

Prospectus

Credito Emiliano S.p.A.

(incorporated as a joint stock company in the Republic of Italy)

€5,000,000,000 Covered Bond Programme (*Obbligazioni Bancarie Garantite*)

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

CREDEM CB S.r.l.

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

Except where specified otherwise, capitalised words and expressions in this Prospectus have the meaning given to them in the section entitled "*Glossary*".

Under this €5,000,000,000 covered bond programme (the "**Programme**"), Credito Emiliano S.p.A. ("**CREDEM** or the "**Issuer**" or the "**Bank**") may from time to time issue covered bonds (*obbligazioni bancarie garantite*) (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s), pursuant to article 7-bis of Italian law No. 130 of 30 April 1999 (*Disposizioni sulla cartolarizzazione dei crediti*), as amended from time to time (the "**Law 130**") and regulated by the Decree of the Ministry of Economy and Finance of 14 December 2006, No. 310, as amended from time to time (the "**MEF Decree**") and the supervisory instructions relating to covered bonds (*obbligazioni bancarie garantite*) under Part III, Chapter 3 of Circular of the Bank of Italy No. 285 of 17 December 2013 containing the "*Disposizioni di vigilanza per le banche*", as further implemented or amended (the "**Bank of Italy Regulations**").

The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €5,000,000,000 (or its equivalent in other currencies calculated as described herein, unless increased in accordance with the Programme Documents). This Programme Limit may be increased in accordance with the terms of the Programme Agreement and, according to Article 2, letter (h), of Regulation (EU) No. 382 of 2014, the Issuer will publish a supplement to the Prospectus.

The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, guaranteed by the Guarantor and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up of the Issuer, any funds realised and payable to the Bondholders will be collected by the Guarantor on their behalf.

CREDEM CB S.r.l. (the "**Guarantor**") has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee (the "**Guarantee**") which is backed by a pool of assets (the "**Cover Pool**") made up, in respect of the Initial Portfolio, of residential mortgage loans and, in respect to any Subsequent Portfolio of residential and/or commercial mortgage loans and possibly of other Eligible Assets (including Public Assets within the limit of 10% of the Cover Pool, provided that such limit may be temporarily exceeded if necessary in order to cure a breach of Tests) assigned and to be assigned to the Guarantor by the Issuer. Recourse against the Guarantor under the Guarantee is limited to the Cover Pool.

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the competent authority in the Grand Duchy of Luxembourg for the purposes of the Directive 2003/71/EC which includes amendments made by Directive 2010/73/EU (the "**Prospectus Directive**"), as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of giving information with regard to the issue of Covered Bonds under the Programme during the period 12 months after the date hereof. By approving the Prospectus, the CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Law on prospectuses for securities.

Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2004/39/EC. The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

An investment in Covered Bonds issued under the Programme involves certain risks. See the section entitled "Risk Factors" of this Prospectus for a discussion of certain risks and other factors to be considered in connection with an investment in the Covered Bonds.

The Covered Bonds will be issued in dematerialised form, or in registered form (the "**Registered Covered Bonds**"). Covered Bonds issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli S.p.A. whose registered office is in Milan, at Piazza degli Affari, No.6, Italy, ("**Monte Titoli**") for the account of the relevant Monte Titoli account holders. Monte Titoli will also act as depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"). The Covered Bonds issued in dematerialised form will at all times be held in book entry form and title to the Covered Bonds will be evidenced by book-entries in accordance with the provisions of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented (the "**Financial Laws Consolidated Act**") and implementing regulations and with the joint regulation of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") and the Bank of Italy dated 22 February 2008 and published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 54 of 4 March 2008, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

The Covered Bonds will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in Condition 10 (*Redemption and Purchase*)). Unless previously redeemed in full in accordance with the Conditions, the Covered Bonds of each Series will be redeemed at their Final Redemption Amount on the relevant Maturity Date (or, as applicable, the Extended Maturity Date), subject as provided in the relevant Final Terms.

