *Statutory Documents*: amend, supplement or otherwise modify its *statuto* or *atto costitutivo*, except where such amendment, supplement or modification is required by compulsory provisions of Italian law or by the competent regulatory authorities; or
- (x) *Centre of Interest*: move its "centre of main interest" (as that term is used in Article 3(1) of the European Union Insolvency Regulation) outside the Republic of Italy; or
- (xi) *Branch outside Italy*: establish any branch or "establishment" (as that term is used in Article 2(h) of the European Union Insolvency Regulation) outside the Republic of Italy; or
- (xii) *Corporate formalities*: cease to comply with all corporate formalities necessary to ensure its corporate existence and good standing.

### 3.2 Further Securitisations

Nothing in these Terms and Conditions or the Transaction Documents shall prevent or restrict the Issuer from carrying out any one or more other securitisation transactions pursuant to the Securitisation Law or, without limiting the generality of the foregoing, implementing, entering into, making or executing any document, deed or agreement in connection with any other securitisation transaction (the "**Further Securitisation**"), *provided that* the Issuer confirms in writing to the Representative of the Noteholders - or the Representative of the Noteholders (which, for such purpose, may rely on the advice of any certificate or opinion of or any information obtained from any lawyer, accountant, banker, broker or other expert) is otherwise satisfied - that:

- (a) the transaction documents entered into in the context of the Further Securitisation constitutes valid, legally binding and enforceable obligations of the parties thereto under the relevant governing law;
- (b) in the context of the Further Securitisation the Sole Quotaholder gives undertakings in relation to the management of the Issuer, the exercise of its rights as quotaholder or the disposal of the quotas of the Issuer which are the same as or, in the sole discretion of the Representative of the Noteholders, equivalent to the undertakings provided for in the Letter of Undertakings;
- (c) all the participants to the Further Securitisation and the holders of the notes issued in the context of such Further Securitisation will accept non-petition provisions and limited recourse provisions in all material respect equivalent to those provided in Condition 7 (*Non Petition and Limited Recourse*) below;
- (d) the security deeds or agreements entered into in connection with such Further Securitisation do not comprise or extend over any of the Receivables or any of the Issuer's Rights;
- (e) the swap transaction(s) entered into in connection with such Further Securitisation are separate from the Hedging Agreement or the hedging agreement entered into in connection with any other securitisation carried out by the Issuer;
- (f) the notes to be issued in the context of such Further Securitisation are:

- (i) not cross-collateralised or cross-defaulted with the Notes or any note issued by the Issuer in the context of any other previous Further Securitisation; and
  - (ii) include provisions which are the same as or, in the sole discretion of the Representative of the Noteholders, equivalent to this Condition 3 (*Covenants*);
- (g) the Rating Agencies have confirmed in writing that such Further Securitisation will not adversely affect the then current rating of any of the Notes.

In giving any confirmation on the foregoing, the Representative of the Noteholders may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents (as may itself consent thereto on behalf of the Noteholders) or may impose such other conditions or requirements as the Representative of the Noteholders may deem expedient or appropriate (in its reasonable discretion) in the interests of the Noteholders and may rely on any written confirmation from the Issuer or as to the matters contained therein.

For the avoidance of doubt, the provisions contained in Article 29 of the Rules of the Organisation of the Noteholders (*Exoneration of the Representative of the Noteholders*) will also apply (where appropriate) to the Representative of the Noteholders when acting under this Condition 3 (*Covenants*).

#### 4. **PRIORITY OF PAYMENTS**

##### 4.1 *Pre-Trigger Interest Priority of Payments*

Prior to service of a Trigger Notice, the Issuer Interest Available Funds shall be applied on each Payment Date in making or providing for the following payments, 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):

- (i) *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 Expense Account have been insufficient to pay such Expenses during the immediately preceding Interest Period) and (B) to credit to the Expense Account an amount (if any) to bring the balance of such account up to (but not exceeding) the Retention Amount;
- (ii) *Second*, in or towards satisfaction of the fees, costs and expenses of, and all other amounts payable to, the Representative of the Noteholders;
- (iii) *Third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts payable to, the Servicer, the Paying Agents, the Cash Manager, the Calculation Agent, the Account Banks and the Corporate Servicer;
- (iv) *Fourth*, in or towards satisfaction of all amounts due and payable by the Issuer to the Hedging Counterparty under the Hedging Agreement, except for those amounts payable under item *Fourteenth* below;

- (v) *Fifth*, in or towards satisfaction of interest due and payable but unpaid on the Class A Notes;
- (vi) *Sixth*, in or towards provision of the Issuer Principal Available Funds in the amount (if any) necessary to reduce to zero the debit balance of the Class A Principal Deficiency Ledger;
- (vii) *Seventh*, in or towards satisfaction of interest due and payable but unpaid on the Class B Notes;
- (viii) *Eighth*, in or towards provision of the Issuer Principal Available Funds in the amount (if any) necessary to reduce to zero the debit balance of the Class B Principal Deficiency Ledger;
- (ix) *Ninth*, in or towards satisfaction of interest due and payable but unpaid on the Class C Notes;
- (x) *Tenth*, in or towards provision of the Issuer Principal Available Funds in the amount (if any) necessary to reduce to zero the debit balance of the Class C Principal Deficiency Ledger;
- (xi) *Eleventh*, (with the exclusion of the Payment Date on which the Notes will be redeemed in full) to pay into the Cash Reserve Account an amount (if any) such that the balance of such account, after such payment, is equivalent to the Scheduled Cash Reserve Amount;
- (xii) *Twelfth*, in or towards satisfaction of any portion on the Initial Purchase Price due and payable but unpaid, together with all accrued but unpaid interest thereon;
- (xiii) *Thirteenth*, in or towards satisfaction of amounts (if any) due and payable by the Issuer to the Joint Lead Managers pursuant to the Subscription Agreement;
- (xiv) *Fourteenth*, to pay any termination payments payable by the Issuer to the Hedging Counterparty under the Hedging Agreement upon any early termination of such agreement if the Hedging Counterparty is the Defaulting Party or the Sole Affected Party (as these terms are defined in the Hedging Agreement);
- (xv) *Fifteenth*, to pay interest due and payable but unpaid on the Subordinated Loan;
- (xvi) *Sixteenth*, to pay, *pari passu* and *pro rata* according to the respective amount thereof, amounts due (if any): (A) as Adjustment Purchase Price or anyway under the Transfer Agreement (other than Purchase Price) and (B) under the Warranty and Indemnity Agreement;
- (xvii) *Seventeenth*, in or towards payment of the Additional Return due and payable but unpaid on the Subordinated Loan, *provided however that* the Subordinated Loan Provider may, on any Payment Date falling after the Initial Period, elect to receive all or a portion of such Additional Return by way of repayment of principal due under the Subordinated Loan;



- (xviii) *Eighteenth*, in or towards repayment of principal due and payable but unpaid on the Subordinated Loan in accordance with the Subordinated Loan Agreement, save as provided under item *Seventeenth* above; and
- (xix) *Nineteenth*, in or towards payment of the Deferred Purchase Price due and payable but unpaid.

#### 4.2 *Pre-Trigger Principal Priority of Payments.*

Prior to service of a Trigger Notice, the Issuer Principal Available Funds shall be applied on each Payment Date in making or providing for the following payments, 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):

- (i) *First*, in or towards provision of the Issuer Interest Available Funds in the amount (if any) necessary to cover any Interest Shortfall Amount;
- (ii) *Second*, in or towards satisfaction of any Principal Amount Outstanding on the Class A1 Notes;
- (iii) *Third*, upon full redemption of the Class A1 Notes, in or towards satisfaction of any Principal Amount Outstanding on the Class A2 Notes;
- (iv) *Fourth*, upon full redemption of the Class A2 Notes, in or towards satisfaction of any Principal Amount Outstanding on the Class B Notes;
- (v) *Fifth*, upon full redemption of the Class B Notes, in or towards satisfaction of any Principal Amount Outstanding on the Class C Notes;
- (vi) *Sixth*, in or towards satisfaction of amounts (if any) due and payable by the Issuer to the Joint Lead Managers pursuant to the Subscription Agreement;
- (vii) *Seventh*, in or towards payment of the Additional Return due and payable but unpaid on the Subordinated Loan, *provided however that* the Subordinated Loan Provider may, on any Payment Date falling after the Initial Period, elect to receive all or a portion of such Additional Return by way of repayment of principal due under the Subordinated Loan;
- (viii) *Eighth*, in or towards repayment of principal due and payable but unpaid on the Subordinated Loan in accordance with the Subordinated Loan Agreement, save as provided under item *Sixth* above; and
- (ix) *Ninth*, in or towards payment of the Deferred Purchase Price due and payable but unpaid.

*Provided however that:*

- (AA) subject to any change of law as described in Condition 6.5 (*Redemption, Purchase and Cancellation - Change of Law*), during the Initial Period any Issuer Available Funds which would be otherwise available on a Payment Date for repayment of principal on the Notes or for payment of items ranking below repayment of principal on the Notes under the Pre-Trigger Principal Priority of Payments shall not be used

for such purposes and may be invested in accordance with the terms of the Cash Allocation, Management and Payment Agreement. Any such amount will form part of the Issuer Principal Available Funds from the first Payment Date which falls immediately after the expiry of the Initial Period; and

(BB) subject to no Trigger Notice having been served:

- (i) starting from and including any Payment Date after the Initial Period on which a Class A Principal Subordination Event has occurred and on each Payment Date (other than a Pro-Rata Amortisation Payment Date) thereafter until the Cancellation Date, the Class A1 Notes and the Class A2 Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal;
- (ii) on each Pro-Rata Amortisation Payment Date until the earlier of (a) the Payment Date (excluded) on which the Pro Rata Cessation Event occurs and (b) the Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank *pari passu* and without preference or priority amongst themselves with respect to the repayment of principal; and
- (iii) starting from any Payment Date (included) on which the Pro Rata Cessation Event has occurred and on each Payment Date thereafter until the Cancellation Date, the Class A Notes, the Class B Notes and the Class C Notes shall rank in the sequential order of priority set out under items *Second* to *Fifth* above, with respect to the repayment of principal.

It is specified, for the sake of clarity, that no amounts may be paid out of the Issuer Principal Available Funds under items *Sixth* to *Eighth* (both included) of this Pre-Trigger Principal Priority of Payments until all Notes have been redeemed in full or cancelled.

#### 4.3 *Post Trigger Priority of Payments*

Following service of a Trigger Notice, the Issuer Available Funds shall be applied on each Payment Date in making or providing for the following payments, 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):

- (i) *First*, (A) if the Trigger Event is an Insolvency Event, to pay any mandatory expenses relating to such Insolvency Event, in accordance with Italian Bankruptcy Law and, thereafter, or upon the occurrence of any other Trigger Event, (B); 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 Expense Account have been insufficient to pay such Expenses during the immediately preceding Interest Period) and (C) to credit to the Expense Account an amount (if any) to bring the balance of such account up to (but not exceeding) the Retention Amount;
- (ii) *Second*, in or towards satisfaction of the fees, costs and expenses of, and all other amounts payable to, the Representative of the Noteholders;

- (iii) *Third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of (A) if the relevant Trigger Event is not an Insolvency Event, all outstanding fees, costs, expenses and taxes incurred (to the extent not paid under item *First* above) by the Issuer to persons who are not party to the Intercreditor Agreement, and (B) the fees, costs and expenses of, and all other amounts payable to, the Servicer, the Paying Agents, the Cash Manager, the Calculation Agent, the Account Banks, the Corporate Servicer and any receiver appointed under the Deed of Charge;
- (iv) *Fourth*, in or towards satisfaction of amounts due and payable by the Issuer to the Hedging Counterparty under the Hedging Agreement, except for any amounts payable under item *Thirteenth* below;
- (v) *Fifth*, to pay, *pari passu* and *pro rata* in accordance with the respective amount thereof, interest due and payable but unpaid on the Class A Notes;
- (vi) *Sixth*, to repay, *pari passu* and *pro rata* in accordance with the respective amount thereof, principal on the Class A Notes;
- (vii) *Seventh* upon full redemption of the Class A Notes, to pay interest due and payable but unpaid on the Class B Notes;
- (viii) *Eighth*, to repay principal on the Class B Notes;
- (ix) *Ninth*, upon full redemption of the Class B Notes, to pay interest due and payable but unpaid on the Class C Notes;
- (x) *Tenth*, to repay principal on the Class C Notes;
- (xi) *Eleventh*, in or towards satisfaction of any portion on the Initial Purchase Price due and payable but unpaid, together with all accrued but unpaid interest thereon;
- (xii) *Twelfth*, in or towards satisfaction of amounts (if any) due and payable by the Issuer to the Joint Lead Managers pursuant to the Subscription Agreement;
- (xiii) *Thirteenth*, to pay any termination payments payable by the Issuer to the Hedging Counterparty under the Hedging Agreement upon any early termination of such agreement if the Hedging Counterparty is the Defaulting Party or the Sole Affected Party (as these terms are defined in the Hedging Agreement);
- (xiv) *Fourteenth*, in or towards payment of interest due and payable but unpaid on the Subordinated Loan;
- (xv) *Fifteenth*, to repay, *pari passu* and *pro rata* according to the respective amount thereof, amounts due (if any): (A) as Adjustment Purchase Price or anyway under the Transfer Agreement (other than Purchase Price) and (B) under the Warranty and Indemnity Agreement;
- (xvi) *Sixteenth*, in or towards payment of the Additional Return due and payable but unpaid on the Subordinated Loan, *provided however* that the Subordinated Loan Provider may, on any Payment Date falling after the Initial Period, elect to receive all

or a portion of such Additional Return by way of repayment of principal due under the Subordinated Loan;

(xvii) *Seventeenth*, in or towards repayment of principal due and payable but unpaid on the Subordinated Loan in accordance with the Subordinated Loan Agreement, save as provided under item *Sixteenth* above; and

(xviii) *Eighteenth*, in or towards payment of the Deferred Purchase Price due and payable but unpaid.

*Provided however that*

(AA) subject to any change of law as described in Condition 6.5 (*Redemption, Purchase and Cancellation - Change of Law*), during the Initial Period any Issuer Available Funds which would be otherwise available on a Payment Date for repayment of principal on the Notes or for payment of items ranking below repayment of principal on the Notes under the Post-Trigger Priority of Payments shall not be used for such purposes and may be invested in accordance with the terms of the Cash Allocation, Management and Payment Agreement. Any such amount will form part of the Issuer Available Funds from the first Payment Date which falls immediately after the expiry of the Initial Period; and

(BB) from and including the date on which the Representative of the Noteholder serves a Trigger Notice on the Issuer, if the amount of funds at any time available for the repayment of principal in respect of the Notes is less than one-tenth of the then Principal Amount Outstanding of all the Notes, the Issuer (or the Representative of the Noteholders on its behalf) may, at its absolute discretion, deposit such funds in an Account or in a bank account opened pursuant to the terms and conditions of the Intercreditor Agreement. The funds so deposited, together with any interest accrued and paid thereon, may be accumulated until such accumulations amount to a sum equal to at least one-tenth of the Principal Outstanding Amount of the Notes then outstanding, and such accumulations shall then be applied in accordance with this Post-Trigger Priority of Payments.

It is specified, for the sake of clarity, that no amounts may be paid out of the Issuer Available Funds under items *Eleventh* to *Eighteenth* (both included) of this Post-Trigger Priority of Payments until all Notes have been redeemed in full or cancelled.

## 5. **INTEREST**

5.1 *Payment Dates and Interest Periods*: Each Note bears interest on its Principal Amount Outstanding from (and including) the Issue Date. Interest in respect of the Notes shall accrue on a daily basis and is payable in Euro quarterly in arrear on each Payment Date in respect of the Interest Period ending immediately prior thereto in accordance with the applicable Priority of Payments. Provided that the Payment Dates will be: (a) before service of a Trigger Notice the 30<sup>th</sup> day of January, April, July and October of each year (provided that if such day is not a Business Day, the next succeeding Business Day) and (b) following service of a Trigger Notice, any Business Day specified in the Trigger Notice. The First Payment Date will be 30 July 2007 in respect of the Initial Interest Period.

Interest in respect of any Interest Period or any other period will be calculated on the basis of the actual number of days elapsed and a 360 day year.

Interest shall cease to accrue on any part of the Principal Amount Outstanding of a Note from (and including) the Final Maturity Date unless payment of principal due and payable but unpaid is improperly withheld or refused, whereupon interest shall continue to accrue on such principal (as well after as before judgement) at the rate from time to time applicable to each Class of Notes until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day on which all such sums have been received by the Representative of the Noteholders or the Principal Paying Agent on behalf of the relevant Noteholder and notice to that effect is given in accordance with Condition 14 (*Notices*).

- 5.2 *Rate of Interest:* The rate of interest payable from time to time in respect of the Notes (the "**Rate of Interest**") will be determined by the Principal Paying Agent on each Interest Determination Date.

The Rate of Interest applicable to the Notes for each Interest Period and the Initial Interest Period, from the Issue Date and up to and including the Cancellation Date shall be the aggregate of:

5.2.1 the Relevant Margin (as defined below); and

5.2.2

- (a) the Euro-Zone Inter-bank offered rate for three month Euro deposits which appears on Bloomberg Page EUR003M index in the menu MMCV1 (except in respect of the Initial Interest Period where it shall be the rate per annum obtained by linear interpolation of the Euro-zone inter-bank offered rate for 2 and 3 month deposits in Euro (rounded to four decimal places with the mid-point rounded up) which appear on Bloomberg Pages EUR002M and EUR003M index in the menu MMCV1); or

(i) such other page as may replace the relevant Bloomberg Page on that service for the purpose of displaying such information; or

(ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Representative of the Noteholders) as may replace the relevant Bloomberg Page (the "**Screen Rate**" or, in the case of the Initial Interest Period, the "**Additional Screen Rate**"),

at or about 11.00 a.m. (Brussels time) on the Interest Determination Date; or

- (b) if the Screen Rate (or, in the case of the Initial Interest Period, the Additional Screen Rate) is unavailable at such time for Euro deposits for the relevant period, then the rate for any relevant period shall be the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the

rates notified to the Principal Paying Agent at its request by each of the Reference Banks as the rate at which deposits in Euro for the relevant period in a representative amount are offered by that Reference Bank to leading banks in the Euro-Zone Inter-bank market at or about 11.00 a.m. (Brussels time) on that date; or

- (c) if, on any Interest Determination Date, the Screen Rate (or, in the case of the Initial Interest Period, the Additional Screen Rate) is unavailable and only two of the Reference Banks provide such offered quotations to the Principal Paying Agent, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations; or
- (d) if, on any Interest Determination Date, the Screen Rate (or, in the case of the Initial Interest Period, the Additional Screen Rate) is unavailable and only one of the Reference Banks provides the Principal Paying Agent with such an offered quotation, the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect for the immediately preceding Interest Period which one of sub-paragraph (a) or (b) above shall have been applied to.

The rate as so determined in accordance with this sub-paragraph 5.2.2. is referred to herein as "**EURIBOR**";

**"Relevant Margin"** means:

- (a) in respect of the Class A1 Notes: a margin of 0.13 per cent. per annum;
- (b) in respect of the Class A2 Notes: a margin of 0.19 per cent. per annum;
- (c) in respect of the Class B Notes: a margin of 0.22 per cent. per annum; and
- (d) in respect of the Class C Notes: a margin of 0.52 per cent. per annum.

There shall be no maximum or minimum Rate of Interest.

Following the service of a Trigger Notice, to the extent permitted under Italian law, each Note will accrue interest as set out in this Condition 5 (*Interest*), provided that such interest will be payable in accordance with Condition 4.3 (*Post Trigger Priority of Payments*) and subject to Condition 8 (*Payments*) and provided further that, to the extent that the methodology for determining EURIBOR and for calculating the interest from time to time accrued on the Notes set out in this Condition 5 (*Interest*) is inconsistent or otherwise conflicting with the Post Trigger Priority of Payments and the actual dates on which the payments provided thereunder will be made, the Principal Paying Agent and the Representative of the Noteholders may (without incurring, in the absence of wilful default (*dolo*) or gross negligence (*colpa grave*), any liability to any person as a result) agree (but shall not be bound to do so) an alternative methodology (which will be binding for the Issuer and the Noteholders) which comes as close as reasonably possible to the one set out in this Condition 5 (*Interest*).

5.3 *Determination of Rates of Interest and Calculation of Interest Payments:* The Principal Paying Agent shall, on each Interest Determination Date, determine:

- (i) the Rate of Interest applicable to the Interest Period beginning after such Interest Determination Date (or in the case of the Initial Interest Period, beginning on and including the Issue Date) in respect of the Notes; and
- (ii) the Euro amount (the “**Interest Payment Amount**”) payable as interest on the Notes in respect of such Interest Period. The Interest Payment Amount payable in respect of any Interest Period in respect of the Notes shall be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of the relevant Class of Notes on the Payment Date (or, in the case of the Initial Interest Period, the Issue Date), at the commencement of such Interest Period (after deducting therefrom any payment of principal due and paid on that Payment Date), multiplying the product of such calculation by the actual number of days in the Interest Period and dividing by 360, and rounding the resultant figure to the nearest cent (half a cent being rounded up).

5.4 *Publication of the Rate of Interest and the Interest Payment Amount:* The Principal Paying Agent will cause the Rate of Interest, the Relevant Margin and the Interest Payment Amount applicable to the Notes for each Interest Period and the Payment Date in respect of such Interest Payment Amount to be notified promptly after determination (and in any event not later than the first day of each relevant Interest Period) to the Issuer, the Servicer, the Representative of the Noteholders, the Account Banks, the Luxembourg Paying Agent, the Calculation Agent, the Corporate Servicer, the Hedging Counterparty, the Cash Manager, Euroclear, Clearstream, Monte Titoli and the Luxembourg Stock Exchange and will cause the same to be published in accordance with Condition 14 (*Notices*) on or as soon as possible after the relevant Interest Determination Date.

If, subject and upon receipt of the Quarterly Payments Report from the Calculation Agent, the Principal Paying Agent determines that on a Payment Date any Interest Amount in respect of the Notes will not be paid on their due date and will remain unpaid (“**Interest Amount Arrears**”), then notice to this effect will be promptly given to the Calculation Agent, the Issuer, the Representative of the Noteholders, the Luxembourg Stock Exchange, the Luxembourg Paying Agent and Monte Titoli no later than the Business Day prior to such Payment Date and a notice to this effect will be given to the relevant Noteholders in accordance with Condition 14 (*Notices*).