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

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

Each Series of Covered Bonds issued under the Programme, if rated, is expected to be assigned, unless otherwise stated in the applicable Final Terms, a rating as specified in the relevant Final Terms by Moody's Investor Service Limited ("**Moody's**") and/or by Fitch Ratings Ltd. and any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme ("**Fitch**" and, together with Moody's, and any such other rating agency, the "**Rating Agencies**" and, each of them, a "**Rating Agency**"). Whether or not each credit rating applied for in relation to the relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under (EC) No.1060/2009, as amended from time to time, including also by Regulation (EC) No. 462/2013 and Regulation (EC) No. 513/2011 (the "**CRA Regulation**") will be disclosed in the Final Terms. The credit ratings included or referred to in this Prospectus have been issued by a Rating Agency, which is established in the European Union and is registered under the CRA Regulation. As such Moody's and Fitch are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with such CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating established in the European Union and registered under the CRA Regulation.

A credit rating, if provided, is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency and each rating agency shall be evaluated independently of any other.

ARRANGER AND DEALER

BARCLAYS

DEALERS

BNP PARIBAS

**CRÉDIT AGRICOLE Corporate and CREDIT SUISSE
Investment Bank**

HSBC

ING

J.P. Morgan

NATIXIS

Nomura

**SOCIÉTÉ GÉNÉRALE Corporate &
Investment Banking**

THE ROYAL BANK OF SCOTLAND

UBS Investment Bank

UNICREDIT BANK

The date of this Prospectus is 3 October 2014.

This Prospectus is a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer, and the Guarantor, having made all reasonable enquiries, confirm that this Prospectus contains all information which, according to the particular nature of the Issuer, the Guarantor and the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the Guarantor and of the rights attaching to the Covered Bonds, that the information contained herein is true, accurate and not misleading in all material respects, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Issuer and the Guarantor accept responsibility accordingly.

The Issuer and the Guarantor (the latter solely for the section entitled "The Guarantor") accept responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Covered Bonds issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor (the latter solely for the section entitled "The Guarantor") (each having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus (and for the Guarantor, in the section "The Guarantor" only) is in accordance with the facts and does not omit anything likely to affect the importance of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus (and, therefore, acting in association with the Issuer) in connection with an offer of Covered Bonds are the persons named in the applicable Final Terms as the relevant Dealer(s).

This Prospectus is to be read and construed in conjunction with any supplement hereto, with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference") and form part of this Prospectus, and, in relation to any Series of Covered Bonds, with the relevant Final Terms.

Full information on the Issuer, the Guarantor and any Series of Covered Bonds is only available on the basis of the combination of the Prospectus, any supplements, the relevant Final Terms and the documents incorporated by reference.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any information supplied in connection with the Programme or the issue or sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Representative of the Bondholders or any of the Dealers or the Arranger. Neither the delivery of this Prospectus nor the offering, sale or delivery of Covered Bonds made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention.

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

The distribution of this Prospectus, any document incorporated herein by reference, any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by

law. Persons into whose possession this Prospectus or Final Terms come are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restrictions.

For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Covered Bonds, see section entitled "Selling Restrictions" of this Prospectus. In particular, the Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States of America or to US persons. There are further restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the European Economic Area (including the United Kingdom and the Republic of Italy), and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Prospectus, see "Subscription and Sale".

Neither this Prospectus or supplement thereto, nor any Final Terms (or any part thereof) constitutes an offer, nor may they be used for the purpose of an offer to sell any of the Covered Bonds, or a solicitation of an offer to buy any of the Covered Bonds, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. Each recipient of this Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Seller and the Guarantor.

Save for the Issuer, no other party has separately verified the information contained in this Prospectus. Accordingly, none of the Dealers or the Arranger make any representation, warranty or undertaking, express or implied, or accept any responsibility, with respect to the adequacy, accuracy, reasonableness or completeness of any of the information contained or incorporated in this Prospectus or any other information provided by the Issuer, the Seller and the Guarantor in connection with the Programme. Neither the Dealers, the Arranger nor the Representative of the Bondholders accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer, the Seller and the Guarantor in connection with the Programme or the adequacy, accuracy, reasonableness or completeness of the same. The Dealers and the Arranger do not accept any responsibility for the compliance by any party with any provision of any document entered into in connection with the Programme or any Series of Covered Bonds.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should not be considered as a recommendation by any of the Issuer, the Guarantor, the Representative of the Bondholders, the Arranger or the Dealers that any recipient of this Prospectus or any other any other information supplied in connection with the Programme or any Covered Bonds should purchase the Covered Bonds. Each potential purchaser of Covered Bonds should determine for itself the relevance of the information contained in this Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. None of the Dealers, the Representative of the Bondholders or the Arranger undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of any of the Dealers, the Representative of the Bondholders or the Arranger.

In this Prospectus, unless otherwise specified or unless the context otherwise requires, all references to "£" or "Sterling" are to the currency of the United Kingdom, "Dollars" are to the currency of the United States of America, reference to "Japanese Yen" is to the currency of Japan, reference to "Swiss Franc" or "CHF" are to the currency of the Swiss Confederation and all references to "€", "euro" and "Euro" are to the lawful currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time. References to "Italy" are to the Republic of Italy; references to

laws and regulations are, unless otherwise specified, to the laws and regulations of Italy; and references to billions are to thousands of millions.

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

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Each initial and subsequent purchaser of Covered Bonds will be deemed, by its acceptance of the purchase of such Covered Bonds, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as set forth therein and described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases.

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

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

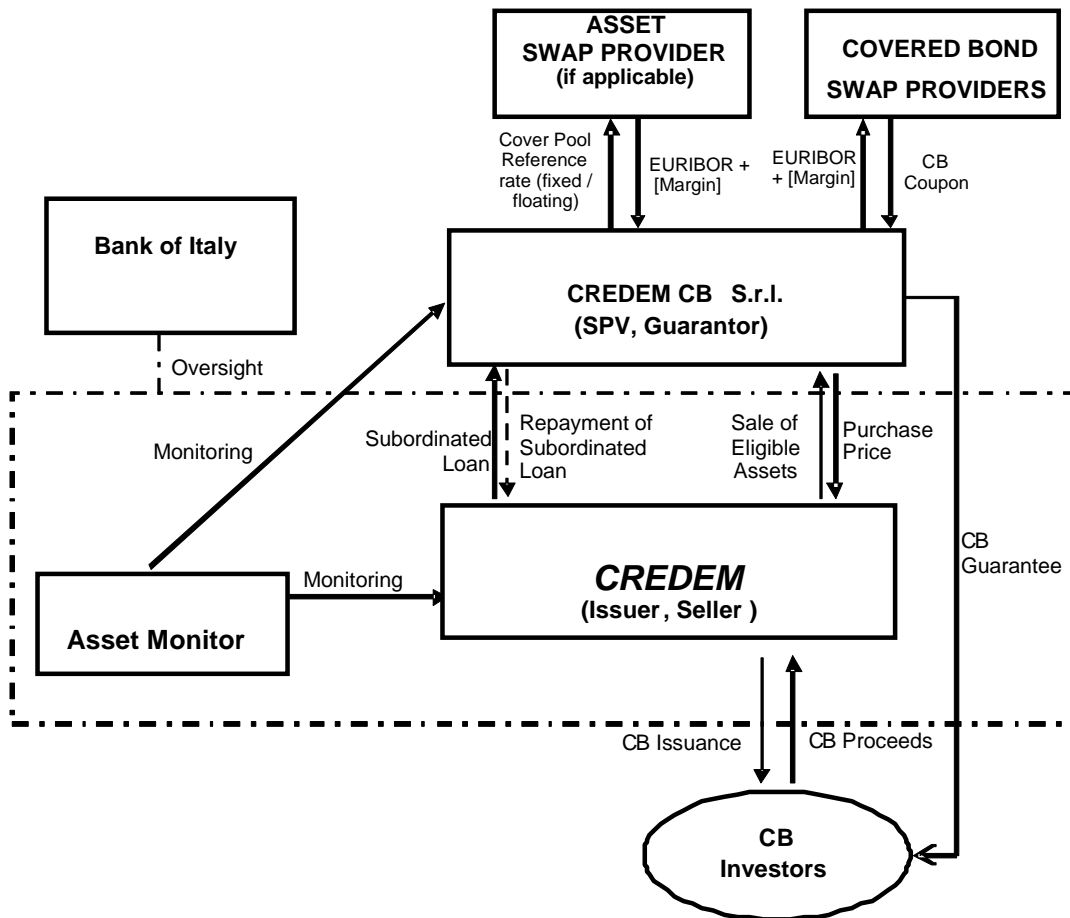
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OVERVIEW OF THE PROGRAMME

This section constitutes a general description of the Programme for the purposes of Article 22(5) of Commission Regulation (EC) No. 809/2004. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Series of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meaning in this overview.