The Principal Paying Agent will be entitled to recalculate any Interest Amount or any Interest Amount Arrears (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

5.5 *Interest Amount Arrears:* In the event that on any Payment Date, there is any Interest Amounts Arrears, such Interest Amount Arrears will be aggregated with the amount of interest due and payable on each such Class of Notes on the next succeeding Payment Date.

5.6 *Determination or calculation by the Representative of the Noteholders:* If the Principal Paying Agent does not at any time for any reason determine the Rate of Interest and/or

calculate the Interest Payment Amount for the Notes in accordance with the foregoing provisions of this Condition 5 (*Interest*), the Representative of the Noteholders as legal representative of the Organisation of Noteholders shall:

- (i) determine the Rate of Interest for the Notes at such rate as (having regard to the procedure described above) it shall consider fair and reasonable in all the circumstances;
- (ii) calculate the Interest Payment Amount for the Notes in the manner specified in Condition 5.3 (*Interest - Determination of Rates of Interest and Calculation of Interest Payments*) above; and/or
- (iii) calculate any Interest Amount Arrears for the relevant Class of Notes in the manner specified in Condition 5.5 (*Interest Amount Arrears*),

and any such determination and/or calculation shall be deemed to have been made by the Principal Paying Agent.

5.7 *Notifications to be final:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 (*Interest*), whether by the Reference Banks (or any of them), the Principal Paying Agent, the Issuer or the Representative of the Noteholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Reference Banks, the Principal Paying Agent, the Luxembourg Paying Agent, the Calculation Agent, the Issuer, the Account Banks, the Representative of the Noteholders and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Reference Banks, the Principal Paying Agent, the Luxembourg Paying Agent, the Calculation Agent, the Issuer or the Representative of the Noteholders in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretion hereunder.

5.8 *Reference Banks and Principal Paying Agent:* The Issuer shall ensure that, so long as any of the Notes remain outstanding, there shall at all times be three Reference Banks and a Principal Paying Agent. In the event of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved in writing by the Representative of the Noteholders to act as such in its place. The Principal Paying Agent may not resign until a successor approved in writing by the Representative of the Noteholders has been appointed. If a new Principal Paying Agent is appointed a notice will be published in accordance with Condition 14 (*Notices*).

5.9 *Unpaid Interest with respect to the Notes:* Interest shall not accrue on any Interest Amount Arrears which is unpaid on its due date and remains unpaid.

## 6. REDEMPTION, PURCHASE AND CANCELLATION

6.1 *Notes Final Maturity Date:* Unless previously redeemed in full as provided in this Condition 6 (*Redemption, Purchase and Cancellation*), the Issuer shall redeem the Notes at their Principal Amount Outstanding plus any accrued but unpaid interest on the Final Maturity Date.



The Issuer may not redeem the Notes in whole or in part prior to that date except as provided below in Condition 6.2 (*Redemption, Purchase and Cancellation - Mandatory Redemption*), 6.3 (*Redemption, Purchase and Cancellation - Optional Redemption*) and 6.4 (*Redemption, Purchase and Cancellation - Redemption for taxation reasons*), but without prejudice to Condition 11 (*Trigger Events*).

- 6.2 *Mandatory Redemption*: The Notes of each Class will be subject to mandatory redemption in full (or in part *pro rata*) on the Payment Date falling in January 2009 and on each Payment Date thereafter, in each case if on such Payment Date there are sufficient Issuer Available Funds which may be applied for this purpose in accordance with the priority of payments set out in Condition 4 (*Priority of Payments*) hereof.

No mandatory redemption may occur prior to the Payment Date falling in January 2009.

- 6.3 *Optional Redemption*: Unless previously redeemed in full, the Issuer, having given not less than 30 days' prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with Condition 14 (*Notices*) hereof, may redeem the Notes (in whole but not in part) at their Principal Amount Outstanding, together with all accrued but unpaid interest thereon up to the date fixed for the redemption, on any Payment Date falling after the end of the Initial Period, provided that

- (a) the Portfolio Outstanding Principal Amount is equal to or less than 10 per cent. of the Initial Purchase Price of the Portfolio; and
- (b) the Issuer satisfies the Representative of the Noteholders that it will have the necessary funds (not subject to the interests of any person) to discharge all of its outstanding liabilities in respect of the Notes of all Classes and any amount required to be paid under the applicable Priority of Payments in priority to or *pari passu* with such Notes.

The Issuer may obtain the funds necessary to finance the early redemption of the Notes, in accordance with this Condition 6.3 (*Redemption, Purchase and Cancellation - Optional Redemption*), through the sale of the Portfolio to the Originator pursuant to the Clean-Up Call Option provided for by the Transfer Agreement.

- 6.4 *Redemption for taxation reasons*: If the Issuer at any time satisfies the Representative of the Noteholders, immediately prior to giving the notice referred to below, that on the next Payment Date:

- (a) amounts payable in respect of the Notes or the Portfolio would be subject to withholding or deduction (other than a Decree 239 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 Italy or any political or administrative sub-division thereof or any authority thereof or therein; and
- (b) the Issuer will have the necessary funds (not subject to the interests of any other person) to discharge all of its outstanding liabilities in respect of the Notes of all Classes and any amounts required to be paid, under the applicable Priority of Payments in priority to or *pari passu* with such Notes,

(hereinafter the event under (a) above, the "**Tax Event**"), then the Issuer may, on any such Payment Date at its option, having given not less than 30 days' prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with Condition 14 (*Notices*), redeem the Notes (in whole but not in part) at their Principal Amount Outstanding together with all accrued but unpaid interest thereon up to and including the relevant Payment Date.

No redemption for taxation shall occur prior to the end of the Initial Period, unless the Representative of the Noteholders determines that it would be prejudicial to the interest of the Noteholders not to proceed with the redemption prior to such Payment Date.

Following the occurrence of a Tax Event, the Issuer may, or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the then Most Senior Class of Noteholders) direct the Issuer to, dispose of the Portfolio or any part thereof to finance the early redemption of the Notes in accordance with this Condition 6.4 (*Redemption, Purchase and Cancellation - Redemption for taxation reasons*), subject to the terms and conditions of the Intercreditor Agreement.

6.5 *Change of Law:* If, at any time prior to the end of the Initial Period, as a result of any amendment of or supplement to Italian Presidential Decree No. 600 of 1973, the Issuer satisfies the Representative of the Noteholders that:

- (a) it will no longer be required to pay an additional amount equal to 20 per cent. of interest and other proceeds accrued on the Notes upon redemption thereof during such Initial Period, and
- (b) it will have Issuer Available Funds available for redemption of the Notes (in full or in part) on the next Payment Date in accordance with the applicable Priority of Payments,

then the Issuer may, at its option and having given not less than 30 days' prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with Condition 14 (*Notices*), redeem the Notes (in full or in part) starting from the next Payment Date (and on each Payment Date thereafter) in accordance with the applicable Priority of Payments.

6.6 *Note Principal Payments, Redemption Amounts and Principal Amount Outstanding:* On each Payment Report Date, the Issuer shall procure that the Calculation Agent determines:

- (i) the amount of the Issuer Available Funds;
- (ii) the principal payment (if any) due on the Notes on the next following Payment Date; and
- (iii) the Principal Amount Outstanding in respect of the Notes on the next following Payment Date (after deducting any principal payment due to be made on that Payment Date).

Each determination by or on behalf of the Issuer of Issuer Available Funds, any principal payment on the Notes and the Principal Amount Outstanding of the Notes shall in each

case (in the absence of wilful default (*dolo*), gross negligence (*colpa grave*), bad faith or manifest error) be final and binding on all persons.

The Issuer will, on each Payment Report Date, cause each determination of a principal payment on the Notes (if any) and Principal Amount Outstanding on the Notes to be notified by the Calculation Agent (through the Quarterly Payments Report) to the Representative of the Noteholders, the Rating Agencies, the Hedging Counterparty, the Principal Paying Agent, the Luxembourg Paying Agent and the Luxembourg Stock Exchange. The Issuer will cause notice of each determination of a principal payment on the Notes and of Principal Amount Outstanding on the Notes to be given to Monte Titoli and in accordance with Condition 14 (*Notices*).

The principal amount redeemable in respect of each Note shall be a *pro rata* share of the aggregate amount determined in accordance with Condition 6.2 (*Redemption, Purchase and Cancellation - Mandatory Redemption*) to be available for redemption of the Notes of the same Class as such Note on such date, calculated with reference to the ratio between (A) the then Principal Amount Outstanding of such Note and (B) the then Principal Amount Outstanding of all the Notes of the same Class (rounded down to the nearest cent), provided always that no such Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

If no principal payment on the Notes or Principal Amount Outstanding on the Notes is determined by or on behalf of the Issuer in accordance with the preceding provisions of this Condition 6.6 (*Redemption, Purchase and Cancellation - Note Principal Payments, Redemption Amounts and Principal Amount Outstanding*), such principal payment on the Notes and Principal Amount Outstanding on the Notes shall be determined by the Representative of the Noteholders in accordance with this Condition 6 (*Redemption, Purchase and Cancellation*) and each such determination or calculation shall be deemed to have been made by the Issuer.

- 6.7 *Notice of Redemption*: Any notice of redemption as set out in Condition 6.3 (*Redemption, Purchase and Cancellation - Optional Redemption*) and 6.4 (*Redemption, Purchase and Cancellation - Redemption for taxation reasons*) must be given in accordance with Condition 14 (*Notices*) and shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6 (*Redemption, Purchase and Cancellation*).
- 6.8 *No purchase by Issuer*: The Issuer is not permitted to purchase any of the Notes.
- 6.9 *Cancellation*: The Notes shall be cancelled on the Cancellation Date, being the earlier of (i) the date on which the Notes have been redeemed in full, (ii) the Final Maturity Date and (iii) the date on which the Representative of the Noteholders has certified to the Issuer and the Noteholders that there are no more Issuer Available Funds to be distributed as a result of no additional amount or asset relating to the Portfolio being available to the Issuer, at which date any amount outstanding, whether in respect of interest, principal or other amounts in respect of the Notes, shall be finally and definitively cancelled. Upon cancellation the Notes may not be resold or re-issued.

## 7. **NON PETITION AND LIMITED RECOURSE**

## 7.1 *Non Petition*

The Representative of the Noteholders only may pursue the remedies available under general law or under the Transaction Documents to obtain payment of the obligations of the Issuer deriving from any of the Transaction Documents or enforce the Security and no Noteholder shall be entitled to proceed directly against the Issuer to obtain payment of such obligations or to enforce the Security, save as provided in the Rules of the Organisation of the Noteholders. In particular no Noteholder:

- 7.1.1 is entitled, save as expressly permitted by the Transaction Documents, to direct the Representative of the Noteholders to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- 7.1.2 shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it;
- 7.1.3 shall be entitled, until the date falling one year and one day after the date on which the Notes and any other notes issued in the context of any Further Securitisation have been redeemed in full or cancelled in accordance with their terms and conditions, to cause, initiate or join any person in initiating an Insolvency Event in relation to the Issuer; and
- 7.1.4 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.

## 7.2 *Limited recourse obligations of Issuer*

Notwithstanding any other provision of the Transaction Documents, all obligations of the Issuer to the Noteholders are limited in recourse as set out below:

- 7.2.1 each Noteholder will have a claim only in respect of the Issuer Available Funds and at all times only in accordance with the Priority of Payments and will not have any claim, by operation of law or otherwise, against, or recourse to, the Issuer's other assets or its contributed capital;
- 7.2.2 sums payable to each Noteholder in respect of the Issuer's obligations to such Noteholder shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Noteholder; and (b) the Issuer Available Funds, net of any sums which are payable by the Issuer in accordance with the Priority of Payments in priority to or *pari passu* with such sums payable to such Noteholder; and
- 7.2.3 upon the Representative of the Noteholders giving notice in accordance with Condition 14 (*Notices*) that it has determined, in its sole opinion, that there is no reasonable likelihood of there being any further amounts to be realised in respect of the Portfolio or the Security (whether arising from judicial enforcement proceedings, enforcement of the Security or otherwise) which would be available to pay unpaid amounts outstanding under the Transaction Documents and the Servicer having confirmed the same in writing to the Representative of the

Noteholders, the Noteholders shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be cancelled and discharged in full.

## 8. PAYMENTS

8.1 Payment of principal and interest in respect of the Notes will be credited, according to the instructions of Monte Titoli, by the Principal Paying Agent on behalf of the Issuer to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Notes and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Notes or through Euroclear and Clearstream to the accounts with Euroclear and Clearstream of the beneficial owners of those Notes, in accordance with the rules and procedures of Monte Titoli, Euroclear or Clearstream, as the case may be.

8.2 Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

8.3 The Issuer reserves the right, subject to the prior written approval of the Representative of the Noteholders, at any time to vary or terminate the appointment of the Calculation Agent and to appoint another calculation agent. The Issuer will cause at least 30 days' prior notice of any replacement of the Calculation Agent to be given in accordance with Condition 14 (*Notices*).

8.4 The Issuer reserves the right, subject to the prior written approval of the Representative of the Noteholders, at any time to vary or terminate the appointment of the Principal Paying Agent, the Luxembourg Paying Agent or to appoint a substitute principal paying agent or Luxembourg paying agent upon such termination *provided that* (for as long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require) the Issuer will at all times maintain a Principal Paying Agent with a specified office in Luxembourg. If a substitute principal paying agent or Luxembourg paying agent is appointed, a notice will be published in accordance with Condition 14 (*Notices*) and the Luxembourg Stock Exchange will be promptly informed.

## 9. TAXATION

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature other than a Decree 239 Deduction or any other withholding or deduction required to be made by applicable law. Neither the Issuer nor any other person shall be obliged to pay any additional amount to any holder of Notes on account of such withholding or deduction.

## 10. PRESCRIPTION

Claims against the Issuer for payments in respect of the Notes shall be prescribed and shall become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the date on which a payment in respect thereof first becomes due and payable.

## 11. TRIGGER EVENTS

The occurrence of any of the following events shall constitute a Trigger Event:

- (i) *Non-payment*: The Issuer defaults:
  - (a) in the payment of the amount of interest due on any Payment Date in respect of the Most Senior Class of Notes then outstanding or in the repayment in full of the principal on the Final Maturity Date in respect of the Notes of all Classes (and, in case of default in the payment of interest only, such default is not remedied within a period of 5 Business Days from the relevant Payment Date); or
  - (b) in the payment of any amount due to the Other Issuer Creditors under items *First* and *Second* of the Pre-Trigger Interest Priority of Payments and such default is not remedied within a period of 5 Business Days from the due date thereof; or
- (ii) *Breach of other obligations*: The Issuer defaults in the performance or observance of any of its obligations under or in respect of the Notes or any of the Transaction Documents to which it is a party (other than any obligation specified in (i) above) which is in the Representative of the Noteholders' opinion materially prejudicial to the interests of the Noteholders and such default remains unremedied for 30 days after the Representative of the Noteholders having given written notice thereof to the Issuer requiring the same to be remedied (except where, in the sole opinion of the Representative of the Noteholders, such default is not capable of remedy in which case no term of 30 days will be given); or
- (iii) *Breach of Representations and Warranties by the Issuer*: any of the representations and warranties given by the Issuer under any of the Transaction Documents to which it is party is, or proves to have been, incorrect or erroneous in any material respect when made, or deemed to be made, or at any time thereafter, unless it has been remedied within 15 days after the Representative of the Noteholders has served notice requiring remedy; or
- (iv) *Insolvency of the Issuer*: An Insolvency Event occurs in respect of the Issuer; or
- (v) *Unlawfulness*: It is or will become unlawful (in any respect deemed by the Representative of the Noteholders to be material) for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any of the Transaction Documents to which it is a party.

Upon the occurrence of any Trigger Event, the Representative of the Noteholders:

- (1) in the case of a Trigger Event under (i) and (v) above, shall; and/or
- (2) in the case of a Trigger Event under (ii) and (iii) above, if so directed by an Extraordinary Resolution of the Most Senior Class of Noteholders, shall; and/or
- (3) in the case of a Trigger Event under (iv) above, may at its sole discretion or, if so directed by an Extraordinary Resolution of the Most Senior Class of Noteholders, shall,

give a Trigger Notice to the Issuer. Upon the service of a Trigger Notice, the Issuer Available Funds shall be applied in accordance with Condition 4.3 (*Priority of Payments - Post-Trigger Priority of Payments*).

## 12. ACTIONS FOLLOWING THE DELIVERY OF A TRIGGER NOTICE

- 12.1 At any time after a Trigger Notice has been served, the Representative of the Noteholders may and shall, if so requested or authorised by an Extraordinary Resolution of the Most Senior Class of Noteholders, take such steps and/or institute such proceedings against the Issuer as it may think fit to ensure repayment of the Notes and payment of accrued interest thereon in accordance with the Priority of Payments set out in Condition 4.2 (*Priority of Payments - Priority of Payments following the delivery of a Trigger Notice*).
- 12.2 All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 11 (*Trigger Events*) or this Condition 12 (*Actions following the delivery of a Trigger Notice*) by the Representative of the Noteholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders or the Issuer shall attach to the Representative of the Noteholders in connection with the exercise or non-exercise by it of its powers, duties and discretion hereunder.
- 12.3 No Noteholder shall be entitled to proceed directly against the Issuer unless the Representative of the Noteholders has become bound and fails to do so within a reasonable period and such failure shall be continuing.
- 12.4 If the Representative of the Noteholders takes action to ensure the Noteholders' rights in respect of the Portfolio and the Issuer's Rights and after payment of all other claims ranking in priority to the Notes under these Terms and Conditions and the Intercreditor Agreement, if the remaining proceeds of such action (the Representative of the Noteholders having taken action to ensure the Noteholders' rights in respect of the entire Portfolio and all the Issuer's Rights) are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Notes and all other claims ranking *pari passu* therewith, then the Noteholders' claims against the Issuer will be limited to their *pro rata* share of such remaining proceeds (if any) and the obligations of the Issuer to the Noteholders will be discharged in full and any amount in respect of principal, interest or other amounts due under the Notes will be finally and definitively cancelled.
- 12.5 Following the delivery of a Trigger Notice, the Issuer may (subject to the consent of the Representative of the Noteholders) or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the then Most Senior Class of Noteholders) direct the Issuer to, dispose of the Portfolio, subject to the terms and conditions of the Intercreditor Agreement.

## 13. THE REPRESENTATIVE OF THE NOTEHOLDERS

- 13.1 *The Organisation of Noteholders*: The Organisation of Noteholders shall be established upon and by virtue of the issuance of the Notes and shall remain in force and in effect until repayment in full or cancellation of the Notes.

13.2 *Appointment of the Representative of the Noteholders:* Pursuant to the Rules of the Organisation of the Noteholders, for as long as any Note is outstanding, there shall at all times be a Representative of the Noteholders. The appointment of the Representative of the Noteholders, as legal representative of the Organisation of the Noteholders, is made by the Noteholders subject to and in accordance with the Rules of the Organisation of the Noteholders, except for the initial Representative of the Noteholders who has been appointed at the time of the issue of the Notes by HSBC and Morgan Stanley, in their capacity as subscribers and initial holders of the Notes, subject to and in accordance with the Subscription Agreement. Each Noteholder is deemed to accept such appointment.

#### 14. **NOTICES**

14.1 Any notice regarding the Notes, as long as the Notes are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli, and, as long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, if published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the “*d’Wort*”) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in one of the newspapers referred to above.

14.2 The Representative of the Noteholders shall be at liberty to sanction some other method of giving notice to Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Representative of the Noteholders shall require and in accordance with the rules of the stock exchange.

#### 15. **GOVERNING LAW AND JURISDICTION**

15.1 The Notes are governed by Italian law.

15.2 All the Transaction Documents, save for the Hedging Agreement and the Deed of Charge, are governed by Italian law. The Hedging Agreement and the Deed of Charge are governed by English law.

15.3 The Courts of Rome are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes.



**EXHIBIT 1**  
**TO THE TERMS AND CONDITIONS**  
**RULES OF THE ORGANISATION OF THE NOTEHOLDERS**

**TITLE I**

**GENERAL PROVISIONS**

**Article 1**

**General**

The Organisation of the Noteholders is created concurrently with the issue by Capital Mortgage S.r.l. of and subscription for the Euro 1,736,000,000 Class A1 Asset Backed Floating Rate Notes Series 2007-1 due January 2047, the Euro 644,000,000 Class A2 Asset Backed Floating Rate Notes Series 2007-1 due January 2047, the Euro 74,000,000 Class B Asset Backed Floating Rate Notes Series 2007-1 due January 2047 and the Euro 25,350,000 Class C Asset Backed Floating Rate Notes Series 2007-1 due January 2047 and is governed by these Rules of the Organisation of the Noteholders (the “**Rules**”).

These Rules shall remain in force and effect until full repayment or cancellation of all the Notes.

These Rules are deemed to be an integral part of each Note issued by the Issuer.

**Article 2**

**Definitions**

Unless otherwise provided in these Rules, any capitalised term shall have the meaning attributed to it in the Terms and Conditions.

Any reference herein to an “Article” shall be a reference to an article of these Rules.

In these Rules, the terms below shall have the following meanings:

“**Agent**” means the Principal Paying Agent.

“**Basic Terms Modification**” means any proposed modification which results in:

- (a) a change in the date of maturity of the Notes of any Class;
- (b) a change in any date fixed for the payment of principal or interest in respect of the Notes of any Class;
- (c) the reduction, cancellation or annulment of the amount of principal or interest payable on any date in respect of the Notes of any Class (other than any reduction, cancellation or annulment permitted under the Terms and Conditions) or any alteration in the method calculating the amount of any payment in respect of the Notes of any Class on redemption or maturity;
- (d) a change in the quorum required at any Meeting or the majority required to pass any Resolution;
- (e) a change in the currency in which payments are due in respect of any Class of Notes;
- (f) an alteration of the priority of payments of interest or principal in respect of any of the Notes;
- (g) the exchange, conversion or substitution of the Notes of any Class for, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate, formed or to be formed;
- (h) a change to this definition.