Structure Diagram



PARTIES

Issuer

Credito Emiliano S.p.A., a bank incorporated in Italy as a joint stock company, having its registered office at Via Emilia S. Pietro 4, Reggio Emilia 42121, Italy, registered with the Companies' Register of Reggio Emilia under number 01806740153 and with the register of banks held by the Bank of Italy under number 5350, authorised to carry out

business in Italy pursuant to the Consolidated Banking Act.

For a more detailed description of the Issuer, see section "*The Issuer*".

Guarantor

CREDEM CB S.r.l., a special purpose entity incorporated under incorporated under the laws of Italy pursuant to article 7-bis of Law 130 dated 30 April 1999 ("**Law 130**") having its registered office at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy, fiscal code and enrolment with the companies register of Treviso number 04326290261, enrolled in the register under number 41747 held by Bank of Italy pursuant to article 106 of the Consolidated Banking Act, being part of the CREDEM Group, having as its sole purpose the ownership of the Covered Pool and the granting of the Guarantee.

For a more detailed description of the Guarantor, see "*The Guarantor*".

Seller

Pursuant to the terms of the Master Assets Purchase Agreement, CREDEM will act as Seller. For a more detailed description of CREDEM, see section "*The Issuer*".

Servicer

Pursuant to the terms of the Servicing Agreement, CREDEM will act as Servicer.

For a more detailed description of CREDEM, see section "*The Issuer*".

Subordinated Loan Provider

Pursuant to the Subordinated Loan Agreement, CREDEM will act as Subordinated Loan Provider.

Investment Manager

Pursuant to the Cash Allocation, Management and Payments Agreement, Credito Emiliano S.p.A. has been appointed as Investment Manager.

Principal Paying Agent

BNP Paribas Securities Services, Milan branch has been appointed as Principal Paying Agent (i) by the Issuer to act as such until service of an Issuer Event of Default Notice, and (ii) by the Guarantor, pursuant to the Cash Allocation, Management and Payments Agreement, to act as such upon delivery of an Issuer Event of Default Notice.

Any reference to the Principal Paying Agent included in this Prospectus, shall include, for the avoidance of doubt, any reference to additional paying agent and/or the Registered Paying Agent appointed by the Issuer in relation to a specific Series of Covered Bonds or Registered Covered Bonds.

Calculation Agent

BNP Paribas Securities Services, Milan branch, a French *société en commandite par actions* with registered office at Rue d'Antin, 3, Paris, France, operating for the purpose hereof through its Milan branch, whose registered office is at via Ansperto, 5, 20123 Milan, Italy, registered with the companies' register held in Milan at number 13449250151, fiscal code and VAT number 13449250151, registered with the register of banks (*albo delle banche*) held by the Bank of Italy pursuant to article 13 of the Banking Act under number 5483, has been appointed as Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement. The significant business activities of BNP Paribas Securities Services, Milan branch, a French *société en commandite par actions*, consist of, *inter alia*, delivering agency solutions covering all aspects of securitisation, structured finance and debt capital markets. The main responsibilities of the Calculation Agent consist of, *inter alia*, determining the amounts payable by the Guarantor in accordance with the relevant Priority of Payments and preparing and delivering the Payments Report.

Test Calculation Agent

Pursuant to the Cash Allocation, Management and Payments Agreement, Credito Emiliano S.p.A. has been appointed as Test Calculation Agent.

Account Bank

Pursuant to the Cash Allocation, Management and Payments Agreement, Credito Emiliano S.p.A. is acting as Account Bank.

Cash Reserve Commingling Account Bank

Pursuant to the Cash Allocation, Management and Payments Agreement, Credito Emiliano S.p.A. is acting as Cash Reserve Commingling Account Bank.

Asset Monitor

A reputable firm of independent accountants and auditors will be appointed as Asset Monitor pursuant to a mandate granted by the Issuer and the Asset Monitor Agreement. The initial Asset Monitor will be Mazars S.p.A., a company incorporated under the laws of Italy having its registered office at Corso di Porta Vigentina 35, 20122 Milan, and included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at No. 41306.