“**Block Voting Instruction**” means in relation to a Meeting, the instruction issued by the Agent (a) certifying, *inter alia*, that such authorised institution has been instructed by the holder of the relevant Notes to cast the votes attributable to such Notes (the “**Blocked Notes**”) in a particular way on each resolution to be put to the relevant Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked and (b) authorising a Proxy to vote in accordance with such instructions.

“**Chairman**” means, in relation to any Meeting, the individual who takes the chair in accordance with Title II, Article 8 of these Rules.

“**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.

“**Issuer**” means Capital Mortgage S.r.l..

“**Meeting**” means a meeting of Noteholders of any Class or Classes (whether originally convened or resumed following an adjournment).

“**Monte Titoli**” means Monte Titoli S.p.A..

“**Monte Titoli Account Holder**” means any authorised financial intermediary institution entitled to hold accounts on behalf of its

customers with Monte Titoli.

**"Ordinary 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 the votes cast.

**"Principal Amount Outstanding"** means on any day in relation to the relevant Notes the principal amount of such Notes upon issue less the aggregate amount of any principal payments in respect of such Notes which has been paid up to that day.

**"Proxy"** means any person to which the powers to vote at a Meeting have been duly granted.

**"Relevant Fraction"** means

- (a) for voting on an Ordinary Resolution, one-half of the Principal Amount Outstanding of the outstanding Notes of each relevant Class;
- (b) for voting on any Extraordinary Resolution other than one relating to a Basic Terms Modification, two-thirds of the Principal Amount Outstanding of the outstanding Notes of each relevant Class; and
- (c) for voting on any Extraordinary Resolution relating to a Basic Terms Modification, (which must be proposed separately to each Class of Noteholders) three-quarters of the Principal Amount Outstanding of the outstanding Notes of each relevant Class;

provided, however, that, in the case of a Meeting postponed pursuant to Article 10, it shall mean:

- (a) for all voting other than on an Extraordinary Resolution relating to a Basic Terms Modification, the fraction of the Principal Amount Outstanding of the outstanding Notes represented or held by Voters present at the Meeting; and
- (b) for voting on any Extraordinary Resolution relating to a Basic Terms Modification, one-half of the Principal Amount Outstanding of the outstanding Notes in that Class.

**"Resolution"** means an Ordinary Resolution and/or an Extraordinary Resolution, as the case may be.

**"Terms and Conditions"** means the terms and conditions of the Notes and any reference to a numbered **"Condition"** is to the corresponding numbered provision thereof.

**"Voter"** means, in relation to any Meeting, the holder of a Voting Certificate or a Proxy;

**"Voting Certificate"** means, in relation to any Meeting, a certificate issued by the Monte Titoli Account Holder in accordance with articles 33 and 34 of CONSOB Regulation 11768 of 23 December 1998, as subsequently amended and supplemented, stating *inter alia*:

- (a) that the Blocked Notes specified therein will not be released until a specified date which falls after the conclusion of the Meeting; and
- (b) that the bearer of such certificate is entitled to attend and vote at such Meeting in respect of such Blocked Notes.

**"Written Resolution"** means a resolution in writing signed by or on behalf of all Noteholders of the relevant Class or Classes who at that 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 Noteholders.

**"24 hours"** means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in the place where the Agent has its specified office.

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

### Article 3

#### ***Purpose of the Organisation***

Each Noteholder is a member of the Organisation of the Noteholders.

The purpose of the Organisation of the Noteholders is to co-ordinate the exercise of the rights of the Noteholders and, more generally, to take any action necessary or desirable to protect the interests of the Noteholders.

### TITLE II

#### MEETINGS OF NOTEHOLDERS

### Article 4

#### ***General Provisions***

Subject to the provisions of these Rules and the Terms and Conditions, if the Representative of the Noteholders considers it is not detrimental to the holders of any relevant Class of Notes, joint meetings of the Class A1 Noteholders, Class A2 Noteholders, Class B Noteholders and Class C Noteholders may be held to consider the same resolution and/or, as the case may be, the same Extraordinary Resolution and the provisions of these Rules shall apply *mutatis mutandis* thereto.

Subject to Article 20 below, the following provisions shall apply where outstanding Notes belong to more than one Class:

- (a) business which, in the sole opinion of the Representative of the Noteholders, affects only one Class of Notes shall be transacted at a separate Meeting of the Noteholders of such Class;
- (b) business which, in the opinion of the Representative of the Noteholders, affects more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of any other Class of Notes shall be transacted either at separate Meetings of the Noteholders of each such Class of Notes or at a single Meeting of the Noteholders of all such Classes of Notes as the Representative of the Noteholders shall determine in its absolute discretion;
- (c) business which, in the opinion of the Representative of the Noteholders affects the Noteholders of more than one Class of Notes and gives rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate Meetings of the Noteholders of each such Class.

In this paragraph “**business**” includes (without limitation) the passing or rejection of any resolution.

#### **Article 5**

##### ***Voting Certificates and Validity of the Proxies and Voting Certificates***

Noteholders may participate in any Meeting by obtaining a Voting Certificate or by depositing a Block Voting Instruction at the specified office of the Representative of the Noteholders not later than 24 hours before the relevant Meeting.

A Block Voting Instruction or a Voting Certificate shall be valid only if it is deposited at the specified office of the Representative of the Noteholders, or at any other place approved by the Representative of the Noteholders, at least 24 hours before the time of the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid unless the Chairman decides otherwise before the Meeting proceeds to discuss the items on the agenda. If the Representative of the Noteholders so requires, a notarially certified copy of each Voting Certificate or Block Voting Instruction and satisfactory evidence of the identity of each Proxy named therein shall be produced at the Meeting, but the Representative of the Noteholders shall not be obliged to investigate the validity of a Voting Certificate, a Block Voting Instruction or the identity of any Proxy.

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

#### **Article 6**

##### ***Convening the Meeting***

The Representative of the Noteholders or the Issuer may convene a Meeting at any time.

The Representative of the Noteholders shall convene a Meeting at any time, if it is requested to do so in writing by Noteholders representing at least one-tenth of the aggregate Principal Amount Outstanding of all the Notes then outstanding.

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to that effect to the Representative of the Noteholders specifying the proposed day, time and place of the Meeting and the items to be included in the agenda.

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Noteholders.

#### **Article 7**

##### ***Notices***

At least 21 days' notice (exclusive of the day on which 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 by the Agent (upon instruction from the Representative of the Noteholders) to the relevant Noteholders, with copy to the Issuer and the Representative of the Noteholders.

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Noteholders agrees that the notice shall instead specify the nature of the resolution without including the full text.

A Meeting is validly held, notwithstanding the formalities required by this Article 7 are not complied with, if the entire Principal Amount Outstanding of the relevant Class or Classes is represented thereat and the Issuer and the Representative of the Noteholders are present.

#### **Article 8**

##### ***Chairman of the Meeting***

The Meeting is chaired by an individual (who may, but need not to be, a Noteholder) appointed by the Representative of the Noteholders. If the Representative of the Noteholders fails to make such appointment or the individual so appointed 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 ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate and defines the terms for voting.

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 Noteholders.

## **Article 9**

### ***Quorum***

The quorum at any Meeting shall be one or two Voters representing or holding not less than the Relevant Fraction of the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes.

## **Article 10**

### ***Adjournment for lack of quorum***

If a quorum is not present within 15 minutes after the time fixed for any Meeting:

- (a) if such Meeting was requested by Noteholders, the Meeting shall be dissolved; or
- (b) otherwise, the Meeting (unless the Issuer and the Representative of the Noteholders otherwise agree) shall be adjourned to a new date no earlier than 14 days after 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 Noteholders provided that no meeting may be adjourned more than once for want of quorum.

## **Article 11**

### ***Adjourned Meeting***

Except as provided in Article 10, 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.

## **Article 12**

### ***Notice following adjournment***

If a Meeting is adjourned in accordance with the provisions of Article 10 above, Articles 6 and 7 above shall apply to the resumed meeting except:

- (a) 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
- (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice to resume any Meeting adjourned for reasons other than those described in Article 10.

## **Article 13**

### ***Participation***

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

- (a) Voters;
- (b) the Director/s and the Auditors of the Issuer;
- (c) representatives of the Representative of the Noteholders;
- (d) financial advisers to the Issuer and the Representative of the Noteholders;
- (e) legal advisers to the Issuer and the Representative of the Noteholders; and
- (f) any other person authorised by the Issuer, the Representative of the Noteholders or by virtue of a resolution of the relevant Meeting.

## **Article 14**

### ***Voting by show of hands***

Every question submitted to a Meeting shall be decided in the first instance by a vote by show of hands.

If before the vote by show of hands the Chairman or one or more Voters who represent or hold at least one-tenth of the aggregate Principal Amount Outstanding of the relevant Class or Classes request to vote pursuant to Article 15 below the question shall be voted on in compliance with the provisions of Article 15. No request to vote by poll shall hinder the continuation of the Meeting in relation to the other items on the agenda.

A resolution is only passed on a vote by show of hands if unanimously approved by the Voters at the Meeting. The Chairman's declaration that on a show of hands a resolution has been passed or rejected shall be conclusive. Whenever it is not possible to approve a resolution by show of hands, voting shall be carried out by poll.

## **Article 15**

### ***Voting by poll***

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Representative of the Noteholders or one or more Voters representing or holding not less than one-fiftieth of the Principal Amount Outstanding of the Notes entitled to vote at the Meeting. 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 Chairman sets the rules for voting by poll, 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 rules set by the Chairman shall be null. After voting ends, the votes shall be counted and after the counting the Chairman shall announce to the Meeting the outcome of the vote.

#### **Article 16**

##### **Votes**

Each Voter shall have:

- (a) one vote, when voting by a show of hands; and
- (b) one vote for each Euro 1,000 of Principal Amount Outstanding of each Note represented or held by the Voter, when voting by poll.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes which he exercises in the same manner.

#### **Article 17**

##### **Voting by Proxy**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction shall be valid even if such Block Voting Instruction or any instruction pursuant to which it has been given had been amended or revoked provided that none of the Agents, the Issuer, the Representative of the Noteholders or the Chairman has been notified in writing of such revocation at least 24 hours prior to the time set for the relevant Meeting.

Unless revoked, the appointment of a Proxy in relation to a Meeting shall remain valid also in relation to a resumption of such Meeting following an adjournment, unless such Meeting was adjourned pursuant to Article 10. If a Meeting is adjourned pursuant to Article 10, any person appointed to vote in such Meeting must be appointed again by virtue of a Block Voting Instruction or Voting Certificate to vote at the resumed Meeting.

#### **Article 18**

##### **Ordinary Resolutions**

Save as provided by Article 19 and subject to the provisions of Article 20, a Meeting shall have the exclusive power exercisable by Ordinary Resolution to:

- (a) waive (including to waive a prior breach) any breach by the Issuer of its obligations arising under the Transaction Documents or the Notes, or waive a Trigger Event, if such waives are not previously authorised by the Representative of the Noteholders in accordance with the Transaction Documents; and
- (b) determine any other matters submitted to the Meeting in accordance with the provisions of these Rules and the Transaction Documents.

#### **Article 19**

##### **Extraordinary Resolutions**

A Meeting, subject to Article 20 below, shall have exclusive power exercisable by Extraordinary Resolution only to:

- (a) approve any Basic Terms Modification;
- (b) approve any proposal by the Issuer or the Representative of the Noteholders for any alteration or waiver of the rights of the Noteholders against the Issuer;
- (c) approve any scheme or proposal related to the mandatory exchange or substitution of any Class of Notes;
- (d) approve any amendments of the provisions of (i) these Rules, (ii) the Terms and Conditions, (iii) the Intercreditor Agreement, (iv) the Cash Allocation, Management and Payment Agreement, or (v) any other Transaction Document which shall be proposed by the Issuer, the Representative of the Noteholders and/or any other party thereto;
- (e) discharge or exonerate, including prior or retrospective discharge or exoneration, the Representative of the Noteholders from any liability in relation to any act or omission for which the Representative of the Noteholders has or may become liable pursuant or in relation to these Rules, the Terms and Conditions or any other Transaction Document;
- (f) grant any authority, order or sanction which, under the provisions of these Rules or of the Terms and Conditions, must be granted pursuant to an Extraordinary Resolution (including the issue of a Trigger Notice as a result of a Trigger Event pursuant to Condition 11);

- (g) authorise and ratify the actions of the Representative of the Noteholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document;
- (h) authorise the Representative of the Noteholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (i) appoint and remove the Representative of the Noteholders; and
- (j) authorise or object to individual actions or remedies of Noteholders under Article 24.

#### **Article 20**

##### ***Relationship between Classes and conflict of interests***

No Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes then outstanding.

No Extraordinary Resolution to approve any matter other than a Basic Terms Modification of any Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes ranking at that time senior to such Class with respect to the repayment of the principal pursuant to Condition 2.2 (*Priority*) (to the extent that there are Notes outstanding ranking senior to such Class).

Any resolution passed at a Meeting of the Noteholders of one or more Classes of Notes duly convened and held in accordance with these Rules shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not dissenting and whether or not voting and, except in the case of meeting relating to a Basic Term Modification, any resolution passed at a meeting of the then Most Senior Class of Noteholders duly convened and held as aforesaid shall also be binding upon all the other Class of Noteholders. In each such case, all of the relevant Classes of Noteholders shall be bound to give effect to any such resolutions accordingly.

If, however, in the opinion of the Representative of the Noteholders, there is a conflict between the interest of different Class of Noteholders, then the Representative of the Noteholders is required to have regard only to the interests of the then Most Senior Class of Noteholders.

#### **Article 21**

##### ***Challenge of Resolution***

Any absent or dissenting Noteholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

#### **Article 22**

##### ***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 regard as having been duly passed and transacted.

Within 14 days after the conclusion of each Meeting, the Issuer shall give notice, in accordance with Condition 14 (*Notices*), of the result of the votes on each resolution put to the Meeting. Such notice shall also be sent by the Issuer (or its agents) to the Agent and the Representative of the Noteholders.

#### **Article 23**

##### ***Written Resolution***

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

#### **Article 24**

##### ***Individual Actions and Remedies***

The right of each Noteholder to bring individual actions or use other individual remedies to enforce his/her rights under the Notes or the Transaction Documents will be subject to a Meeting passing an Extraordinary Resolution authorising such individual action or other remedy. In this respect, the following provisions shall apply:

- (a) the Noteholder intending to enforce his/her rights under the Notes or the Transaction Documents will notify the Representative of the Noteholders of his/her intention;
- (b) the Representative of the Noteholders will, without delay, call a Meeting in accordance with these Rules at the expense of such Noteholder;
- (c) if the Meeting passes a resolution objecting to the enforcement of the individual action or remedy, the Noteholder will be prevented from taking such action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted for review of another Meeting); and

- (d) if the Meeting of Noteholders does not object to an individual action or remedy, the Noteholder will not be prohibited from taking such individual action or remedy.

No Noteholder will be permitted to take any individual action or remedy to enforce his/her rights under the Notes or the Transaction Documents unless a Meeting of Noteholders has been held to resolve on such action or remedy in accordance with the provisions of this Article 24.

No Noteholder shall be permitted to take any individual action or remedy to enforce his/her rights under the Notes or the Transaction Documents in the event that such action or remedy would cause or result in a breach of Condition 7.1.3.

Save as provided in this Article 24, only the Representative of the Noteholders may pursue the remedies available under the general law or the Transaction Documents to obtain payment of obligations or to enforce the Security and no Noteholder shall be entitled to proceed directly against the Issuer to obtain or enforce such remedies.

#### **Article 25**

##### **Further Regulations**

Subject to all other provisions in these Rules, the Representative of the Noteholders 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 Noteholders in its sole discretion may decide.

#### **TITLE III**

### **THE REPRESENTATIVE OF THE NOTEHOLDERS**

#### **Article 26**

##### ***Appointment, Removal and Remuneration***

The appointment of the Representative of the Noteholders takes place by Extraordinary Resolution of the Most Senior Class of Noteholders in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Noteholders which will be BNP Paribas Securities Services, Milan Branch.

The Representative of the Noteholders shall be:

- (a) a bank incorporated in any jurisdiction of the European Union, or a bank incorporated in any other jurisdiction acting through an Italian branch; or
- (b) a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 107 of the Consolidated Banking Act; or
- (c) any other entity which is not prohibited from acting in the capacity of Representative of the Noteholders pursuant to the law.

Unless the Representative of the Noteholders is removed by resolution pursuant to Title II above or it resigns in accordance with Article 28 below, it shall remain in office until full repayment or cancellation of all the Notes. The Noteholders may remove the Representative of the Noteholders by resolution of the Most Senior Class of the Notes at any time.

In the event of a termination of the appointment of the Representative of the Noteholders for any reason whatsoever, such Representative of the Noteholders shall remain in office until a substitute Representative of the Noteholders, which shall be a subject among those listed in (a), (b), and (c) above accepts its appointment, and the powers and authority of the Representative of the Noteholders 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 Notes.

The director/s and auditors of the Issuer cannot be appointed as Representative of the Noteholders, and if appointed as such they shall be automatically removed.

The Issuer shall pay to the Representative of the Noteholders for its services as Representative of the Noteholders, an annual fee for its services as Representative of the Noteholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Notes or in separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the applicable Priority of Payments.

#### **Article 27**

##### ***Duties and Powers of the Representative of the Noteholders***

The Representative of the Noteholders is the legal representative of the Organisation of the Noteholders.

The Representative of the Noteholders is responsible for implementing all resolutions of the Noteholders and has the power to exercise the rights conferred on it pursuant to the Transaction Documents in order to protect the interests of the Noteholders. The Representative of the Noteholders has the right to convene Meetings to propose any course of action which it considers from time to time necessary or desirable.

The Representative of the Noteholders may also, whenever it considers it expedient and in the interest of the Noteholders, whether by power of attorney or otherwise, delegate to any person(s) specific activities vested in it as aforesaid. The terms and conditions (including power to sub-delegate) of such appointment shall be established by the Representative of the Noteholders depending on

what it deems suitable in the interest of the Noteholders. The Representative of the Noteholders shall not, other than in the normal course of its business, 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 any misconduct, omission or default on the part of such delegate or sub-delegate, provided that the Representative of the Noteholders 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 (*culpa in eligendo*). As soon as reasonably practicable, the Representative of the Noteholders shall give notice to the Issuer 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 of the appointment of any sub-delegate as soon as reasonably practicable.

The Representative of the Noteholders is authorised to represent the Organisation of the Noteholders, *inter alia*, in any judicial proceedings.

#### **Article 28**

##### ***Resignation of the Representative of the Noteholders***

The Representative of the Noteholders may resign at any time by giving at least three calendar months' written notice to the Issuer, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Noteholders shall not become effective until a new Representative of the Noteholders has been appointed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes and such new Representative of the Noteholders has accepted its appointment provided that if the Noteholders fail to select a new Representative of the Noteholders within three months of written notice of resignation delivered by the Representative of the Noteholders, the Representative of the Noteholders may appoint a successor which is a qualifying entity pursuant to Article 26.

#### **Article 29**

##### ***Exoneration of the Representative of the Noteholders***

The Representative of the Noteholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

- (a) Without limiting the generality of the foregoing, the Representative of the Noteholders:
- (i) shall not be under any obligation to take any steps to ascertain whether a Trigger 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 Noteholders hereunder or under any other Transaction Document has occurred, and until the Representative of the Noteholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Trigger Event has occurred;
  - (ii) shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or any other parties of their obligations contained in the Terms and Conditions and hereunder or, as the case may be, in any Transaction Document to which each such party is a party, and until it shall have actual knowledge or express notice to the contrary, the Representative of the Noteholders shall be entitled to assume that the Issuer and each other party to the Transaction Documents are carefully observing and performing all their respective obligations;
  - (iii) 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 Transaction Document;
  - (iv) shall not be responsible for or for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or rights 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:
    - (1) the nature, status, creditworthiness or solvency of the Issuer;
    - (2) 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 herewith;
    - (3) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;
    - (4) the failure by the Issuer to obtain or comply with any licence, consent or other authority in connection with the purchase or administration of the Portfolio; and
    - (5) any accounts, books, records or files maintained by the Issuer, the Servicer, and the Agent or any other person in respect of the Portfolio or the Notes;
  - (v) shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Notes or the distribution of any of such proceeds to the persons entitled thereto;
  - (vi) shall have no responsibility to procure that the Rating Agencies or any other credit or rating agency or any other



subject maintain the rating of the Notes;

- (vii) shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty or representation by any party other than the Representative of the Noteholders contained herein or in any Transaction Document or any certificate, document or agreement relating to thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;
- (viii) shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Issuer in relation to the Portfolio or any part thereof, whether such defect or failure was known to the Representative of the Noteholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;
- (ix) 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 Transaction Document;
- (x) shall not be under any obligation to guarantee or procure the repayment of the Portfolio or any part thereof;
- (xi) shall not be obliged to evaluate the consequences that any modification of these Rules or any of the Transaction Documents or exercise of its rights, powers and authorities may have for any individual Noteholder;
- (xii) shall not (unless and to the extent ordered to do so by a court of competent jurisdiction) be under any obligation to disclose to any Noteholder, any Other Issuer Creditor or any other party any confidential, financial, price sensitive or other information made available to the Representative of the Noteholders by the Issuer or any other person in connection with these Rules and no Noteholder, Other Issuer Creditor or any other party shall be entitled to take any action to obtain from the Representative of the Noteholders any such information;
- (xiii) shall not be responsible for (except as otherwise provided in the Terms and Conditions or in the Transaction Documents) making or verifying any determination or calculation in respect of the Portfolio and the Notes; and
- (xiv) shall not be deemed responsible for having acted pursuant to instructions received from the Meeting, even if it is later discovered that the Meeting had not been validly convened or constituted, and that such resolution had not been duly approved or was not otherwise valid or binding for the Noteholders.