Asset Swap Provider(s)

Any counterparty to the Guarantor under an Asset Swap Agreement.

Covered Bond Swap Provider(s)

Any counterparty to the Guarantor under a Covered Bond

Swap Agreement.

Listing Agent

BNP Paribas Securities Services, a French *société en commandite par actions* with registered office at Rue d'Antin, 3, Paris, France, operating for the purpose hereof through its Luxembourg branch, whose registered offices is at Rue De Gasperich No. 33, Howald - Hesperange, L-2085 (Luxembourg), is the Listing Agent.

Guarantor Corporate Servicer

Pursuant to the Corporate Services Agreement, Securitisation Services S.p.A. has been appointed as Guarantor Corporate Servicer

Guarantor Quotaholders

CREDEM and SVM Securitisation Vehicles Management S.r.l.

Representative of the Bondholders

BNP Paribas Securities Services, Milan branch will act as Representative of the Bondholders pursuant to the Programme Agreement, the Intercreditor Agreement, the Conditions and the Rules of the Organisation of the Bondholders.

Registrar

Any institution which shall be appointed by the Issuer to act as registrar in respect of the Registered Covered Bonds under the Programme (the "**Registrar**").

Registered Paying Agent

Any institution which shall be appointed by the Issuer to act as paying agent in respect of the Registered Covered Bonds under the Programme, if any (the "**Registered Paying Agent**").

Arranger

Barclays Bank PLC, whose registered office is at 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom.

Dealers

Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, HSBC France, ING Bank N.V., J.P. Morgan Securities plc, Natixis, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and Unicredit Bank AG.

THE PROGRAMME

Programme description

Under the terms of the Programme, the Issuer will issue Covered Bonds (*Obbligazioni Bancarie Garantite*) on each

Issue Date.

Programme Limit

The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed €5,000,000,000 (or its equivalent in other currencies to be calculated as described in the Programme Agreement). This Programme Limit may be increased in accordance with the terms of the Programme Agreement and, according to Article 2, letter (h), of Regulation (EU) No. 382 of 2014, the Issuer will publish a supplement to the Prospectus.

THE COVERED BONDS

Form of Covered Bonds

The Covered Bonds will be issued in dematerialised form.

The Covered Bonds issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli account holders. Monte Titoli will act as depository for Euroclear and Clearstream. Unless otherwise specified in the relevant Final Terms, the Covered Bonds will at all times be in book entry form and title to the Covered Bonds will be evidenced by book entries and no physical document of title will be issued in respect of the Covered Bonds.

The Covered Bonds may be issued to Bondholders in the form of registered covered bonds (such as, for example, *Namensschuldverschreibungen*) each issued with a minimum denomination as indicated in the relevant Final Terms.

Denomination of Covered Bonds

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

Status of the Covered Bonds

The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer (save for any such obligations that may be preferred by mandatory provisions of

law).

Issuance in Series

The Covered Bonds will be issued in series (each a “**Series**”), but on different terms from each other, subject to the terms set out in the relevant Final Terms in respect of such Series.

Covered Bonds of different Series will not be fungible among themselves. Each Series (excluding any Series of Registered Covered Bonds, which may be Issued only in Series) may be issued in tranches (each a “**Tranche**”) which will be identical in all respects, and fungible among themselves, but having different issue dates, interest commencement dates, issue prices and/or dates for first interest payments. The specific terms of each Tranche will be completed in the relevant Final Terms. The Issuer will issue Covered Bonds without the prior consent of the holders of any outstanding Covered Bonds.

Notwithstanding the foregoing, the term “Series” shall mean in the case of Registered Covered Bonds, each Registered Covered Bond made out in the name of a specific Registered Covered Bondholder.

Specified Currency

Subject to any applicable legal or regulatory restrictions, each Series of Covered Bonds will be issued in such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms) and **provided that** prior notice is given to the Rating Agencies.

Maturities

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

Redemption

The applicable Final Terms relating to each Series of Covered Bonds will indicate either that the Covered Bonds of such Series of Covered Bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following a Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer (or the Bondholders, as the case may be, as specified in the relevant Final Terms) on a date or dates specified prior to the specified Maturity Date and at a price and on other terms as may be agreed between the Issuer and the Dealer(s) as set out in the applicable Final Terms and in accordance with Condition 10.