(b) The Representative of the Noteholders:

- (i) may agree to any amendment or modification to these Rules or to any of the Transaction Documents which in the opinion of the Representative of the Noteholders, it is expedient to make in order to correct a manifest error or an error of a formal, minor or technical nature. Any such modification shall be binding on the Noteholders and the Other Issuer Creditors and, unless the Representative of the Noteholders otherwise agrees, the Issuer shall procure that such modification be notified to the Noteholders and the Other Issuer Creditors as soon as practicable thereafter;
- (ii) may agree to any amendment or modification or waivers to these Rules (other than in respect of a Basic Terms Modification or any provision in these Rules which makes a reference to the definition of "Basic Terms Modification") or to the Transaction Documents which, in the opinion the Representative of the Noteholders, is not materially prejudicial to the interest of the holders of the Most Senior Class of Notes then outstanding;
- (iii) may act on the advice of or a certificate or opinion of or any information obtained from any lawyer, accountant, banker, broker, credit or rating agency or other expert whether obtained by the Issuer, the Representative of the Noteholders or otherwise, and shall not be responsible for any loss incurred by so acting in the absence of gross negligence (*colpa grave*) or wilful default (*dolo*) on the part of the Representative of the Noteholders;
- (iv) may call for, and shall be at liberty to accept as sufficient evidence of any fact or matter, a certificate duly signed by the Issuer, and the Representative of the Noteholders 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 it has information which casts a doubt on the truthfulness of the certificates signed by the Issuer;
- (v) save as expressly otherwise provided herein, shall have absolute discretion as to the exercise, non-exercise or refraining from exercise of any right, power and discretion vested in the Representative of the Noteholders by these Rules or by operation of law, and the Representative of the Noteholders shall not be responsible for any loss, cost, damage, expense or inconvenience resulting from the exercise, non-exercise or refraining from exercise thereof except insofar as the same are incurred as a result of its wilful default (*dolo*) or gross negligence (*colpa grave*);
- (vi) in connection with matters in respect of which the Representative of the Noteholders is entitled to exercise its discretion hereunder, the Representative of the Noteholders has the right - but not the obligation - to convene a Meeting or Meetings in order to obtain the Noteholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Noteholders shall be entitled to request that the Noteholders indemnify it and/or provide it with security to its satisfaction against all actions, proceedings, claims and demands which may be brought against it and against all costs, charges, damages, expenses and liabilities which it may incur by taking such action;

- (vii) in order to ascertain ownership of the Notes, may fully rely on the certificates issued by any authorised institution listed in Article 30 of Decree No. 213, which certificates are conclusive proof of the statements attested to therein;
- (viii) may certify whether or not a Trigger Event is in its opinion prejudicial to the interest of the Noteholders and any such certification shall be conclusive and binding upon the Issuer, the Noteholders, the Other Issuer Creditors and any other subject party to the Transaction Documents;
- (ix) may determine whether or not a default in the performance by the Issuer of any obligation under the provisions of these Rules, the Notes or any other Transaction Documents may be remedied, and if the Representative of the Noteholders 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 Noteholders, the Other Issuer Creditors and any other subject party to the Transaction Documents;
- (x) may assume without enquiry that no Notes are, at any given time, held by or for the benefit of the Issuer;
- (xi) shall have the right to call for (or have the Issuer call for) and to rely on written attestations issued by any one of the parties to the Intercreditor Agreement, or by any Other Issuer Creditor or by a Rating Agency. The Representative of the Noteholders shall not be required to seek additional evidence and shall not be held responsible for any loss, liability, cost, damage, expense, or charge incurred as a result of having failed to do so; and
- (xii) shall be entitled to assume, 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 interest of the Noteholders if, along with other factors, the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected by such exercise, or have otherwise given their consent. If the Representative of the Noteholders, in order to properly exercise its rights or fulfil its obligations, deems it necessary to obtain the valuation of the Rating Agencies regarding how a specific act would affect the rating of the Notes, the Representative of the Noteholders shall so inform the Issuer, which will have to obtain the valuation at its expense on behalf of the Representative of the Noteholders, unless the Representative of the Noteholders wishes to seek and obtain the valuation itself.

Any consent or approval given by the Representative of the Noteholders under these Rules and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Noteholders deems appropriate.

No provision of these Rules shall require the Representative of the Noteholders to do anything which may be illegal or contrary to applicable law or regulations or to expend or otherwise risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its powers or discretion, and the Representative of the Noteholders 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 Noteholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

### **Article 30**

#### ***Security Documents***

The Representative of the Noteholders shall have the right to exercise all the rights granted by the Issuer to Noteholders which have the benefit of the Deed of Pledge and of the Deed of Charge. The beneficiaries of the Deed of Pledge and of the Deed of Charge are referred to as the **"Secured Noteholders"**.

The Representative of the Noteholders, acting on behalf of the Secured Noteholders, shall be entitled to:

- (a) appoint and entrust the Issuer to collect, on the Secured Noteholders' interest and behalf, any amounts deriving from the receivables and from the pledged receivables and rights, and shall be entitled to give instructions, jointly with the Issuer, to the respective debtors of the pledged receivables to effect the payments related to such receivables standing to the credit of the relevant Accounts or any other account opened in the name of the Issuer;
- (b) attest that the account(s) to which payments have been made in respect of the pledged receivables shall be deposit accounts for the purpose of Article 2803 of the Italian Civil Code, and procure that such account(s) is(are) operated in compliance with the provisions of the Cash Allocation, Management and Payment Agreement and the Intercreditor Agreement. For such purpose and until a Trigger Notice is served, the Representative of the Noteholders, acting in the name and on behalf of the Secured Noteholders, shall appoint the Issuer to manage the Accounts in compliance with the Cash Allocation, Management and Payment Agreement;
- (c) procure that all funds credited to the relevant Accounts from time to time are applied in accordance with the Cash Allocation, Management and Payment Agreement and the Intercreditor Agreement; and
- (d) procure that the funds from time to time deriving from the pledged receivables and the amounts standing to the credit of the relevant Accounts are applied towards satisfaction not only of the amounts due to the Secured Noteholders, but also of such amounts due and payable to any other parties that rank prior to the Secured Noteholders according to the applicable Priority of Payments set forth in the Terms and Conditions, and to the extent that all amounts due and payable to the Secured Noteholders have been paid in full, that any remaining amount be used towards satisfaction of any amounts due to any other

parties that rank below the Secured Noteholders. The Secured Noteholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the pledged receivables or credited to the Accounts which is not in accordance with the provisions of this Article 30. The Representative of the Noteholders 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 receivables under the Deed of Pledge except in accordance with the provisions of this Article 30 and the Intercreditor Agreement.

#### **Article 31**

##### ***Indemnity***

Pursuant to the Subscription Agreement, the Issuer has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Noteholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, receivables and demand (including, without limitation, legal fees and any applicable tax, value added tax or similar tax) properly incurred by or made against the Representative of the Noteholders or any subject to which the Representative of the Noteholders has delegated any power, authority or discretion in relation to the exercise or purported exercise of its powers, authority and discretion and the performance of its duties under and otherwise in relation to these Rules and the Transaction Documents, including but not limited to legal and travelling expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Noteholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Noteholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Notes or the Transaction Documents

Notwithstanding any other provision of these Rules, the Representative of the Noteholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Notes or the Rules except in relation to gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Noteholders.

#### **TITLE IV**

##### **THE ORGANISATION OF THE NOTEHOLDERS AFTER SERVICE OF A TRIGGER NOTICE**

#### **Article 32**

##### ***Powers***

It is hereby acknowledged that, upon the occurrence of a Trigger Event, pursuant to the Mandate Agreement, the Representative of the Noteholders, in its capacity as legal representative of the Organisation of the Noteholders, shall be entitled - also in the interest of the Other Issuer Creditors, pursuant to articles 1411 and 1723 of the Italian Civil Code - to exercise certain rights in relation to the Portfolio. Therefore, the Representative of the Noteholders, in its capacity as legal representative of the Organisation of the Noteholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Issuer and as *mandatario in rem propriam* of the Issuer, any and all of the Issuer's rights under certain Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

#### **TITLE V**

##### **GOVERNING LAW AND ALTERNATIVE DISPUTES RESOLUTIONS**

#### **Article 33**

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

The Courts of Rome are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with these Rules.

## SELECTED ASPECTS OF ITALIAN LAW

### **The Securitisation Law**

The Securitisation Law was enacted on 30 April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

It applies to securitisation transactions involving the “true” sale (by way of non-gratuitous assignment) of receivables, where the sale is to a company created in accordance with Article 3 of the Securitisation Law and all amounts paid by the debtors in respect of the receivables are to be used by the relevant company exclusively to meet its obligations under notes issued to fund the purchase of such receivables and all costs and expenses associated with the securitisation transaction.

As at the date of this Offering Circular, no interpretation of the application of the Securitisation Law has been issued by any Italian court or governmental or regulatory authority, except for (i) regulations issued by the Bank of Italy concerning, *inter alia*, the accounting treatment of securitisation transactions for special purpose companies incorporated under the Securitisation Law, such as the Issuer, and the duties of the companies which carry out collection and recovery activities in the context of a securitisation transaction, and (ii) the Decree of the Italian Ministry of Treasury dated 4 April 2001 on the terms for the registration of the financial intermediaries in the register held by the Bank of Italy pursuant to Article 107 of the Consolidated Banking Act. Consequently, it is possible that such or different authorities may issue further regulations relating to the Securitisation Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Offering Circular.

### **Ring-fencing of the assets**

Under the terms of Article 3 of the Securitisation Law, the assets relating to each securitisation transaction will, by operation of law, be segregated for all purposes from all other assets of the company which purchases the receivables (including any other receivables purchased by the Issuer pursuant to the Securitisation Law). Prior to and on a winding up of such a company such assets will only be available to holders of the notes issued to finance the acquisition of the relevant receivables and to certain creditors claiming payment of debts incurred by the company in connection with the securitisation of the relevant assets. In addition, the assets relating to a particular transaction will not be available to the holders of notes issued to finance any other securitisation transaction or to general creditors of the issuer company.

Under Italian law, however, any creditor of the Issuer would be able to commence insolvency or winding-up proceedings against the Issuer in respect of any unpaid debt.

### **The assignment**

The assignment of the receivables under the Securitisation Law is governed by Article 58 paragraphs 2, 3 and 4 of the Consolidated Banking Act. The prevailing interpretation of this provision, which view has been strengthened by Article 4 of the Securitisation Law, is that the assignment can be perfected against the assignor, the debtors in respect of the receivables and third party creditors by way of publication of the relevant notice in the Official Gazette of the

Republic of Italy and registration in the Companies Register, so avoiding the need for notification to be served on each debtor.

As of date of the publication of the notice in the Official Gazette of the Republic of Italy and registration in the Companies Register, the assignment becomes enforceable against:

- (i) the debtors in respect of the receivables and any creditors of the assignor who have not prior to the date of publication of the notice and registration in the Companies Register commenced enforcement proceedings in respect of the relevant receivables, provided that following the registration of the assignment in the Companies Register and the publication of the notice in the Official Gazette, the claw-back provisions set forth in Article 67 of the Italian Bankruptcy Law will not apply to payments made by the Obligor to the Issuer in respect of the Portfolio to which the relevant registration of the assignment and the publication of the relevant notice relate;
- (ii) the liquidator or other bankruptcy official of the debtors in respect of the receivables (so that any payments made by such a debtor to the purchasing company may not be subject to any claw-back action pursuant to Article 67 of the Italian Bankruptcy Law); and
- (iii) other permitted assignees of the assignor who have not perfected their assignment prior to the date of publication and registration in the Companies Register.

The benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the assigned receivables will automatically be transferred to and perfected with the same priority in favour of the Issuer, without the need for any formality or annotation.

As from the date of publication of the notice of the assignment in the Official Gazette of the Republic of Italy and registration in the Companies Register, no legal action may be brought against the receivables assigned or the sums derived therefrom other than for the purposes of enforcing the rights of the Noteholders issued for the purpose of financing the acquisition of the relevant receivables and to meet the costs of the transaction.

The transfer of the Receivables from Banca di Roma to the Issuer has been (i) registered on the Companies Register of Rome on 12 March 2007 and (ii) published in the Official Gazette No. 64 of 17 March 2007 (insertion No. 32).

Assignments executed under the Securitisation Law are subject to revocation on bankruptcy under Article 67 of Royal Decree number 267 of 16 March 1942 but only in the event that the adjudication of bankruptcy of the relevant party is made within three months of the securitisation transaction or, in cases where paragraph 1 of Article 67 applies, within six months of the securitisation transaction. It is uncertain whether such limitation on claw-back would be applicable if the relevant insolvency procedure or claw-back action is not governed by the law of the Republic of Italy, as would probably be the case if the seller were to become insolvent.

### **The Issuer**

Under the regime normally prescribed for Italian companies under the Italian civil code, it is unlawful for any company (other than banks) to issue securities for an amount exceeding two times the company's share capital. Under the provisions of the Securitisation Law, the standard provisions described above are inapplicable to the Issuer.

The Issuer is subject to the provisions contained in Chapter V of the Consolidated Banking Act which requires that companies intending to carry out financial activity in the Republic of Italy must be registered on the register of financial companies held, pursuant to Article 106 of the Consolidated Banking Act, by the Treasury Ministry. Additionally, pursuant to Article 107 of the Consolidated Banking Act, financial companies carrying out securitisation activities must also be registered on a special register held by the Bank of Italy. Companies registered under Article 107 of the Consolidated Banking Act are subject to the supervision of the Bank of Italy.

### **Foreclosure proceedings**

Mortgages may be “voluntary” (*ipoteche volontarie*), where granted by a borrower or a third party guarantor by way of a deed, or “judicial” (*ipoteche giudiziarie*), where registered in the appropriate land registry (*Conservatoria dei Registri Immobiliari*) following a court order or injunction to pay amounts in respect of any outstanding debt or unperformed obligation.

A mortgage lender (whose debt is secured by a mortgage whether “voluntary” or “judicial”) may commence foreclosure proceedings by seeking a court order or injunction for payment in the form of a *titolo esecutivo* from the court in whose jurisdiction the mortgaged property is located. This court order or injunction must be served on the debtor.

If the mortgage loan was executed in the form of a public deed, a mortgage lender can serve a copy of the mortgage loan agreement, stamped by a notary public with an order for the execution thereof (*formula esecutiva*) directly on the debtor without the need to obtain a *titolo esecutivo* from the court. An *atto di precetto* is notified to the debtor together with either the *titolo esecutivo* or the loan agreement, as the case may be.

Within ten days of filing, but not later than ninety days from the date on which notice of the *atto di precetto* is served, the mortgage lender may request the attachment of the mortgaged property. The property will be attached by a court order, which must then be filed with the appropriate land registry (*Conservatoria dei Registri Immobiliari*). The court will, at the request of the mortgage lender, appoint a custodian to manage the mortgaged property in the interests of the mortgage lender. If the mortgage lender does not make such a request, the debtor will automatically become the custodian of such property.

The mortgage lender is required to search the land registry to ascertain the identity of the current owner of the property and must then serve notice of the request for attachment on the current owner, even if no transfer of the property from the original borrower or mortgagor to a third party purchaser has been previously notified to the mortgage lender. Not earlier than 10 days and not later than 90 days after serving the attachment order, the mortgage lender may request the court to sell the mortgaged property. The court may delay its decision in respect of the mortgage lender's request in order to hear any challenge by the debtor to the attachment.

Technical delays may be caused by the need to append to the mortgage lender's request for attachment copies of the relevant mortgage and catastral certificates, which usually take some time to obtain. Law No. 302 of 3 August 1998 should reduce the duration of the foreclosure proceedings by allowing the mortgage lender to substitute such catastral certificates with certificates obtained from public notaries and by allowing public notaries to conduct various activities which were before exclusively within the powers of the courts.

If the court decides to proceed with an auction (*vendita con incanto*) of the mortgaged property, it will usually appoint an expert to value the property. The court will then order the sale by auction. The court determines on the basis of the expert's appraisal the minimum bid price for the property at the auction. If an auction fails to result in the sale of the property, the court will arrange a new auction with a lower minimum bid price. The courts have discretion to decide whether, and to what extent, the bid price should be reduced (the maximum permitted reduction being one-fifth of the minimum bid price of the previous auction). In practice, the courts tend to apply the one-fifth reduction. In the event that no offers are made during an auction, the mortgage lender may apply to the court for a direct assignment of the mortgaged property to the mortgage lender itself. In practice, however, the courts tend to hold auctions until the mortgaged property is sold.

The sale proceeds, after deduction of the expenses of the foreclosure proceedings and any expenses for the cancellation of the mortgages, will be applied in satisfaction of the claims of the mortgage lender in priority to the claims of any other creditor of the debtor (except for the claims for taxes due in relation to the mortgaged property and for which the collector of taxes participates in the foreclosure proceedings).

Pursuant to Article 2855 of the Italian Civil Code the claims of a mortgage lender in respect of interest may be satisfied in priority to the claims of all other unsecured creditors in an amount equal to the aggregate of (i) the interest accrued at the contractual rate in the calendar year in which the initial stage of the foreclosure proceedings are taken and in the two preceding calendar years and (ii) the interest accrued at the legal rate (currently 2.5 per cent.) until the date on which the mortgaged property is sold. Any amount recovered in excess of this will be applied to satisfy the claims of any other creditor participating in the foreclosure proceedings. The mortgage lender will be entitled to participate in the distribution of any such excess as an unsecured creditor. The balance, if any, will then be paid to the debtor.

Upon payment in full of the purchase price by the purchaser within the specified time period, title to the property will be transferred after the court issues an official decree ordering the transfer. In the event that proceedings have been commenced by creditors other than the mortgage lender, the mortgage lender will have priority over such other creditors in having recourse to the assets of the borrower during such proceedings, such recourse being limited to the value of the mortgaged property.

The average length of foreclosure proceedings, from the court order or injunction of payment to the final sharing out, is between eight and ten years. In the medium-sized Central and Northern Italian cities it can be significantly less whereas in major cities or in Southern Italy the duration of the procedure can significantly exceed the average.

### ***Mutui fondiari* foreclosure proceedings**

All the Mortgage Loans are *mutui fondiari*. Foreclosure proceedings in respect of *mutui fondiari* commenced after 1 January 1994 are currently regulated by Article 38 (and following) of the Consolidated Banking Act in which several exceptions to the rules applying to foreclosure proceedings in general are provided for. In particular, there is no requirement to serve a copy of the loan agreement directly on the borrower and the mortgage lender of *mutui fondiari* is entitled to commence or continue foreclosure proceedings after the debtor is declared insolvent or insolvency proceedings have been commenced.

Moreover, the custodian appointed to manage the mortgaged property in the interest of the *fondiaro* lender pays directly to the same the revenues recovered on the mortgaged property (net of administration expenses and taxes). After the sale of the mortgaged property, the court orders the purchaser (or the assignee in the case of an assignment) to pay that part of the price corresponding to the *mutui fondiaro* lender's debt directly to the same.

Pursuant to Article 58 of the Consolidated Banking Act, the Issuer will be entitled to benefit from such procedural advantages which apply in favour of a lender of a *mutui fondiaro* loan.

Foreclosure proceedings for *mutui fondiaro* commenced on or before 31 December 1993 are regulated by Regio Decreto No. 646 of 16 July 1905 which confers on the *mutuo fondiaro* lender rights and privileges which are not conferred by the Consolidated Banking Act with respect to foreclosure proceedings on *mutui fondiaro* commenced on or after 1 January 1994. Such additional rights and privileges include the right of the bank to commence foreclosure proceedings against the borrower even after the real estate has been sold to a third party who has substituted the borrower as debtor under the *mutuo fondiaro* provided that the name of such third party has not been notified to the lender. Further rights include the right of the bank to apply for the real estate to be valued by the Tribunal after commencement of foreclosure proceedings, at the value indicated in the *mutuo fondiaro* agreement without having to have a further expert appraisal.

#### **Attachment of Debtor's Credits**

Attachment proceedings may be commenced also on due and payable credits of a borrower (such as bank accounts, salary etc.) or on a borrower's moveable property which is located on a third party's premises.



## TAXATION

*The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposal of the Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to your decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. The following summary does not discuss the treatment of Notes that are held in connection with a permanent establishment or fixed base through which a non-Italian resident beneficial owner carries on business or performs professional services in Italy.*

*This summary is based upon tax laws and practice of Italy in effect on the date of this Offering Circular which are subject to change potentially retroactively. Prospective Noteholders should consult their tax advisers as to the consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws. In this respect, a bill of law has been presented by the Government to the Italian Parliament, for a delegation to be granted to the same Government to issue, within six months of the entering into force of the bill of law, one or more legislative decrees introducing a general reform of the Italian tax treatment of financial income and capital gains of a financial nature. The guidelines provided by the bill of law for this purpose include the adoption of a common rate of tax not to exceed a maximum of twenty per cent. for all the relevant withholding and substitutive tax regimes. This legislative decree would have to be issued by the Government within six months from the entry in force of the delegation law*

*Prospective Noteholders who may be unsure as to their tax position should seek their own professional advice.*

### **Income Tax**

Under current legislation, pursuant to the provision of Article 6, paragraph 1, of the Securitisation Law and to Decree No. 239, as amended and restated, in particular, by Decree No. 350, payments of interest and other proceeds in respect of the Notes:

- (a) will be subject to final *imposta sostitutiva* at the rate of 12.5 per cent. in Italy if made to beneficial owners who are: (i) individuals resident in Italy for tax purposes, holding the Notes not in connection with entrepreneurial activities (unless they have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the *risparmio gestito* regime according to Article 7 of Legislative Decree No. 461 of 21 November 1997 - the "Asset Management Option"); (ii) Italian resident partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), *de facto* partnerships not carrying out commercial activities and professional associations; (iii) Italian resident public and private entities, including trust, other than companies, not carrying out commercial activities; (iv) Italian resident entities exempt from corporate income tax; and (v) non-Italian resident entities or persons without a permanent establishment in Italy to which the Notes are effectively connected, which are not eligible for the exemption from the *imposta sostitutiva* and/or do not timely comply with the requirements set forth in Decree No. 239 and the relevant application rules in order to

benefit from the exemption from *imposta sostitutiva*. As to non-Italian resident beneficial owners, *imposta sostitutiva* may apply at lower or nil rate under double taxation treaties entered into by Italy, where applicable.

The 12.5 per cent. (or, in certain cases, for treaty covered non-Italian resident beneficial owners, the lower rate provided for by the relevant applicable double tax treaty) final *imposta sostitutiva* will be applied by the Italian resident qualified financial intermediaries that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes. Interest is therefore not to be included in the aggregate income of the investor subject to progressive tax rates, and the tax levied may not be credited against the investor's income tax liability. An exception to this rule is the "*imposta sostitutiva*" applied in the case of Notes held by an individual in connection with entrepreneurial activities: and in such a case the "*imposta sostitutiva*" applies as a provisional tax.;

- (b) will not be subject to the *imposta sostitutiva* at the rate of 12.5 per cent. if made to beneficial owners who are: (i) Italian resident corporations, commercial entities (including trusts), or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 and Italian resident real estate investment funds; (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option; and (iv) according to Decree No. 350, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected, provided that:
- (i) pursuant to Article 6, paragraph 1, of Decree No. 239, as modified in particular by Article 41 of Law Decree No. 269 of 30 September 2003, converted with amendments into Law No. 326 of 24 November 2003, non Italian resident beneficial owners are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information (according to Ministerial Decree of 12 December 2001, the present list of the countries allowing an adequate exchange of information is that contained in the Ministerial Decree 4 September, 1996 – as subsequent amended and supplemented – which contemplates all the countries with which Italy has entered into a double taxation treaty providing for an exchange of information); and
  - (ii) all the requirements and procedures set forth in Decree No. 239 and in the relevant application rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in a timely manner. To ensure payment of interest and other proceeds in respect of the Notes without the application of *imposta sostitutiva*, investors indicated above must:
    - (1) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial intermediary, or permanent establishment in Italy of a foreign intermediary, which are directly connected with the Italian Ministry of Finance. For this purpose two categories of intermediaries are identified:

- (x) an Italian or non Italian resident bank or financial institution (there is no requirement for the bank to be EU resident) (the “**First Level Bank**”), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank, and
  - (y) an Italian resident bank or a *Società d’Intermediazione Mobiliare* (“**SIM**”, which are Italian financial intermediaries), or a permanent establishment in Italy of a non-resident bank or SIM, acting as depository or sub-depository of the Notes appointed to maintain direct relationships, via electronic link, with the Italian Financial Administration (the “**Second Level Bank**”). Organisations and companies non-resident in the Republic of Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in the Republic of Italy of a non-resident bank or SIM). In the event that the non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.
- (2) file with the relevant depository in a timely manner a self-declaration (the “**Declaration**”) stating their residence, for tax purposes, in a country which recognises the Italian fiscal authorities’ right to an adequate exchange of information and, *inter alia*, that the non-Italian resident entity is the beneficial owner of the proceeds. Such self-declaration, which must be in conformity with the model approved by the Ministry of Economy and Finance (approved with Decree of the Ministry of Economy and Finance 12 December 2001, published on the Ordinary Supplement No. 287 to the Official Journal No. 301 of 29 December 2001), is valid until withdrawn or revoked and may not be filed in the event that a certificate, declaration or other similar document (including Form 116/IMP) with an equivalent purpose has previously been filed with the same depository. In the case of institutional investors not subject to tax, the institutional investor shall be regarded as the beneficial owner and the relevant self-declaration shall be produced by the management company. Once the Declaration has been properly completed, the First Level Bank is obliged to send it to the Second Level Bank within 15 days from receipt. Second Level Banks are expected to file the data relating to the non-resident Noteholder together with data relating to the transactions carried out, via electronic link, to the Italian fiscal authorities within the first transmission period after receipt of such data. The Italian fiscal authorities monitor and control such data and any discrepancies. For Noteholders non-resident in the Republic of Italy, the Second Level Bank acts as an intermediary responsible for assessing the applicability of the *imposta sostitutiva* and, consequently, for levying and paying it to the Italian tax authority in accordance with the procedure described above. The Declaration has to be filed by the actual beneficial owner of the proceeds. Institutional

investors with no subjective tax liability are always considered beneficial owners in respect of the proceeds received and shall file the Declaration by means of their investment manager.

Non-resident holders are subject to the 12.5 per cent. substitute tax on interest and other proceeds on the Notes if any of the above conditions are not satisfied.

The exemption from *imposta sostitutiva* also applies to (i) non Italian resident “institutional investors” (i.e. entities the activity of which consists of making or managing investments on their own behalf or on behalf of other persons, as defined by *Circolare dell’Agenzia delle Entrate* dated 1 March 2002 No. 23/E), even if they are not treated as taxpayers in their country of residence, but provided that they are resident in a country meeting the above requirements, (ii) International organisations created pursuant to International treaties that are effective in Italy, and (iii) central banks or entities managing also the official reserves of the State.

Interest and other proceeds accrued on the Notes are included in the corporate taxable income (*imposta sul reddito delle società*, “**IRES**”) at 33 per cent. and in certain circumstances, depending on the status of the Noteholders, also in the net value of production for purposes of regional tax on productive activities (“**IRAP**”) at a rate of 4.25 per cent. (regions may vary the rate up to 1 per cent.) of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign entities to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent. annual substitutive tax (the “**Asset Management Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include any interest and other proceeds accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian resident collective investment funds and SICAVs are subject to an annual substitutive tax of 12.5 per cent. (the “**Collective Investment Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes). Pursuant to Article 12 of the Law Decree n. 269 of 30 September 2003, converted with amendments into Law No. 326 of 24 November 2003, from the 2nd of October 2003, the Italian resident collective investment funds are subject to a 5 per cent. (instead of a 12.5 per cent) annual substitute tax if, according to the fund regulations, at least 2/3 of the fund’s assets are invested in stock of small or medium capitalisation companies, listed in an EU regulated market.

Referring to the above, with its Decision 2006/638/EC of 6 September 2005, the European Commission stated that the mentioned tax rate reduction violates the EU Treaty State Aid rules. Consequently, the Commission requested that Italy eliminates the advantage for specialised vehicles. Moreover, because the aid was enacted without prior Commission approval, removing this advantage must be done with retroactive effect and the past tax break must be recovered from the agents who should have paid the tax. The Commission Decision has been appealed before the European Court of Justice and a judgement is expected in 2007.

Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree

No. 252 of 5 December 2005, are subject to an 11 per cent. annual substitutive 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 and other proceeds accrued on the Notes).

Pursuant to Legislative Decree No. 351 of 25 September 2001 (“**Decree No. 351**”), as amended by Article 41-bis of Law Decree No. 269 of 30 September 2003, converted with amendments into Law No. 326 of 24 November 2003, starting from 1 January 2004, beneficial owners of Notes who are Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 and to Article 14-bis of Law No. 86 of 25 January 1994, from 26 September 2001 or, if established before 26 September 2001, provided that the managing company has opted for the application of the regime provided for by Decree No. 351, are not subject to taxation at the Fund level and the 12.5 per cent. imposta sostitutiva indicated in subparagraph (A) above does not apply to payments of interest and other proceeds in respect of the Notes to such funds.

Moreover, as clarified by Revenue Agency Circular No. 47/E of 8 August 2003, the 12.5 per cent. *imposta sostitutiva* provided for by Decree No. 239 in general should not apply with respect to interest and other proceeds on the Notes derived by all Italian resident real estate investment funds, including any real estate investment funds not subject to the tax treatment provided for by Decree No. 351, provided that the Notes, together with the coupons relating thereto, are deposited in a timely manner directly or indirectly with an Italian authorised financial intermediary (or permanent establishment in Italy of a foreign intermediary).

In particular, Article 41-bis, paragraph 8, of Law Decree No. 269 of 30 September 2003, converted with amendments into Law No. 326 of 24 November 2003 has repealed, with effect from 1 January 2004, the annual substitute tax previously applicable on the accounting net value of certain real estate investment funds and, subject to certain exceptions, Article 41-bis, paragraph 9 of Law Decree No. 269 of 30 September 2003, converted with amendments into Law No. 326 of 24 November 2003, has introduced a 12.5 per cent. withholding, at the level of the participants in Italian real estate investment funds, of proceeds from the participation in such funds accrued starting from 1 January 2004.

Any positive difference between the nominal amount of the Notes and their issue price is deemed to be interest for tax purposes. Without prejudice to the above provisions, in the event that the Notes are redeemed in full or in part prior to the expiry of eighteen months from the Issue Date, the Issuer of the Notes will be required to pay an additional amount in Italy which, at the date of this Offering Circular, is equal to 20 per cent. of all interest and other proceeds accrued on such principal amount repaid early up to the relevant repayment date. In accordance with one interpretation of Italian fiscal law, also in the event of purchase of Notes by the Issuer with subsequent cancellation thereof prior to the expiry of eighteen months from the Issue Date, the Issuer may be required to pay the above 20 per cent. additional amount.

### **Capital Gains**

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant tax provisions, if derived by Noteholders who are:

- (a) Italian resident corporations;
- (b) permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; or
- (c) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

Pursuant to Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity and certain other persons upon sale for consideration or redemption of the Notes would be subject to an *imposta sostitutiva* at the current rate of 12.5 per cent..

The capital gain/loss is represented by the positive/negative difference between the Notes' sale price (or the redemption value) and the purchase or subscription price (or value) gross of any inherent expenses (stamp duties, commissions, notary fees, etc.). Such difference is to be considered net of any interest (or issue margin) accrued but not yet paid, which is to be taxed according to the criteria explained under the previous paragraph, headed "Income Tax". If a negative difference arises from a relevant transaction, such difference represents a capital loss which can be, in general terms, carried forward and set off with future gains of a similar nature.

Three different regimes may apply to the taxation of a resident investor, holding Notes otherwise than in connection with entrepreneurial activity, with reference to capital gains not pertaining to business activities:

- (1) under the tax declaration regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity, *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by Italian resident individual noteholders holding Notes not in connection with entrepreneurial activity pursuant to all disposals of Notes carried out during any given fiscal year. Italian resident individuals holding Notes not in connection with entrepreneurial activity must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax declaration to be filed with the Italian tax authorities for such year and pay *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;
- (2) as an alternative to the tax declaration regime, Italian resident individual noteholders holding the Notes not in connection with entrepreneurial activity may elect to pay 12.5 per cent. *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "**Risparmio Amministrato**" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, *Società di Intermediazione Mobiliare (SIM)* or certain authorised financial intermediaries and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. Under the *Risparmio Amministrato* regime, the financial intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any incurred capital loss, and is required to pay the

relevant amount to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Noteholder. Under the *Risparmio Amministrato* regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains subsequently realised within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous; and

- (3) any capital gains realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity who have elected for the Asset Management Option 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 the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

Any capital gains realised by Noteholders who are Italian resident collective investment funds will be included in the computation of the taxable basis of the Collective Investment Fund Tax.

Any capital gains realised by Noteholders who are Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005, will be included in the computation of the taxable basis of Pension Fund Tax.

The 12.5 per cent. final *imposta sostitutiva* on capital gains may in certain circumstances be payable on capital gains realised upon sale for consideration or redemption of the Notes by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Legislative Decree No. 259 of 21 July 1999, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad (including the Luxembourg Stock Exchange) and in certain cases subject to timely filing of required documentation (in particular, a self-declaration not to be resident in Italy for tax purposes), even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

In case the Notes are not listed on a regulated market in Italy or abroad:

- (i) pursuant to the provisions of Decree No. 350, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in Italy on any capital gains realised, upon sale for consideration or redemption of the Notes if they (a) are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information as listed in Ministerial Decree 4 September 1996, as amended and supplemented).

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply on condition that they file in time with the authorised financial intermediary an appropriate self-declaration stating to meet the requirements indicated under (a);

- (ii) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, provided that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

## **Trusts**

According to Article 73, paragraph 2, of Presidential Decree No. 917 of 22 December 1987, as amended by paragraph 74, Article 1, of Law 27 December 2006 No. 296, if the beneficiaries are named in the trust documents, any such beneficiary will be taxed on the trust's income and that income for the beneficiary will be considered capital income (*redditi di capitale*). Moreover, according to Article 73, paragraph 3, of Presidential Decree No. 917 of 22 December 1987, as amended by paragraph 74, Article 1, of Law 27 December 2006 No. 296, trusts that are not Italian resident could be considered Italian resident for tax purposes if (i) they are created in a country that does not recognise the Italian tax authorities' right to the adequate exchange of information; (ii) at least one settlor and one beneficiary of the trust are Italian tax residents; or (iii) it is created in a country described under point (i) above and, following incorporation of the trust, an Italian resident subject transfers certain assets to the trust.

At the date of this Offering Circular, the Italian Tax Authority has not issued clarifications or guidelines in relation to the application of the rules regarding trusts described above.

## **Inheritance and Gift Tax**

Law no. 286 of 24 November 2006 (published on the Official Gazette No. 277 of 28 November 2006), which has converted into law, with amendments, Law Decree no. 262 of 3 October 2006, has introduced inheritance and gift tax to be paid at the transfer of assets (such as the Notes) and rights by reason of death or gift.

As regards the inheritance and gift tax to be paid at the transfer of the Notes by reason of death or gift, the following rates apply:

- 1) transfers in favour of spouses and direct descendants or direct relatives are subject to a registration tax of 4 per cent. on the value of the inheritance or the gift exceeding Euro 1,000,000,00 for each transferor;



- 2) transfers in favour of brothers and sisters are subject to a registration tax of 6 per cent. on the value of the inheritance or the gift exceeding Euro 100,000.00 for each transferor;
- 3) transfers in favour of relatives up to the fourth degree or relatives-in-law to the third degree, are subject to a registration tax of 6 per cent. on the entire value of the inheritance or the gift;
- 4) any other transfer is subject to a registration tax of 8 per cent. on the entire value of the inheritance or the gift.
- 5) transfers in favour of seriously disabled persons are subject to a registration tax at the relevant rate as described above on the value of the inheritance or the gift exceeding Euro 1,500,000.00 for each transferor.

The above-mentioned rules apply to inheritances received after 3 October 2006 and to gifts made after 29 November 2006 (or made after 1 January 2007 in relation to provisions under 2 and 5 above).

Moreover, an anti-avoidance rule is provided by Law No. 383 of 18 October 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Legislative Decree No. 461 of 21 November 1997. In particular, if the donee sells the Notes for consideration within five 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 had never taken place.

## **Transfer tax**

### ***General***

Pursuant to Legislative Decree No. 435 of 21 November 1997 ("**Decree No. 435**"), which amended the regime laid down by Royal Decree No. 3278 of 30 December 1923, the transfer of the Notes to or by Italian residents may be subject to Italian transfer tax (*tassa sui contratti di borsa*) in the following cases and at the following rates:

- (i) contracts entered into directly between private parties or between the parties through entities other than authorised intermediaries (banks, SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers) are subject to a transfer tax of Euro 0.0083 for every Euro 51.65, or part of Euro 51.65, of the price of the Notes;
- (ii) contracts between private parties through banks, SIMs or other authorised professional intermediaries or stockbrokers, or between private parties and banks, SIMs or other authorised intermediaries or stockbrokers, are subject to a transfer tax of Euro 0.00465 for every Euro 51.65, or part of Euro 51.65, of the price of the Notes; and
- (iii) contracts between banks, SIMs or other authorised professional intermediaries or stockbrokers are subject to a transfer tax of Euro 0.00465 for every Euro 51.65, or part of Euro 51.65, of the price of the Notes.

In the cases listed above under (ii) and (iii), however, the amount of transfer tax cannot exceed

Euro 929,62 for any single transaction.

## Exemptions

In general, transfer tax is not levied, *inter alia*, in the following cases:

- (i) contracts relating to listed securities entered into on regulated markets (e.g. the Luxembourg Stock Exchange);
- (ii) contracts relating to securities which are admitted to listing on regulated markets and finalised outside such markets and entered into:
  - (a) between banks or SIMs or other professional intermediaries authorised to perform investment services, pursuant to Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers among themselves;
  - (b) between authorised intermediaries as referred to in paragraph (a) above and non-Italian residents;
  - (c) between authorised intermediaries as referred to in paragraph (a) above, also non-Italian resident, and undertakings for collective investment of saving income;
- (iii) contracts relating to public sale offers for the admission to listing on regulated markets or relating to financial instruments already admitted to listing on said markets;
- (iv) contracts for a consideration of less than Euro 206.58;
- (v) contracts regarding securities not listed on a regulated market entered into between authorised intermediaries as referred to in (ii)(a) above, on the one hand, and non-Italian residents, on the other hand.

## European Withholding Tax Directive

On 3 June 2003, the EU Council of Economic and Finance Ministers (“**ECOFIN**”) adopted the EU Directive No. 2003/48/CE (the “**European Withholding Tax Directive**”), a directive regarding the taxation of savings income. The European Withholding Tax Directive was scheduled to be applied by Member States of the European Union (each, a “**Member State**” and together, the “**Member States**”) from 1 July 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the European Withholding Tax Directive each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State.

The Italian Government has implemented the European Withholding Tax Directive with the Legislative Decree No. 84 of 18 April 2005 (the “**Decree No. 84**”). Decree No. 84 will apply to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in a different EU Member State as well as in other jurisdictions that have adopted similar legislation (Jersey, Guernsey, Isle of Man, Dutch Antilles, British Virgin Islands, Turks and Caicos, Cayman, Montserrat, Anguilla and Aruba). According to Article 1(1) of the Decree No. 84, the definition of paying agents includes, *inter alia*, banks, SGRs, fiduciary

companies, financial intermediaries, and any economic operator that may be involved, commercially or professionally, in a payment of interest.

More specifically, according to Article 5 of the Decree No. 84, paying agents acting shall provide the Italian tax authorities with the following data: identity and residence of the beneficial owner; name and address of the paying agent; account number of the beneficial owner or, otherwise, information of the debt claim giving rise to the interest payment and amount of interest paid. Such information is then transmitted to the Italian tax authorities. Residence of the beneficial owner is ascertained on the basis of the address indicated in the passport (if any), in the official identity card or, if necessary, on the basis of any other evidence. The beneficial owner that having a EU passport or identity card is resident for income tax purposes in a third country, shall file a tax certificate issued by the State of residence. Any individual receiving an interest payment is presumed to be the beneficial owner with the burden to give evidence and prove the contrary in his hands.

Companies, similar entities subject to taxation on business profits, UCITs passported under the Directive No. 85/611/EEC and non passported UCITs that have elected to be treated like passported, are excluded from the application of Decree No. 84. Mistakes, omissions and any other contravention may be fined under the Decree No. 84 with sanctions from Euro 2,065.00 to Euro 20,658.00. Either payments of interest on the Notes or the realisation of the capitalised interest through a sale of the Notes would constitute "payments of interest" under Article 6 of the European Withholding Tax Directive and, as far as Italy is concerned, Article 2 of the Decree 84. Accordingly, such payment of interest arising out of the Notes would fall within the scope of the European Withholding Tax Directive being the Notes issued after March 1st, 2001 (see Articles 15 of the European Withholding Tax Directive and article 2(5) of the Decree 84).

The European Withholding Tax Directive provides that Austria, Belgium or Luxembourg shall apply a withholding tax for a transitional period as defined therein, unless during such period they would elect otherwise.

The withholding tax shall be levied at the rate of 15 per cent. during the first three years of the transitional period, 20 per cent. for the subsequent three years and 35 per cent. thereafter. European Withholding Tax Directive provides for the exemption from the withholding tax to the extent that the beneficial owner provides the paying agent with minimum data requirements. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. The mechanism of application of such withholding tax would, however, be governed by the implementing legislation of the relevant country to which the investors of the Notes shall refer to.

## SUBSCRIPTION AND SALE

### The Subscription Agreement

Pursuant to the Subscription Agreement entered into on or about the Issue Date, HSBC and Morgan Stanley have agreed to subscribe for the Notes, subject to the terms and conditions set out thereunder.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Joint Lead Managers in certain circumstances prior to payment for the Notes to the Issuer. The Issuer and the Originator have agreed to indemnify each of the Joint Lead Managers against certain liabilities in connection with the issue of the Notes.

The Issuer will pay the Joint Lead Managers certain fees as agreed and set out in the Subscription Agreement.

The Subscription Agreement is governed by and will be construed in accordance with Italian law.

### Selling Restrictions

Pursuant to the Subscription Agreement, the sale and distribution of the Notes is subject to the following selling restrictions.

### GENERAL

Each of the Joint Lead Managers has acknowledged that no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Notes, or possession or distribution of any offering material in relation to the Notes, in any country or jurisdiction where action for that purpose is required.

Each of the Joint Lead Managers has undertaken to the Issuer and the Originator that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession, distributes or publishes such offering material, in all cases at its own expense.

Each of the Joint Lead Managers has represented and warranted that it has not made or provided and undertakes that it will not make or provide any representation or information regarding the Issuer, the Originator or the Notes save as contained in the Offering Circular or as approved for such purpose by the Issuer or the Originator or which is a matter of public knowledge.

### *United States*

The Joint Lead Managers have acknowledged that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any State securities laws, and may not be offered or sold or otherwise transferred, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, 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.

Each Joint Lead Manager has represented and warranted that it has offered and sold the Notes, and has agreed that it will offer and sell the Notes (i) as part of its distribution at any time or (ii)

otherwise until 40 days after the later of the commencement of the offering of the Notes and the Issue Date (the “**Distribution Compliance Period**”), only in accordance with Rule 903 of Regulation S under the Securities Act and they will send to each dealer to which it sells the Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and warranted that it, its affiliates and any person acting on its behalf have not engaged, and has agreed that it, its affiliates and any person acting on its behalf will not engage, in any directed selling efforts (as that term is used in Regulation S under the Securities Act) or any form of general solicitation or general advertising (as those terms are used in Rule 502(c) under the Securities Act) in connection with the offer and sale of the Notes in the United States.

## **UNITED KINGDOM**

Each of the Joint Lead Managers has represented, warranted and undertaken to the Issuer that:

- (a) 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 Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## **ITALY**

### **No offer to public**

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, and has not distributed and will not distribute and has not made and will not make available to the public in the Republic of Italy any Notes, the Offering Circular nor any other offering material relating to Notes.

### **Offer to Professional Investors**

Each of the Joint Lead Managers has acknowledged that no action has been taken by it which would allow an offering of the Notes other than to professional investors (“*operatori qualificati*”) as defined in Article 31, paragraph 2, of CONSOB Regulation No. 11522 of 1 July 1998 pursuant to Article 100, paragraph 1, lett. a) and Article 30, paragraph 2, of Italian Legislative Decree No. 58 of 24 February 1998 (hereinafter, the “**Financial Laws Consolidation Act**”) and in accordance with applicable Italian laws and regulations.

Each of the Joint Lead Managers has acknowledged and undertaken that any offer of the Notes to professional investors in the Republic of Italy shall be made only by banks, investment firms or financial companies enrolled in the special register provided for in Article 107 of the Consolidated

Banking Act, to the extent that they are duly authorised to engage in the placement and/or underwriting of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Financial Laws Consolidation Act and will be made in compliance with the Consolidated Banking Act.