For further details, see Condition 10 (*Redemption and Purchase*).

Extended Maturity Date

Any Final Terms relating to each Series of Covered Bonds issued will provide that the Guarantor's obligations under the Guarantee to pay Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds on their Maturity Date will be deferred until the Extended Maturity Date. Such deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount on the Maturity Date for such Series of Covered Bonds and if the Guarantor has insufficient moneys to pay such Final Redemption Amount in respect of the relevant Series of Covered Bonds (for example, because the Guarantor has insufficient funds) by the Extension Determination Date.

Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, **provided that** any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date shall be paid or provisioned, in accordance with the applicable Priority of Payments and subject to Guarantor Available Funds, by the Guarantor on any Guarantor Payment Date thereafter according to the relevant Final Terms, up to (and including) the relevant Extended Maturity Date.

Interest will continue to accrue and be payable on the unpaid amount up to the Extended Maturity Date, subject to and in accordance with the provisions of the relevant Final Terms.

If the duration of the Covered Bond is extended, the Extended Maturity Date shall be the date falling 1 (one) calendar year after the relevant Maturity Date or any following date indicated as such in the relevant Final Terms.

For further details, see Condition 10 (*Redemption and Purchase*).

Issue Price

Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid.

Interest

Covered Bonds may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary

between the Issue Date and the Maturity Date (or the Extended Maturity Date as the case may be) of the relevant Series. Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms). Interest on Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s).

Fixed Rate Covered Bonds

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

Floating Rate Covered Bonds

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

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

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

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

Bullet Covered Bonds

Covered Bonds which will be redeemed in full on the relevant Maturity Date without any provision for scheduled redemption other than on the Maturity Date and in relation to which an Extended Maturity Date shall apply.

Taxation

All payments in relation to Covered Bonds will be made without tax deduction except where required by law. If any Tax Deduction is made, the Issuer shall be required to pay

additional amounts in respect of the amounts so deducted or withheld, subject to a number of exceptions including deductions on account of Italian substitute tax pursuant to Decree 239.

Under the Guarantee, the Guarantor will not be liable to pay any such additional amounts.

For further details, see Condition 13 (*Taxation*).

Issuer Cross Default

Each Series of Covered Bonds will cross-accelerate as against each other but will not otherwise contain a cross default provision. Accordingly, neither an event of default in respect of any other indebtedness of the Issuer (including other debt securities of the Issuer) nor acceleration of such indebtedness will itself give rise to an Issuer Event of Default. In addition, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default, **provided however that**, where a Guarantor Event of Default occurs and the Representative of the Bondholders serves a Guarantor Event of Default Notice upon the Guarantor, such Guarantor Event of Default Notice will accelerate each Series of outstanding Covered Bonds issued under the Programme.

Notice to the Rating Agencies

The issue of any Series of Covered Bonds (including, for the avoidance of doubt, Bullet Covered Bonds) in each case as specified in the applicable Final Terms shall be subject to prior notice to the Rating Agencies.

Listing and admission to trading

Application has been made for Covered Bonds issued under the Programme (other than the Registered Covered Bonds) during the period of 12 months from the date of this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

Covered Bonds may also be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or they may not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and, if so, on which stock exchange.

Governing Law

The Covered Bonds and the related Programme Documents will be governed by Italian law, except for the Swap Agreements and certain of the security related thereto, which will be governed by English law and except for certain

Registered Covered Bonds, which may be governed by any other applicable law, as may be set out in the relevant Final Terms.

Ratings

Each Series of Covered Bonds may or may not be assigned a rating by one or more Rating Agencies, as specified in the relevant Final Terms.

In case of issuance of unrated Covered Bonds, the Issuer shall give prior notice to the Rating Agencies.

A credit rating, if provided, is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant Rating Agency.

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

Breach of Tests

If the Test Calculation Agent notifies the breach of any Mandatory Test pursuant to the Cover Pool Management Agreement, the Guarantor will, within the Test Grace Period, as the case may be: (i) purchase Subsequent Portfolios from the Issuer pursuant to the Master Assets Purchase Agreement, and/or (ii) purchase or invest in Top-Up Assets or other Eligible Assets in accordance with the Cover Pool Management Agreement, in each case in an amount sufficient to ensure that as of the Test Calculation Date falling at the end of the Test Grace Period, all Tests are satisfied with respect to the Cover Pool.