### **General Compliance**

Each of the Joint Lead Managers has acknowledged that:

- (a) no action has or will be taken by it which would allow an offering (nor a “*sollecitazione all’investimento*”) of the Notes to the public in the Republic of Italy unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations;
- (b) the Notes may not be offered, sold or delivered by it and neither an offering circular nor any other offering material relating to the Notes will be distributed or made available by it to the public in the Republic of Italy. Individual sales of the Notes to any persons in the Republic of Italy may only be made in accordance with Italian securities, tax and other applicable laws and regulations;
- (c) no application has been made to obtain an authorisation from CONSOB for the public offering of the Notes in the Republic of Italy; and
- (d) in connection with the subsequent distribution of the Notes in the Republic of Italy, Article 100 *bis* of the Financial Laws Consolidation Act requires to comply also on the secondary market with the public offering rules and disclosure requirements set forth under the Financial Laws Consolidation Act and relevant CONSOB implementing regulations, unless the above subsequent distribution is exempted from those rules and requirements according to the Financial Laws Consolidation Act and relevant CONSOB implementing regulations.

### **LUXEMBOURG**

Each of the Joint Lead Managers has represented and agreed that no public offer and sale of any Note, or distribution of any offering material relating to the Notes, may be made in or from Luxembourg unless in compliance with the relevant Luxembourg securities, tax and other applicable laws and regulations. Each of the Joint Lead Managers has also represented and agreed that a listing on the Luxembourg Stock Exchange does not necessarily imply that a public offering in Luxembourg has been authorised.

### **EUROPEAN ECONOMIC AREA**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Joint Lead Managers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that they may, with effect from and including

the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

- 1) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- 2) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than Euro 43,000,000 and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or
- 3) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this section (*“European Economic Area”*), the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## GENERAL INFORMATION

### Listing

Application has been made to list and admit to trade the Notes on the regulated market of the Luxembourg Stock Exchange. In connection with the listing application, the constitutional documents of the Issuer and a legal notice relating to the issue of the Notes will be deposited prior to listing with the Commercial Register in Luxembourg (*Registre de commerce et des sociétés*), where they will be available for inspection and where copies thereof may be obtained upon request.

### Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in Italy in connection with the issue and performance of the Notes. The Securitisation and the issue of the Notes have been authorised by the Sole Quotaholder of the Issuer through the meetings of 6 March 2007 and 24 April 2007.

### Clearing of the Notes

The Notes have been accepted for clearance through Monte Titoli, Euroclear and Clearstream as follows:

<b>Class</b>	<b>ISIN</b>	<b>Common Code</b>
Class A1	IT0004222532	029914079
Class A2	IT0004222540	029914702
Class B	IT0004222557	029914800
Class C	IT0004222565	029914958

### No material litigation

Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuer or any of its assets or revenues, nor is the Issuer aware of any pending or threatened proceedings of such kind, which are or might be material in the context of the issue of the Notes.

### No material adverse change

Save as disclosed in this Offering Circular and since 15 November 2006, being the date of incorporation of the Issuer, there has been no material adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise), business, prospects or general affairs of the Issuer that is material in the context of the issue of the Notes.

### Luxembourg Paying Agent

The Issuer has undertaken to maintain a paying agent in Luxembourg for as long as the Notes are listed and admitted to trading on the Luxembourg Stock Exchange.



## **Documents available for inspection**

For as long as the Notes are listed and admitted to trading on the Luxembourg Stock Exchange, copies of the following documents may be inspected during normal business hours at the registered office of the Luxembourg Paying Agent:

- (i) Transfer Agreement;
- (ii) Warranty and Indemnity Agreement;
- (iii) Servicing Agreement;
- (iv) Intercreditor Agreement;
- (v) Cash Allocation, Management and Payment Agreement;
- (vi) Deed of Pledge;
- (vii) Mandate Agreement;
- (viii) Letter of Undertakings;
- (ix) Corporate Services Agreement;
- (x) Hedging Agreement;
- (xi) Subordinated Loan Agreement;
- (xii) Deed of Charge;
- (xiii) Monte Titoli Mandate Agreement;
- (xiv) Account Guarantee; and
- (xv) Master Definitions Agreement.

## **Financial statements available**

The Issuer will produce financial statements in respect of each financial year. Such financial statements will be audited, starting from the financial statements of 2006 and the Issuer will not produce interim financial statements. So long as any of the Notes remains outstanding, upon publication, copies of the Issuer's annual audited financial statements, the Quarterly Payments Reports (starting with the first Quarterly Payments Report which will be made available on or about 19 July 2007), the Investors Report, the Post Trigger Reports shall be made available for collection at the registered offices of the Luxembourg Paying Agent.

PKF Italia S.p.A. has given, and has not withdrawn, his consent to the inclusion of his report on the Issuer in this Offering Circular in the form and context in which it is included.

## **Fees and expenses**

The estimated annual fees and expenses payable by the Issuer in connection with the transaction described herein amount to approximately € 107,000 (excluding servicing fees and any VAT, if applicable).



## GLOSSARY

**“Account”** means each of the Principal Collection Account, the Interest Collection Account, the Cash Reserve Account, the Expense Account, the Transaction Account, the Investment Accounts, the Securities Account, the Payments Account and the Eligible Account and **“Accounts”** means all of them.

**“Account Banks”** means the Italian Account Bank and the English Account Bank collectively, and **“Account Bank”** means each of them.

**“Account Guarantee”** means the agreement entered into on or about the Issue Date between the Account Guarantee Provider, the Issuer, Banca di Roma and Banca di Roma, London Branch under which the Account Guarantee Provider has issued a first demand guarantee in favour of the Issuer.

**“Account Guarantee Provider”** means Capitalia or any other person acting as account guarantee provider pursuant to the Account Guarantee from time to time.

**“Account Report”** means the quarterly report setting out certain information in respect of the amounts standing to the credit of the Accounts which shall be prepared by the Account Banks (with reference to the BdR Accounts) and the Principal Paying Agent (with reference to the Payments Account and the Eligible Account) and it shall be delivered, *inter alios*, to the Issuer, the Representative of the Noteholders, the Cash Manager, the Servicer, the Paying Agents, the Corporate Servicer and the Calculation Agent.

**“Account Report Date”** means the fourteenth Business Day preceding each Payment Date or, if such day is not a Business Day, the immediately following Business Day and, in the case of the first Account Report Date, 10 July 2007.

**“Additional Return”** means the additional return payable by the Issuer to the Subordinated Loan Provider under the Subordinated Loan Agreement, being equal to the difference (if any) between  $A - B$  where:

**“A”** means an amount equal to the sum of: (a) the interest accrued on the Mortgage Loans during the relevant Quarterly Collection Period, net of any devaluation or loss recorded by the Servicer at the end of such Quarterly Collection Period; plus, (b) any Recoveries and defaulted interests and penalties due pursuant to the Mortgage Loan Agreements and collected during such Quarterly Collection Period (including any penalties due as a result of any early repayment of the Mortgage Loan Agreements); plus, (c) any further profit recorded by the Servicer at the end of such Quarterly Collection Period; plus (d) any interest accrued on the Accounts and any profit accrued on the investments made pursuant to the Cash Allocation, Management and Payment Agreement during such Quarterly Collection Period; plus (e) the Originator Indemnity Amounts paid by the Originator to the Issuer in during such Quarterly Collection Period pursuant to the Servicing Agreement; plus (f) the amounts due and payable to the Issuer pursuant to the Hedging Agreement during such Interest Period; and

**“B”** means an amount equal to the portion of general expenses of the Issuer relating to the Securitisation and the expenses, costs and charges (including operative, financial, ordinary, extraordinary, foreseen or unforeseen expenses, costs and charges of the

Securitisation), accrued in or in any event relating to such Quarterly Collection Period (including any taxes to be paid by the Issuer in relation to the Securitisation, fees and reimbursement of expenses due to the various parties involved in the Securitisation, the payments due by the Issuer pursuant to the Hedging Agreement, the interests due under the Notes, the interest accrued and unpaid on the Purchase Price of the Portfolio and any other amount due and payable to the Issuer pursuant to the Transaction Documents),

all the above increased on any Issuer Available Funds which are not used by the Issuer on the relevant Payment Date in order to discharge any obligation ranking senior to the Additional Return under the Priority of Payments.

**“Additional Screen Rate”** shall have the meaning ascribed to it Condition 5 (*Interest*).

**“Adjustment Purchase Price”** means in relation to any Receivable transferred to the Issuer pursuant to the Transfer Agreement, but for which no purchase price was agreed upon transfer, an amount, calculated in accordance with the Transfer Agreement, which shall be paid by the Issuer to the Originator out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

**“Agency”** means the Revenue Agency – Regional Direction of Lombardy.

**“Ancillary Expenses”** means all the expenses, except for the Collection Expenses and the administrative expenses relating to Delinquent Receivables, afforded by Banca di Roma in relation to the Receivables, including, but not limited to, the notarial expenses and those expenses concerning assessments of the Real Estate Assets, as specified in the communications to the clients made pursuant to the applicable transparency provisions for banking and finance services, as well as probable sanctions relating to the Real Estate Assets.

**“Article 65”** means Article 65 of the Italian Bankruptcy Law.

**“Average Collateral Portfolio Outstanding Principal”** means, in relation to each Quarterly Collection Period, the average of (a) the sum of the Outstanding Principal Amount of all the Receivables comprised in the Collateral Portfolio on the last day of the Quarterly Collection Period immediately preceding such Quarterly Collection Period; and (b) the sum of the Outstanding Principal Amount of the Receivables comprised in the Collateral Portfolio on the last day of such Quarterly Collection Period (except in relation to the first Quarterly Collection Period, when the relevant first average shall be calculated as the average of (i) the sum of the Collateral Portfolio Outstanding Principal of the Portfolio on the Valuation Date and (ii) the sum of the Outstanding Principal Amount of all the Receivables comprised in the Collateral Portfolio on the last day of the first Quarterly Collection Period).

**“Banca di Roma”** means Banca di Roma S.p.A., a bank incorporated under the laws of the Republic of Italy, subject to direction and co-ordination of Capitalia, whose registered office is at Viale Umberto Tupini No. 180, 00144 Rome, Italy, Fiscal Code and enrolment with the Companies Register of Rome No. 06978161005, registered under No. 5526 with the register of banks held by the Bank of Italy pursuant to Article 13 of the Consolidated Banking Act.

**“Banca di Roma, London Branch”** means the London branch of Banca di Roma S.p.A., duly established and authorised to carry on banking business in England, whose registered office is at 87 Gresham Street, London, England.

**“Bank of Italy Supervisory Regulations”** means the Supervisory Regulations for the Banks and/or the Supervisory Regulations for Financial Intermediaries, as the case may be.

**“BdR Account”** means each of the Principal Collection Account, the Interest Collection Account, the Cash Reserve Account, the Expense Account, the Transaction Account, the Investment Accounts and the Securities Account and **“BdR Accounts”** means all of them.

**“BNP Paribas Securities Services, Luxembourg Branch”** means the Luxembourg branch of BNP Paribas Securities Services, a company incorporated under the laws of France, having its registered office at 3 Rue d'Antin, 75002 Paris, with offices at 33, rue de Gasperich, Howald-Hesperange, L-2085 Luxembourg.

**“BNP Paribas Securities Services, Milan Branch”** means the Milan branch of BNP Paribas Securities Services, a company incorporated under the laws of France, having its registered office at 3 Rue d'Antin, 75002 Paris, with office at Via Ansperto No. 5, 20123 Milan, Italy.

**“Bookrunners”** means Capitalia, HSBC and Morgan Stanley, and **“Bookrunner”** means each of them.

**“Borrower”** means, in relation to a Mortgage Loan Agreement, any person who has executed it as borrower.

**“Business Day”** means any day on which the Trans-European Automated Real Time Gross Transfer System (TARGET) (or any successor thereto) is open.

**“Calculation Agent”** means Capitalia or any other person acting as calculation agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Cancellation Date”** means the earlier of (i) the date on which the Notes have been redeemed in full, (ii) the Final Maturity Date and (iii) the date on which the Representative of the Noteholders has certified to the Issuer and the Noteholders that there are no more Issuer Available Funds to be distributed as a result of no additional amount or asset relating to the Portfolio being available to the Issuer at which date any amount outstanding, whether in respect of interest, principal or other amounts in respect of the Notes, shall be finally and definitively cancelled.

**“Capital Mortgage”** means Capital Mortgage S.r.l., a company incorporated under the laws of the Republic of Italy, Fiscal Code and enrolment with the Companies Register of Rome No. 09218891001, enrolled under No. 39051 with the General Register held by *Ufficio Italiano dei Cambi* pursuant to Article 106 of the Consolidated Banking Act and in the Special Register held by the Bank of Italy pursuant to Article 107 of the Consolidated Banking Act, having its registered office at Via Eleonora Duse No. 53, 00197 Rome, Italy, and having as its sole corporate object the realisation of securitisation transactions pursuant to Article 3 of the Securitisation Law.

**“Capitalia”** means Capitalia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, whose registered office is at Via Marco Minghetti No. 17, 00187 Rome, Italy, VAT and enrolment with the Companies Register of Rome No. 00644990582 and enrolled with the register of banks held by the Bank of Italy pursuant to Article 13 of the Consolidated Banking Act.

**“Cash Allocation Management and Payment Agreement”** means the cash allocation management and payment agreement entered into on or about the Issue Date between the

Issuer, the Calculation Agent, the Account Banks, the Cash Manager, the Originator, the Subordinated Loan Provider, the Servicer, the Principal Paying Agent, the Luxembourg Paying Agent, the Luxembourg Listing Agent, the Corporate Servicer and the Representative of the Noteholders, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Cash Manager”** means Banca di Roma or any other person acting as cash manager pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Cash Reserve”** means the amounts standing from time to time to the balance of the Cash Reserve Account and the Cash Reserve Investment Account.

**“Cash Reserve Account”** means the Euro denominated Account with No. 100309/35 established in the name of the Issuer with the Italian Account Bank (i) into which on the Issue Date, the Initial Cash Reserve Amount and, on each Payment Date prior to the service of a Trigger Notice (other than the Payment Date on which the Notes will be fully redeemed) the Scheduled Cash Reserve Amount, in accordance with the applicable Priority of Payments shall be credited and (ii) out of which amounts shall be transferred into the Cash Reserve Investment Account and the Payments Account, in accordance with the Cash Allocation, Management and Payment Agreement.

**“Cash Reserve Amortisation Conditions”** means the following conditions:

- (i) the balance of the Cash Reserve having been equal to the Scheduled Cash Reserve Amount at the immediately preceding Payment Report Date;
- (ii) the unpaid Principal Deficiency being equal to zero at the immediately preceding Payment Date following payments under the applicable Priority of Payments are made;
- (iii) the Cumulative Gross Default Level not exceeding 3.5 per cent.; and
- (iv) the aggregate Outstanding Principal Amounts of all Mortgage Loans having Instalments in arrears for more than 90 (ninety) days, not exceeding 3.5 per cent. of the Outstanding Principal Amount of all Mortgage Loans comprised in the Portfolio.

**“Cash Reserve Investment Account”** means the Euro denominated Account with No. 627356EURCURR4 established in the name of the Issuer with the English Account Bank for the deposit (i) and investment of all the amounts transferred from the Cash Reserve Account and (ii) of the proceeds from the investment thereof.

**“Class”** shall be a reference to a class of Notes, being the Class A1 Notes, the Class A2 Notes, the Class B Notes or the Class C Notes and **“Classes”** shall be construed accordingly.

**“Class A Gross Cumulative Defaults Trigger”** means the trigger which is breached if on a Payment Date the Cumulative Gross Default Level is equal to or greater than 15 per cent.

**“Class A1 Noteholder”** means any Holder of a Class A1 Notes and **“Class A1 Noteholders”** means all of them.

**“Class A2 Noteholder”** means any Holder of a Class A2 Notes and **“Class A2 Noteholders”** means all of them.

**“Class A Notes”** means the Class A1 Notes and the Class A2 Notes, collectively.

**“Class A Principal Subordination Event”** means on any Payment Date, the ratio, expressed as a percentage, between (a) the unpaid Principal Deficiency as of the immediately preceding Payment Report Date and (b) the Portfolio Initial Outstanding Principal Amount, being higher than 1.0 per cent.

**“Class A1 Notes”** means the € 1,736,000,000 Class A1 Asset Backed Floating Rate Notes Series 2007-1 due January 2047.

**“Class A2 Notes”** means the € 644,000,000 Class A2 Asset Backed Floating Rate Notes Series 2007-1 due January 2047.

**“Class B Gross Cumulative Defaults Trigger”** means the trigger which is breached if on a Payment Date the Cumulative Gross Default Level is equal to or greater than 7 per cent.

**“Class B Noteholder”** means the Holder of a Class B Notes and **“Class B Noteholders”** means all of them.

**“Class B Notes”** means the € 74,000,000 Class B Asset Backed Floating Rate Notes Series 2007-1 due January 2047.

**“Class C Noteholder”** means the Holder of a Class C Notes and **“Class C Noteholders”** means all of them.

**“Class C Notes”** means the € 25,350,000 Class C Asset Backed Floating Rate Notes Series 2007-1 due January 2047.

**“Clean-Up Call Option”** means the option provided for by the Transfer Agreement pursuant to Article 1331 of the Italian Civil Code, according to which the Originator may repurchase from the Issuer (in whole but not in part), as block and at once, all the Receivables comprised in the Portfolio not already collected as of the date of exercise of such option, starting from the date on which the aggregate of the Outstanding Principal of the Portfolio is equal to or less than 10 per cent. of the Initial Purchase Price of the Portfolio.

**“Clearstream”** means Clearstream Banking, société anonyme.

**“Collateral Account”** means the account to be opened in the name of the Issuer with an Eligible Institution if any Collateral Amounts are posted as collateral pursuant to the CSA for the Hedging Agreement.

**“Collateral Amounts”** means any payments made to or deposits of securities made with the Issuer as collateral pursuant to the CSA to the Hedging Agreement.

**“Collateral Portfolio”** means, on a given date, the aggregate of all Receivables owned by the Issuer which are not Defaulted Receivables as of that date, comprised in the Portfolio.

**“Collateral Portfolio Outstanding Principal”** means the sum of the Outstanding Principal of all the Receivables comprised in the Collateral Portfolio.

**“Collateral Security”** means the Guarantees and the Mortgages, and **“Collateral Securities”** means all of them.

**“Collection Date”** means the last calendar day of March, June, September and December of

each year.

**“Collection Expenses”** means the administrative expenses relating to the collection and dispatching afforded by Banca di Roma in connection with the Receivables.

**“Collection Period End Date”** means the last calendar day of March, June, September and December of each year.

**“Collections Policies”** means the procedures for the management, collection and recovery of Receivables attached as Schedule 4 to the Servicing Agreement.

**“Collections”** means the Interest Collections and the Principal Collections, collectively.

**“Condition”** means a condition of the Terms and Conditions.

**“Confirmation”** means the confirmation between the Hedging Counterparty and the Issuer evidencing the terms of the transactions under the Hedging Agreement.

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

**“CONSOB Resolution No. 11768”** means CONSOB Resolution No. 11768 of 23 December 1998, as amended by CONSOB Resolutions No. 12497 of 20 April 2000 and No. 13085 of 18 April 2001, as subsequently amended and supplemented from time to time.

**“Consolidated Banking Act”** means Legislative Decree No. 385 of 1 September 1993, as subsequently amended and implemented from time to time.

**“Corporate Servicer”** means KPMG or any other person acting as corporate servicer pursuant to the Corporate Services Agreement from time to time.

**“Corporate Services”** means the services which the Corporate Servicer will provide to the Issuer pursuant to the Corporate Services Agreement.

**“Corporate Services Agreement”** means the corporate services agreement entered into on or about the Issue Date between the Issuer and the Corporate Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Counterclaim”** means any counterclaim raised by a Debtor and/or a Mortgagor and/or a Guarantor or the insolvency receiver of any Debtor or Mortgagor in respect of any Receivable in the circumstances referred to in the Warranty and Indemnity Agreement.

**“Criteria”** means the objective criteria for the identification of the Receivables set out in Schedule 1 of the Transfer Agreement and in the section entitled *“The Portfolio”* above.

**“CSA”** means the ISDA 1995 Credit Support Annex (Bilateral Form – Transfer - English Law).

**“Cumulative Gross Default Level”** means, on any Payment Date, the ratio between: (a) the Cumulative Outstanding Principal Amount of the Defaulted Receivables included in the Portfolio, and (b) the aggregate Outstanding Principal Amount of all Mortgage Loans of the Portfolio as of the Valuation Date.



**“Cumulative Outstanding Principal Amount”** means the aggregate Outstanding Principal Amount of all the Defaulted Receivables which, for the first time, have become Defaulted Receivables during the period between the Valuation Date and the Collection Date immediately preceding the relevant Payment Date, as at the date each such Receivable became a Defaulted Receivable.

**“Debtor”** means any borrower and any other person or entity who or which entered into a Mortgage Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due under a Mortgage Loan Agreement, as a consequence of having granted any Guarantee to Banca di Roma or having assumed the borrower's obligation under an assumption (*accollo*), or otherwise.

**“Decree No. 213”** means Italian Legislative Decree No. 213 of 24 June 1998, as amended and supplemented from time to time.

**“Decree No. 239”** means Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented from time to time and any related regulations.

**“Decree 239 Deduction”** means any withholding or deduction for or on account of *"imposta sostitutiva"* under Decree No. 239.

**“Decree No. 350”** means Italian Law Decree No. 350 of 25 September 2001, converted into law with amendments by Law No. 409 of 23 November 2001, as amended and supplemented from time to time.

**“Decree No. 351”** means Italian Law Decree No. 351 of 25 September 2001, as amended and supplemented from time to time.

**“Decree No. 435”** means Italian Legislative Decree No. 435 of 21 November 1997, as amended and supplemented from time to time.

**“Deed of Charge”** means the English law deed of charge entered into on or about the Issue Date between the Issuer and the Representative of the Noteholders (acting on behalf of the Noteholders and of the Other Issuer Creditors), as from time to time modified in accordance with the provisions herein contained and including any agreement or other document expressed to be supplemental thereto.

**“Deed of Pledge”** means the Italian law deed of pledge entered into on or about the Issue Date between the Issuer, the Italian Account Bank, the Cash Manager, the Principal Paying Agent and the Representative of the Noteholders (acting on behalf of the Noteholders and of the Other Issuer Creditors), as from time to time modified in accordance with the provisions herein contained and including any agreement or other document expressed to be supplemental thereto.

**“Defaulted Receivables”** means any Receivables arising from Mortgage Loan Agreements (i) in respect of which there are Instalments past due and unpaid for more than 180 days after the Scheduled Instalment Date or (ii) classified, also before the expiry of the above-mentioned period of 180 days, as *“incaglio”* or *“in sofferenza”* pursuant to the Collections Policies.

**“Defaulting Party”** has the meaning ascribed to it in the Hedging Agreement.

**“Deferred Purchase Price”** means the deferred purchase price of the Portfolio, being composed

by various amounts each of which due and calculated with reference to each Quarterly Collection Period comprised between the Issue Date and the Cancellation Date. The amount of the Deferred Purchase Price due for each Interest Period is equal to:

- (i) zero, until the Subordinated Loan has not been repaid; and
- (ii) after the Subordinated Loan has been repaid, the difference (if positive) between A – B where:

“A” means an amount equal to the sum of: (a) the interest accrued on the Mortgage Loans during the relevant Quarterly Collection Period, net of any devaluation or loss recorded by the Servicer at the end of such Quarterly Collection Period; plus, (b) any Recoveries and defaulted interests and penalties due pursuant to the Mortgage Loan Agreements and collected during such Quarterly Collection Period (including any penalties due as a result of any early repayment of the Mortgage Loan Agreements); plus, (c) any further profit recorded by the Servicer at the end of such Quarterly Collection Period; plus (d) any interest accrued on the Accounts and any profit accrued on the investments made pursuant to the Cash Allocation, Management and Payment Agreement during such Quarterly Collection Period; plus (e) the Originator Indemnity Amounts paid by the Originator to the Issuer in during such Quarterly Collection Period pursuant to the Servicing Agreement; plus (f) the amounts due and payable to the Issuer pursuant to the Hedging Agreement during such Interest Period; and

“B” means an amount equal to the portion of general expenses of the Issuer relating to the Securitisation and the expenses, costs and charges (including operative, financial, ordinary, extraordinary, foreseen or unforeseen expenses, costs and charges of the Securitisation), accrued in or in any event relating to such Quarterly Collection Period (including any taxes to be paid by the Issuer in relation to the Securitisation, fees and reimbursement of expenses due to the various parties involved in the Securitisation, the payments due by the Issuer pursuant to the Hedging Agreement, the interests due under the Notes, the interest accrued and unpaid on the Purchase Price of the Portfolio and any other amount due and payable to the Issuer pursuant to the Transaction Documents),

all the above increased on any Issuer Available Funds which are not used by the Issuer on the relevant Payment Date in order to discharge any obligation ranking senior to the Deferred Purchase Price under the Priority of Payments.

“**Delinquent Instalment**” means an Instalment which remains unpaid by the Debtor for 30 days or more after the Scheduled Instalment Date.

“**Delinquent Receivable**” means any Receivable which is not a Defaulted Receivable and with respect to which there is at least one Delinquent Instalment.

“**Downgrading**” means the rating of Capitalia or any substitute Account Guarantee Provider falling below the Minimum Rating.

“**ECOFIN**” means the EU Council of Economic and Finance Ministers.

**“Eligible Account”** means the Euro denominated Account with No. 800783501, ABI 3479, CAB 1600, swift PARBITMM, established in the name of the Issuer with the Principal Paying Agent, where, if at any time the aggregate of:(i) the balance of the amounts standing to the credit of the BdR Accounts and (ii) the amounts of the Eligible Investments made with sums of the BdR Accounts, exceeds the 20 per cent. of the Principal Amount Outstanding of the Notes *minus* Euro 35,158,848.00, then the Issuer shall immediately transfer the relevant exceeding amount.

**“Eligible Institution”** means a depository institution organised under the laws of any state which is a member of the European Union or of the United States, the short-term unsecured and unsubordinated debt obligations of which are rated at least F1 by Fitch, P-1 by Moody’s and A-1+ by S&P or, provided that the amounts of all deposit or investment held at any time by the Issuer with all A-1 institutions (including the guaranteed accounts) does not exceed 20 per cent. of the Principal Amount Outstanding of the Notes, A-1 by S&P or such other rating as may be acceptable to the Rating Agencies.

**“Eligible Investments”** means any Euro denominated investment which shall include any senior, unsubordinated debt security investment, money market fund, commercial paper, deposit or other debt instruments issued by, or fully and unconditionally guaranteed on an unsubordinated basis by, or held at, an institution having at least the following ratings for the maturity (or the residual maturity as applicable) as indicated:

Maturity	Fitch	Moody’s	S&P
1 – 3 months	F1+	A1 and/or P-1	A-1+
Less than 1 month	F1	A2 and /or P-1	A-1

provided that:

- (i) any such investment shall have a maturity date falling no later than the third Business Day (inclusive) preceding the following Payment Date and as for investments rated A-1 by S&P such investments shall have a maturity which is the earlier of (a) the date falling 30 days after; and (b) a few days before the next succeeding Payment Date;
- (ii) a fixed principal amount at maturity shall be at least equal to the principal amount invested and in case of disposal of the eligible investment before maturity, there should be no penalty upon disposal and the principal amount upon disposal shall be at least equal to the principal amount invested;
- (iii) in the case of money market fund, any such investment shall have a rating of “MR1+ Aaa” by Moody’s, “AAAm” or “AAAm-G” by S&P and “AAA” and “V1+” by Fitch; and
- (iv) the aggregate nominal amount of all A-1 investments plus the amount deposited at any time in all Accounts with a rating of A-1 from S&P (including those guaranteed by an A-1 institution) shall not, at any time, exceed 20 per cent. of the then Principal Amount Outstanding of the Notes.

**“Eligible Investments Maturity Date”** means the third Business Day immediately preceding each Payment Date.

**“EMU”** means the European Economic and Monetary Union introduced pursuant to the Treaty

establishing the European Communities, as amended by the Treaty on European Union.

**“English Account Bank”** means Banca di Roma, London Branch or any other person, being an Eligible Institution, acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“EURIBOR”** shall have the meaning ascribed to it in Condition 5 (*Interest*).

**“Euro”**, **“€”** and **“cents”** refer to the single currency introduced in the Member States of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25 March 1957, as amended by, *inter alia*, the Single European Act 1986, the Treaty of the European Union of 7 February 1992 establishing the European Union and the European Council of Madrid of 16 December 1995.

**“Euroclear”** means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

**“European Union Insolvency Regulation”** means European Council Regulation (EC) No. 1346 of 29 May 2000 on insolvency proceeding, as amended and supplemented from time to time.

**“Euro-Zone”** means the region comprised of Member States of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992).

**“Expense Account”** means the Euro denominated account established in the name of the Issuer with the Italian Account Bank with No. 100310/36 (i) into which the Retention Amount shall be credited and (ii) out of which the Expenses will be paid during each Interest Period.

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

**“Expert”** means an internationally recognised accountancy or a legal firm or a company with expertise in the recovery of claims, in each case selected by the Issuer.

**“External Auditor”** means a firm of internationally recognised auditors acceptable to the Representative of the Noteholders appointed to produce a report in respect of the data provided by the Servicer in the Quarterly Servicer’s Report of January of each calendar year.

**“Extraordinary Resolution”** means a resolution passed at a Meeting of the relevant Noteholders, duly convened and held in accordance with the provisions contained in the Rules of the Organisation of the Noteholders, by a majority of not less than three quarters of the votes cast.

**“Final Maturity Date”** means the Payment Date falling in January 2047.

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

**“First Payment Date”** means the Payment Date falling on 30 July 2007.

“**Fitch**” means Fitch Ratings Limited.

“**Foundation Corporate Servicer**” means KPMG or any other person acting as foundation corporate servicer pursuant to the Foundation Corporate Services Agreement from time to time.

“**Foundation Corporate Services Agreement**” means the foundation corporate services agreement entered into on or about the Issue Date between the Issuer and the Foundation Corporate Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

“**FSMA**” means the Financial Services and Markets Act 2000.

“**Further Securitisation**” means any further securitisation transaction which may be carried out by the Issuer pursuant to the Securitisation Law and in accordance with Condition 3.2 (*Further Securitisations*).

“**Guarantee**” means any guarantee (but does not include any Mortgages), given to the Originator guaranteeing the repayment of the Receivables.

“**Guaranteed Amount**” means the amount guaranteed under the Account Guarantee, being equal to:

- (a) up to the date of the first renewal (included) of the Account Guarantee, Euro 495,860,000.00; and
- (b) starting from the second renewal of the Account Guarantee and on each annual renewal thereafter, the higher between (i) 20 per cent. of the then Principal Amount Outstanding of the Notes and (ii) Euro 35,158,848.00,

in both cases *minus* the amount of all the payments already made by the Account Guarantee Provider under the Account Guarantee during the 364 days period on which the relevant Guaranteed Amount is applicable.

“**Guarantor**” means any person, other than a Mortgagor, who has granted a Guarantee.

“**Hedging Agreement**” means the hedging agreement entered into on or about the Issue Date between the Issuer and the Hedging Counterparty, 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.

“**Hedging Counterparty**” means HSBC or any other person acting as hedging counterparty pursuant to the Hedging Agreement from time to time.

“**Hedging Payment Date**” means 2 Business Days before each Payment Date, being the date on which the Hedging Counterparty shall make the payments due to the Issuer pursuant to the terms of the Hedging Agreement.

“**Holder**” of a Note means the beneficial owner of a Note.

“**HSBC**” means HSBC Bank plc, a public limited company incorporated under the laws of England and Wales, having its registered offices at 8 Canada Square, London E14 5HQ, United Kingdom.

**“Individual Purchase Price”** means the price of the each Receivable, as indicated in Schedule 3 of the Transfer Agreement, being equal to the Principal Component of the relevant Receivable.

**“Initial Cash Reserve Amount”** means an amount of Euro 37,190,250.00 to be funded by way of the Subordinated Loan and to be paid into the Cash Reserve Account on or about the Issue Date.

**“Initial Interest Period”** means the first Interest Period, that shall begin on (and include) the Issue Date and end on (but exclude) the First Payment Date.

**“Initial Period”** means the period commencing on the Issue Date and ending on the Payment Date falling in January 2009 (excluded).

**“Initial Principal Amount”** means the principal amount of the Notes in the Issue Date.

**“Initial Purchase Price”** means, the initial purchase price of the Portfolio, being equal to the sum of all the Individual Purchase Prices of the Receivables comprised in the Portfolio.

**“Insolvency Event”** means in respect of any company or corporation that:

- (a) such company 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 also any equivalent or analogous proceedings under the law of any jurisdiction in which such company or corporation is deemed to carry on business 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 or corporation are subject to a *pignoramento* or similar procedure having a similar effect (other than in the case of the Issuer, any portfolio of assets purchased by the Issuer for the purposes of further securitisation transactions), unless in the opinion of the Representative of the Noteholders, such proceedings are being disputed in good faith with a reasonable prospect of success; or
- (b) an application for the commencement of any of the proceedings under (a) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Noteholders, the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (c) such company 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 the case of the Issuer, the Other Issuer Creditors) 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; or
- (d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation (except a winding-up 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 Noteholders) or any of the events under Article 2484 of the Italian civil code occurs with respect to such company or corporation.

**“Instalment”** means with respect to each Mortgage Loan Agreement, each instalment due from the relevant Debtor thereunder and which consists of an Interest Instalment and a Principal Instalment.

**“Insurance Policy”** means an insurance policy taken out in relation to a Real Estate Asset and the related Mortgage Loan.

**“Intercreditor Agreement”** means the agreement entered into on or about the Issue Date between the Issuer and the Other Issuer Creditors, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Interest Amount”** means the amount of interest payable on each Class of Notes in respect of the relevant Interest Period as determined in accordance with Condition 5 (*Interest*).

**“Interest Amount Arrears”** means any Interest Amounts which are unpaid on their due date and remain unpaid in respect of the Notes of any Class.

**“Interest Collection Account”** means the Euro denominated Account with No. 100306/33 established in the name of the Issuer with the Italian Account Bank (i) into which all the Interest Collections and all the Recoveries from time to time, respectively, received and recovered by the Servicer shall be credited, in accordance with the provisions of the Servicing Agreement and (ii) out of which amounts shall be transferred into the Interest Collection Investment Account and the Payments Account, in accordance with the Cash Allocation, Management and Payment Agreement.

**“Interest Collection Investment Account”** means the Euro denominated Account with No. 627356EURCURR1 established in the name of the Issuer with the English Account Bank for the deposit (i) and investment of all the amounts transferred from the Interest Collection Account and (ii) of the proceeds from the investment thereof.

**“Interest Collections”** means all the amounts paid in respect of Interest Instalments due under the Receivables (which are not Defaulted Receivables) and any other amounts (other than Principal Instalments) whatsoever paid in respect of such Receivables, including without limitations, the penalties and the indemnities payable by the Debtors upon withdrawal from termination of the Mortgage Loan Agreements.

**“Interest Determination Date”** means, with respect to the Initial Interest Period, the date falling two Business Days prior to the Issue Date and with respect to each subsequent Interest Period, the date falling two Business Days prior to the Payment Date at the beginning of such Interest Period.

**“Interest Instalment”** means, the interest component of each Instalment.

**“Interest Payment Amount”** has the meaning given to it in Condition 5.3 (*Interest - Determination of Rates of Interest and Calculation of Interest Payments*).

**“Interest Period”** means each period from (and including) a Payment Date to (but excluding) the next following Payment Date.

**“Interest Shortfall Amount”** means, with reference to each Payment Date, the difference (if positive) between:

- (a) the amount necessary for the payment in full of:
  - (i) items *First* to *Fifth* (inclusive), plus items *Seventh* and *Ninth* of the Pre-Trigger Interest Priority of Payments; or
  - (ii) from (and including) the Payment Date on which the Class B Gross Cumulative Defaults Trigger has occurred to (and including) the Payment Date on which the Class B Notes are redeemed in full, items from *First* to *Fifth* (inclusive) plus item *Seventh* of the Pre-Trigger Interest Priority of Payments; or
  - (iii) from (and including) the Payment Date on which the Class A Gross Cumulative Defaults Trigger has occurred to (and including) the Payment Date on which the Class A Notes are redeemed in full, items *First* to *Fifth* (inclusive) of the Pre-Trigger Interest Priority of Payments; and
- (b) the Issuer Interest Available Funds.

**“Investment Account”** means each of the Principal Collection Investment Account, the Cash Reserve Investment Account, the Interest Collection Investment Account and the Transaction Investment Account, and **“Investment Accounts”** means all of them.

**“Investors Report”** means the quarterly report issued by the Calculation Agent on the Investors Report Date, setting out certain information with respect to the Notes and sent to Bloomberg as well as to main investors website platforms.

**“Investors Report Date”** means the 15th Business Day following each Payment Date.

**“IRAP”** means the regional tax on productive activities at a rate of 4.25 per cent.

**“IRES”** means *imposta sul reddito delle società* applied on the corporate taxable income.

**“ISDA”** means the International Swaps and Derivatives Association, Inc.

**“Issue Date”** means 16 May 2007.

**“Issue Price”** means 100 per cent.

**“Issuer”** means Capital Mortgage.

**“Issuer Available Funds”** means with reference to each Payment Date, the aggregate of:

- (a) the Issuer Principal Available Funds, and
- (b) the Issuer Interest Available Funds.

**“Issuer Interest Available Funds”** means, with reference to each Payment Date, the aggregate of:



- (a) all Interest Collections received by the Servicer in accordance with the Servicing Agreement during the immediately preceding Quarterly Collection Period;
- (b) all Recoveries made by the Servicer in accordance with the Servicing Agreement during the immediately preceding Quarterly Collection Period;
- (c) all amounts paid by the Hedging Counterparty pursuant to the Hedging Agreement;
- (d) interest (if any) accrued on and credited to the Accounts (other than the Expense Account) during the immediately preceding Quarterly Collection Period;
- (e) all Originator Indemnity Amounts received by the Issuer during the immediately preceding Quarterly Collection Period;
- (f) any profit (including capital gain, if any) generated by or interest accrued on the Eligible Investments made with the amounts relating to the immediately preceding Quarterly Collection Period;
- (g) the interest component of the proceeds from the sale (including any capital gain, if any) of any Receivables made during the immediately preceding Quarterly Collection Period;
- (h) the Cash Reserve as of the immediately preceding Collection Period End Date;
- (i) any amount payable on such Payment Date out of the Issuer Principal Available Funds as Interest Shortfall Amount; and
- (j) all interest amounts received by the Issuer from any party to the Transaction Documents during the immediately preceding Quarterly Collection Period not already included in the items above.

**“Issuer Principal Available Funds”** means, with reference to each Payment Date, the aggregate of:

- (a) all Principal Collections received by the Servicer in accordance with the Servicing Agreement during the immediately preceding Quarterly Collection Period;
- (b) the aggregate of all amounts (if any) payable under items *Sixth*, *Eighth* and *Tenth* of the Pre-Trigger Interest Priority of Payments on such Payment Date towards reduction of the debit balance of the Principal Deficiency Ledgers;
- (c) the principal component of the proceeds from the sale of any Receivables made during the immediately preceding Quarterly Collection Period;
- (d) any amount paid by the Originator to the Issuer as adjustment of the Purchase Price pursuant to the Transfer Agreement during the immediately preceding Quarterly Collection Period; and
- (e) all principal amounts received by the Issuer from any party to the Transaction Documents during the immediately preceding Quarterly Collection Period not already included in the items above.

**“Issuer's Rights”** mean the Issuer's rights under the Transaction Documents.

**“Issuer Security”** means the security interests created under the Security Documents and any other agreement entered into by the Issuer from time to time and granted as security to the Other Issuer Creditors (or some of them) or to the Representative of the Noteholders for all or some of the Other Issuer Creditors.

**“Italian Account Bank”** means Banca di Roma or any other person, being an Eligible Institution, acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Italian Bankruptcy Law”** means Royal Decree No. 267 of 16 March 1942, as amended and supplemented from time to time.

**“Italy”** means the Republic of Italy.

**“Joint Lead Managers”** means Capitalia, HSBC and Morgan Stanley in their capacity as joint lead managers and Bookrunners for the Notes and **“Joint Lead Manager”** means each of them.

**“KPMG”** means KPMG Fides Servizi di Amministrazione S.p.A., a joint stock company incorporated under the laws of Italy, registered with No. 00731410155 in the Companies Register of Milan, having its registered office at Via Vittor Pisani No. 27, 20124 Milan, Italy and acting through its office in Via Eleonora Duse No. 53, 00197 Rome, Italy.

**“Law No. 383”** means Law No. 383 of 18 October 2001, as amended and supplemented from time to time.

**“Letter of Undertakings”** means the letter of undertakings entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders, Banca di Roma and the Sole Quotaholder, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof.

**“Limited Recourse Loan”** means the limited recourse loan to be advanced by Banca di Roma to the Issuer pursuant to the Warranty and Indemnity Agreement in the event of any breach of any of the representations and warranties of Banca di Roma under such agreement in relation to any Receivables, in an amount equal to the relevant Mortgage Loan Value.

**“Long-term Rating”** means, within the Hedging Agreement, a rating assigned in respect of an entity’s long-term, unsecured and unsubordinated debt obligations.

**“Luxembourg Listing Agent”** means BNP Paribas Securities Services, Luxembourg Branch or any other person acting as Luxembourg listing agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Luxembourg Paying Agent”** means BNP Paribas Securities Services, Luxembourg Branch or any other person acting as Luxembourg paying agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Luxembourg Stock Exchange”** means the Luxembourg Stock Exchange.

**“Mandate Agreement”** means the mandate agreement entered into on or about the Issue Date between the Issuer and the Representative of the Noteholders, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document

expressed to be supplemental thereto.

**“Master Definitions Agreement”** means the master definitions agreement entered into on or about the Issue Date between all the parties to each of the Transaction Documents, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**“Meeting”** means a meeting of Noteholders duly convened (whether originally convened or resumed following an adjournment) and held in accordance with the provisions contained in the Rules of the Organisation of the Noteholders.

**“Minimum Rating”** means, an unguaranteed, unsecured and unsubordinated short term debt rating assigned by S&P of at least (i) A1 for Capitalia and (ii) A1+ for any substitute Account Guarantee Provider.

**“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 including any depository banks appointed by Euroclear and Clearstream.

**“Monte Titoli Mandate Agreement”** means the agreement entered into on or about the Issue Date between the Issuer and Monte Titoli, 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.

**“Monthly Collection Period”** means each period of one month, commencing on (and including) the first calendar day of each month and ending respectively on (and including) the last calendar day of each month, and in the case of the first Monthly Collection Period, commencing on (and including) 1 May 2007 and ending on (and including) 31 May 2007.

**“Monthly Servicer's Report”** means the monthly report setting out certain information in relation to the performance of the Receivables and the Mortgages during the preceding Monthly Collection Period which shall be delivered by the Servicer on each Monthly Servicer's Report Date pursuant to the Servicing Agreement.

**“Monthly Servicer's Report Date”** means the fifteenth day of each month or, if such day is not a Business Day, the immediately following Business Day and the first Monthly Servicer's Report Date will be 15 June 2007.

**“Moody's”** means Moody's Investors Service Inc.

**“Morgan Stanley”** means Morgan Stanley & Co. International Limited, a private limited company incorporated under the laws of England and Wales, having its registered office is at 25 Cabot Square, Canary Wharf, London E14 4QW, United Kingdom.

**“Mortgage Loan”** or **“Loan”** means a loan granted by Banca di Roma to a borrower and secured by a mortgage, which qualifies as a *mutuo fondiario* for the purposes of Italian law and regulations in force as at the Transfer Date, the receivables in respect of which have been transferred by Banca di Roma to the Issuer pursuant to the Transfer Agreement.

**“Mortgage Loan Agreement”** means an agreement under which a Mortgage Loan has been granted by Banca di Roma to a borrower and out of which the Receivables arise, and **“Mortgage Loan Agreements”** means all of them.

**“Mortgage Loan Value”** means the amount to be advanced under any Limited Recourse Loan, being equal to the sum of (a) the Outstanding Balance of the relevant Mortgage Loan as of the date on which the Limited Recourse Loan is granted; (b) the costs and the expenses (including without limitation, the legal fees and the disbursements plus VAT, if applicable) incurred by the Issuer in respect of the relevant Receivable up to the date on which the Limited Recourse Loan is granted; (c) the damages and the losses incurred by the Issuer as a consequence of any claim raised by any third party in respect of the relevant Receivable up to the date on which the Limited Recourse Loan is granted; plus (d) an amount equal to the interest which would have accrued on the Outstanding Principal of the relevant Receivable (calculated on the basis of a rate equal to EURIBOR applicable during the relevant accrual period, plus a margin of 2 per cent.) between the date on which the Limited Recourse Loan is granted and the maturity date of the relevant Mortgage Loan Agreement.

**“Mortgages”** means the mortgage securities (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Receivables.

**“Mortgagor”** means any person, either a borrower or a third party, who has granted a Mortgage in favour of Banca di Roma to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

**“Most Senior Class of Noteholders”** means the holders of the Most Senior Class of Notes.

**“Most Senior Class of Notes”** means the Class of Notes outstanding which ranks highest with respect to the repayment of principal pursuant to Condition 2.2. (*Priority*) and in accordance with the applicable Priority of Payments.

**“Noteholders”** means the Holders of the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class C Notes, collectively, and **“Noteholder”** means each of them.

**“Notes”** means the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class C Notes, collectively.

**“Offering Circular”** means this offering circular.

**“Official Gazette”** means the *Gazzetta Ufficiale della Repubblica Italiana*.

**“Organisation of the Noteholders”** means the association of the Noteholders, organised pursuant to the Rules of the Organisation of the Noteholders.

**“Original Loan Amount”** means the amount advanced by the Originator to the Debtor in relation to each Mortgage Loan Agreement at the date of inception of such Mortgage Loan Agreement.

**“Originator”** means Banca di Roma.

**“Originator Indemnity Amounts”** means all indemnities and compensations due by the Originator to the Issuer following any renegotiations made between the Debtors and the Originator in accordance with the terms of the Servicing Agreement in respect of the interest rates

and/or prepayment fees under the Mortgage Loans.

**“Other Issuer Creditors”** means the Originator, the Servicer, the Representative of the Noteholders, the Calculation Agent, the Corporate Servicer, the Foundation Corporate Servicer, the Subordinated Loan Provider, the Account Guarantee Provider, the Principal Paying Agent, the Cash Manager, the Luxembourg Paying Agent, the Italian Account Bank, the English Account Bank, the Sole Quotaholder and the Hedging Counterparty.

**“Outstanding Balance”** means, on any given date and in relation to any Mortgage Loan, the sum of the outstanding principal and the Interest Instalments due but unpaid as at that day and any outstanding penalties for accrued and unpaid Instalments with respect thereto.

**“Outstanding Principal Amount”** means, with respect to each Receivable, the aggregate principal amounts not yet due or collected (including, for the avoidance of doubt, any overdue and unpaid Principal Instalment).

**“Paying Agents”** means the Luxembourg Paying Agent and the Principal Paying Agent, collectively.

**“Payments Account”** means the Euro denominated account established in the name of the Issuer with the Principal Paying Agent with No. 800783500, ABI 3479, CAB 1600 and SWIFT PARBITMM (i) for the deposit of all the amounts paid to the Issuer by the Hedging Counterparty pursuant to the Hedging Agreement and (ii) into which two Business Days before each Payment Date, amounts shall be transferred from the other Accounts, in accordance with the Cash Allocation, Management and Payment Agreement, so as to be applied on each such Payment Date to make payments in accordance with the applicable Priority of Payments, including, *inter alios*, the payments due to the Noteholders.

**“Payment Date”** means (a) before service of a Trigger Notice the 30<sup>th</sup> day of January, April, July, October of each year (provided that if such day is not a Business Day, the next succeeding Business Day) and (b) following service of a Trigger Notice, any Business Day specified in the Trigger Notice.

**“Payment Report Date”** means the seventh Business Day before the relevant Payment Date on which the Quarterly Payments Report is due and the first Payment Report Date will be 19 July 2007.

**“Pension Fund Tax”** means an annual substitutive tax of 11 per cent. on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes) applied to Italian resident pension funds subject to the regime provided by Articles 14, 14-ter and 14-quater, paragraph 1 of Legislative Decree No. 124 of 21 April 1993.

**“Performing Receivable”** means any Receivable which is not a Defaulted Receivable.

**“Portfolio”** means the portfolio of residential mortgage loan receivables purchased by the Issuer from Banca di Roma pursuant to the terms of the Transfer Agreement.

**“Portfolio Initial Outstanding Principal Amount”** means the Portfolio Outstanding Principal Amount as of the Valuation Date.

**“Portfolio Outstanding Principal Amount”** means, in respect of any date, the sum of the Principal Component of all the Receivables comprised in the Portfolio as of the relevant date.

**“Post-Trigger Priority of Payments”** means the order of priority in which the Issuer Available Funds shall be applied following the delivery of a Trigger Notice in accordance with Condition 4.2.

**“Post Trigger Report”** means the report setting out all the payments to be made on the following Payment Date under the Post-Trigger Priority of Payments which shall be delivered, on each Payment Report Date or upon request or the Representative of the Noteholders, by the Calculation Agent after a Trigger Notice has been served to the Issuer, the Representative of the Noteholders, each of the Other Issuer Creditors and the Rating Agencies, pursuant to the Cash Allocation, Management and Payment Agreement.

**“Pre-Trigger Interest Priority of Payments”** means the order of priority in which the Issuer Interest Available Funds shall be applied on each Payment Date prior to the service of an Trigger Notice in accordance with Condition 4.1.

**“Pre-Trigger Principal Priority of Payments”** means the order of priority in which the Issuer Principal Available Funds shall be applied on each Payment Date prior to the service of a Trigger Notice in accordance with Condition 4.2.

**“Principal Amount”** means the amount which shall be determined in relation to each Payment Date pursuant to the provisions of the Confirmation (Amortisation Schedule) of the Hedging Agreement.

**“Principal Amount Outstanding”** means, with respect to any Note on any date, the principal amount thereof upon issue less the aggregate amount of all principal payments that have been made in respect of that Note prior to such date.

**“Principal Collection Account”** means the Euro denominated Account with No. 100307/31 established in the name of the Issuer with the Italian Account Bank (i) into which all the Principal Collections from time to time received by the Servicer shall be credited, in accordance with the provisions of the Servicing Agreement and (ii) out of which amounts shall be transferred into the Principal Collection Investment Account and the Payments Account, in accordance with the Cash Allocation, Management and Payment Agreement.

**“Principal Collection Investment Account”** means the Euro denominated Account with No. 627356EURCURR2 established in the name of the Issuer with the English Account Bank for the deposit (i) and investment of all the amounts transferred from the Principal Collection Account and (ii) of the proceeds from the investment thereof.

**“Principal Collections”** means all the amounts paid in respect of Principal Instalments relating to Receivables which are not Defaulted Receivables.

**“Principal Component”** means, on any date in relation to each Receivable, the sum of (i) all the Principal Instalments due on any subsequent Scheduled Instalment Date and (ii) any Principal Instalments due but unpaid as at that date, such amount being equal to the Individual Purchase Price of each such Receivable.

**“Principal Deficiency”** means, with reference to each Payment Report Date, the aggregate of: (a) the Outstanding Principal Amount of any Defaulted Mortgage Loan which (i) has been

classified as Defaulted Mortgage Loan during the immediately preceding Quarterly Collection Period, and (ii) has never been a Defaulted Mortgage Loan before, (b) any Interest Shortfall Amount with reference to the immediately preceding Payment Date, and (c) the aggregate debit balance then resulting on any of the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger and/or the Class C Principal Deficiency Ledger (for the avoidance of doubt, prior to the allocation of such amount of Principal Deficiency).

**“Principal Deficiency Ledger”** means a ledger comprised of three ledgers (respectively, the **“Class A Principal Deficiency Ledger”**, the **“Class B Principal Deficiency Ledger”** and the **“Class C Principal Deficiency Ledger”**) which shall be established by or on behalf of the Issuer in order to record any Principal Deficiency.

**“Principal Instalment”** means the principal component of each Instalment.

**“Principal Paying Agent”** means BNP Paribas Securities Services, Milan Branch or any other person, being an Eligible Institution, acting as principal paying agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**“Principal Paying Agent Report”** means the report setting out certain information in respect of certain calculations to be made on the Notes pursuant to the Cash Allocation, Management and Payment Agreement and sent to the Issuer, the Servicer, the Hedging Counterparty, the Representative of the Noteholders, the Account Banks, the Cash Manager, the Calculation Agent, the Corporate Servicer, the Luxembourg Paying Agent, Euroclear, Clearstream and Monte Titoli.

**“Priority of Payments”** means, collectively, the Priority of Payments prior to the delivery of a Trigger Notice and the Post-Trigger Priority of Payments.

**“Priority of Payments prior to the delivery of a Trigger Notice”** means the Pre-Trigger Interest Priority of Payments and the Pre-Trigger Principal Priority of Payments.

**“Privacy Law”** means (i) Italian Law n. 675 of 31 December 1996, (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) as subsequently amended, modified or supplemented from time to time, with reference to the period starting on the entry into force of such law and ending on the repealing of such law by the entry into force of Legislative Decree No. 196 of 30 June 2003, published in the Official Gazette No. 174 of 29 July 2003, Ordinary Supplement No. 123/L (hereinafter, the **“Personal Data Protection Code”**) and (ii) after such repeal of Italian Law n. 675 of 31 December 1996, the Personal Data Protection Code (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) as subsequently amended, modified or supplemented from time to time.

**“Pro-Rata Amortisation Payment Date”** means each Payment Date after the Initial Period on which the Pro-Rata Conditions have been satisfied.

**“Pro-Rata Cessation Event”** means on any Payment Date following a Pro-Rata Amortisation Payment Date, the priority of payments for the repayment of the principal of the Notes has returned to sequential for the third time (including for the avoidance of doubt, the change taking place on any such Payment Date) as a result of the non satisfaction of the Pro-Rata Conditions.

**“Pro-Rata Conditions”** means, in respect of any Payment Date, the following conditions:

- (i) the unpaid Principal Deficiency being equal to zero at the immediately preceding Payment Date following payments under the applicable Priority of Payments are made;
- (ii) the balance of the Cash Reserve being equal to the Scheduled Cash Reserve Amount at the immediately preceding Payment Report Date;
- (iii) at least five years having elapsed from the Issue Date;
- (iv) the Cumulative Gross Default Level not exceeding 3.5 per cent.;
- (v) the aggregate Outstanding Principal Amount of all Mortgage Loans having Instalments in arrears for more than 90 (ninety) days not exceeding 3.5 per cent. of the Outstanding Principal Amount of all Mortgage Loans comprised in the Portfolio;
- (vi) the Portfolio Outstanding Principal Amount being greater than 10 per cent. of the Portfolio Initial Outstanding Principal Amount; and
- (vii) the aggregate of the Principal Amount Outstanding of the Class B Notes and the Class C Notes, as a percentage of the aggregate Principal Amount Outstanding of all the Notes, being at least twice of such percentage as calculated on the Issue Date.

**“Prospectus Directive”** means Directive 2003/71/EC.

**“Purchase Price”** means the aggregate of the Initial Purchase Price and the Deferred Purchase Price.

**“Quarterly Collection Period”** means each period of three months, commencing on (and including) 1 January, 1 April, 1 July and 1 October of each year and ending respectively on (and including) 31 March, 30 June, 30 September and 31 December of each year, and in the case of the first Quarterly Collection Period, commencing on (and including) the Valuation Date and ending on (and including) 30 June 2007.

**“Quarterly Payments Report”** means the quarterly report setting out all the payments to be made on the following Payment Date under the applicable Priority of Payments which shall be prepared and delivered on each Payment Report Date by the Calculation Agent to, *inter alios*, the Issuer, the Representative of the Noteholders, the Servicer, the Hedging Counterparty, the Luxembourg Paying Agent, the Account Bank, the Principal Paying Agent, the Corporate Servicer and the Rating Agencies, pursuant to the Cash Allocation, Management and Payment Agreement.

**“Quarterly Servicer's Report”** means the quarterly report setting out details of the performance of the Receivables during the relevant Quarterly Collection Period, which shall be prepared and delivered by the Servicer on each Quarterly Servicer's Report Date to, *inter alios*, the Issuer, the Corporate Servicer, the Calculation Agent, the Representative of the Noteholders, the Principal Paying Agent, the Account Bank, the Hedging Counterparty and the Rating Agencies, pursuant to the Servicing Agreement.

**“Quarterly Servicer's Report Date”** means the tenth Business Day preceding each Payment Date or if such day is not a Business Day, the immediately succeeding Business Day and the first



Quarterly Servicer's Report Date will be 16 July 2007.

**"Quota Capital Account"** means the Euro denominated account opened by the Issuer with Banca di Roma with No.10293/33, for the deposit of the quota capital of the Issuer.

**"Rate of Interest"** shall have the meaning ascribed to it in Condition 5.2 (*Interest - Rate of Interest*).

**"Rating Agency"** means each of Fitch, Moody's and S&P and **"Rating Agencies"** means both of them.

**"Real Estate Assets"** means the real estate properties which have been mortgaged in order to secure payment of the Receivables pursuant to the Mortgage Loan Agreements, and **"Real Estate Asset"** means any of them.

**"Receivables"** means each and every claim arising under or otherwise related to the Mortgage Loan Agreements meeting the Criteria, including but not limited to:

- (a) the right to be paid by the relevant Debtors any amount (including any Instalments) in relation to the Mortgage Loan Agreements due as at and after the Valuation Date, including but not limited to:
  - (i) the outstanding unpaid principal as of the Valuation Date;
  - (ii) interest (including default interests) accrued as of the Valuation Date and to accrue after such date; and
  - (iii) penalties and any other amounts in the case of early termination of the Mortgage Loan Agreements pursuant to the provisions of such Mortgage Loan Agreement;
- (b) the right to be paid any indemnity, including payments due by the Debtors in case of early termination of the Mortgage Loan Agreements; and
- (c) the right to be paid any amount due pursuant to a Collateral Security in respect of the Mortgage Loan Agreements of which the Originator is the beneficiary,

all of the above together with any right in respect of the security interests and any other type of guarantees granted in favour of the Originator, the liens and all the other ancillary rights related to such claims, but excluding any reimbursement of costs and expenses provided for by the Mortgage Loan Agreements (such as, for instance, all the amounts due as VAT, the claims for the reimbursement of the Collection Expenses and the Ancillary Expenses).

**"Recoveries"** means (i) all amounts recovered by the Servicer in respect of the Defaulted Receivables and (ii) all Collections received by the Servicer in relation to Receivables which previously have been Defaulted Receivables.

**"Reference Banks"** means three (3) major banks in the Euro-Zone inter-bank market selected by the Principal Paying Agent with the approval of the Representative of the Noteholders.

**"Relevant Margin"** has the meaning given to it in Condition 5.2 (*Interest - Rate of Interest*).

**"Representative of the Noteholders"** means BNP Paribas Securities Services, Milan Branch or

any other person acting as representative of the Noteholders pursuant to the Subscription Agreement from time to time.

**“Retention Amount”** means an amount equal to € 20,000.

**“Rules of the Organisation of the Noteholders”** means the Rules of the Organisation of Noteholders 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 thereof.

**“S&P”** means Standard & Poor's Rating Services, a division of the McGraw Hill Companies.

**“Scheduled Cash Reserve Amount”** means:

- (a) to (but excluding) the Payment Date on which the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes, as a percentage of the aggregate Principal Amount Outstanding of all Notes is at least twice of such percentage as calculated on the Issue Date, an amount equal to 1.50 per cent. of the aggregate of the Initial Principal Amount of the Notes of all Classes; and
- (b) from (and including) the Payment Date on which the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes, as a percentage of the aggregate Principal Amount Outstanding of all Notes, is at least twice of such percentage as calculated on the Issue Date, the higher of
  - (i) 3.0 per cent. of the Principal Amount Outstanding of the Notes on the immediately preceding Payment Date;
  - (ii) 0.70 per cent. of the Initial Principal Amount of the Notes of all Classes.

*provided however that* any reduction of the Cash Reserve shall be made only if all of the Cash Reserve Amortisation Conditions have been met.

**“Scheduled Instalment Date”** means any date on which payment is due pursuant to each Mortgage Loan Agreement.

**“Screen Rate”** shall have the meaning ascribed to it Condition 5 (*Interest*).

**“Securities Account”** means the Euro denominated Account with No. 627356EURCSDY1 established in the name of the Issuer with the English Account Bank for the deposit of any Eligible Investments represented by bonds, debentures, other kinds of notes or other financial instruments purchased with the monies standing to the credit of the Investment Accounts.

**“Securities Act”** means the U.S. Securities Act of 1933, as amended and supplemented from time to time.

**“Securitisation”** means the securitisation of the Receivables made by the Issuer through the issuance of the Notes.

**“Securitisation Law”** means Italian Law No. 130 of 30 April 1999, as amended and supplemented from time to time.

“**Security**” means, collectively, the security created under the Deed of Pledge and under the Deed of Charge.

“**Security Documents**” means, collectively, the Deed of Pledge and the Deed of Charge.

“**Security Interest**” means any mortgage, charge pledge, lien, right of set-off, special privilege (*privilegio speciale*), assignment by way of security, retention of title or any other security interest whatsoever or any other agreement or arrangement having the effect of conferring security.

“**Servicer**” means Banca di Roma or any other person acting as Servicer pursuant to the Servicing Agreement from time to time.

“**Servicer Termination Event**” means any termination event of the Servicer as provided for by the Servicing Agreement.

“**Servicing Agreement**” means the servicing agreement entered into on 9 March 2007 between the Issuer and the Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

“**Servicing Fee**” means the fee payable by the Issuer to the Servicer, in accordance with the terms of the Servicing Agreement.

“**Short-term Rating**” means, within the Hedging Agreement, a rating assigned in respect of an entity’s short-term, senior unsecured and unsubordinated debt obligations.

“**Sole Affected Party**” has the meaning ascribed to it in the Hedging Agreement.

“**Sole Arranger**” means Capitalia.

“**Sole Quotaholder**” means Stichting Oudenallerburg.

“**Stabilising Manager**” means HSBC.

“**Stichting Oudenallerburg**” means Stichting Oudenallerburg, a foundation incorporated under the laws of the Netherlands, having its registered office at Amsteldijk 166, 1079 LH Amsterdam, Netherlands.

“**Subordinated Loan**” means the limited recourse loan granted to the Issuer by the Subordinated Loan Provider pursuant to the Subordinated Loan Agreement.

“**Subordinated Loan Agreement**” means the subordinated loan agreement entered into on or about the Issue Date between the Issuer and Banca di Roma, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

“**Subordinated Loan Provider**” means Banca di Roma in its capacity as subordinated loan provider pursuant to the Subordinated Loan Agreement and any of its permitted successors and assignees.

**Subscription Agreement** means the subscription agreement entered into on or about the Issue Date, between the Issuer, the Joint Lead Managers, the Originator and the Representative of the

Noteholders, 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.

**“Supervisory Regulations for the Banks”** means the *“Istruzioni di Vigilanza per le banche”* issued by the Bank of Italy by Circular No. 229 of 21 April 1999, as amended and supplemented from time to time.

**“Supervisory Regulations for Financial Intermediaries”** means the *“Istruzioni di Vigilanza per gli Intermediari Finanziari”* issued by the Bank of Italy by Circular No. 216 of 5 August 1996, as amended and supplemented from time to time.

**“Tax Event”** shall have the meaning ascribed to it in Condition 6.4 (*Redemption for taxation reasons*).

**“Terms and Conditions”** means the terms and conditions of the Notes.

**“Transaction Account”** means the Euro denominated account established in the name of the Issuer with the Italian Account Bank with No. 100308/38 (i) into which all amounts paid to the Issuer pursuant to the Transaction Documents shall be credited, including any Originator Indemnity Amount, but excluding (a) the Collections, (b) the Recoveries and (c) the amounts paid by the Hedging Counterparty pursuant to the Hedging Agreement and (ii) out of which amounts shall be transferred into the Transaction Investment Account and the Payments Account, in accordance with the Cash Allocation, Management and Payment Agreement.

**“Transaction Documents”** means the Transfer Agreement, the Subscription Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Subordinated Loan Agreement, the Corporate Services Agreement, the Foundation Corporate Services Agreement, the Cash Allocation, Management and Payment Agreement, the Monte Titoli Mandate Agreement, the Account Guarantee, the Intercreditor Agreement, the Hedging Agreement, the Deed of Pledge, the Deed of Charge, the Mandate Agreement, the Letter of Undertakings, the Master Definitions Agreement and the Offering Circular.

**“Transaction Investment Account”** means the Euro denominated account established in the name of the Issuer with the English Account Bank with No. 627356EURCURR3, for the deposit of (i) all the amounts transferred from the Transaction Account to the Transaction Investment Account and (ii) the proceeds from the investment thereof.

**“Transfer Agreement”** means the transfer agreement entered into on 9 March 2007 between the Issuer and Banca di Roma, 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.

**“Transfer Date”** means 9 March 2007.

**“Trigger Event”** means any of the events described in Condition 11 (*Trigger Events*).

**“Trigger Notice”** means the notice described in Condition 11 (*Trigger Events*).

**“Valuation Date”** means 1 January 2007 at 00:01 Italian time.

**“Warranty and Indemnity Agreement”** means the warranty and indemnity agreement entered

into on 9 March 2007 between Banca di Roma and the Issuer, as from time to time modified in accordance with the provisions herein contained and including any agreement or other document expressed to be supplemental thereof.

**ISSUER**

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**ORIGINATOR, SERVICER, ITALIAN  
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**Banca di Roma S.p.A.**  
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AND**

**PRINCIPAL PAYING AGENT**  
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**ENGLISH ACCOUNT BANK**  
**Banca di Roma S.p.A., London Branch**

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**CORPORATE SERVICER**  
**KPMG Fides Servizi di Amministrazione**

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**LUXEMBOURG PAYING AGENT AND  
LUXEMBOURG LISTING AGENT**

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**HEDGING COUNTERPARTY**

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**JOINT LEAD MANAGERS AND BOOKRUNNERS**

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United Kingdom

**LEGAL ADVISERS**

*To the Sole Arranger and to the Joint Lead Managers*

**As to English and Italian Law**

**Simmons & Simmons**  
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