Segregation Event

A Segregation Event will occur upon the notification by the Test Calculation Agent to the Guarantor and the Representative of the Bondholders that a breach of the Mandatory Tests has not been remedied within the applicable Test Grace Period.

Upon the occurrence of a Segregation Event, the Representative of the Bondholders will promptly, and in any case within 5 calendar days, serve notice (the "**Breach of Test Notice**") on the Issuer, the Guarantor, the Servicer, the Asset Monitor, the Calculation Agent, and the Rating Agencies that a Segregation Event has occurred.

Effect of a Segregation Event

Upon the delivery of a Breach of Test Notice and until a Breach of Test Cure Notice will be delivered:

- (a) ***No further Series of Covered Bonds***: the Issuer may not issue any further Series of Covered Bonds;
- (b) ***No payments under the Subordinated Loan***: there

shall be no further payments to the Subordinated Loan Provider under the Subordinated Loan Agreement;

- (c) **Purchase price for any Eligible Assets or Top-Up Assets:** the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid only by using the proceeds of the Subordinated Loan, except where the breach referred to in the Breach of Test Notice may be cured by using the Guarantor Available Funds;
- (d) **Payments due under the Covered Bonds:** payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Event of Default Notice has been delivered; and
- (e) **No renegotiations:** the Servicer shall no longer be entitled to perform any renegotiation of the Mortgage Loans included in the Cover Pool as set out in the Servicing Agreement.

If the relevant Test(s) is/are met within the Test Remedy Period, the Representative of the Bondholders will promptly and in any case within 5 calendar days deliver to the Issuer, the Guarantor, the Asset Monitor and the Rating Agencies a notice informing such parties that the Breach of Test Notice then outstanding has been revoked (the "**Breach of Test Cure Notice**") and the relevant Segregation Event has been cured.

Issuer Events of Default

An Issuer Event of Default will occur if:

- (i) **Non-payment:** the Issuer fails to pay any amount of interest and/or principal due and payable on any Series of Covered Bonds at their relevant Interest Payment Date (including the relevant Maturity Date) and such breach is not remedied within the next 15 Business Days, in case of amounts of interest, or 20 Business Days, in case of amounts of principal, as the case may be; or
- (ii) **Breach of other obligations:** a breach by the Issuer of any of its material obligations under the Programme Documents (other than those referred to in item (i) and (vi)) occurs and such breach is not remedied within 30 days (or such longer period as the Representative of the Bondholders may permit) after the Representative of the Bondholders has given written notice thereof to the Issuer, indicating the occurred breach and specifying that an Issuer Event of Default will occur in case such breach is not remedied within the applicable remedy period set out

above; or

- (iii) **Insolvency**: an Insolvency Event occurs with respect to the Issuer; or
- (iv) **Article 74 resolution**: a resolution pursuant to article 74 of the Consolidated Banking Act is issued in respect of the Issuer; or
- (v) **Breach of Tests**: following the delivery of a Breach of Test Notice, the Mandatory Tests are not met on, or prior to, the expiry of the Test Remedy Period unless a resolution of the Bondholders is passed resolving to extend the Test Remedy Period; or
- (vi) **Cessation of business**: the Issuer ceases to carry on its primary business.

If any of the events set out in points (i) to (vi) above (each, an "**Issuer Event of Default**") occurs and is continuing, then the Representative of the Bondholders shall or, in the case of the event under item (ii) above shall, if so directed by a Programme Resolution, serve an Issuer Event of Default Notice on the Issuer and the Guarantor demanding payment under the Guarantee, and specifying, in case of the Issuer Event of Default referred to under item (iv) above, that the Issuer Event of Default may be temporary.

Effect of an Issuer Event of Default Notice

Upon service of an Issuer Event of Default Notice upon the Issuer and the Guarantor:

- (i) **No further Series of Covered Bonds**: the Issuer may not issue any further Series of Covered Bonds;
- (ii) **No payments under the Subordinated Loan**: there shall be no further payments to the Subordinated Loan Provider under the Subordinated Loan, unless the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds, in accordance with the relevant Priority of Payments;
- (iii) **No Purchase of any Eligible Assets or Top-Up Assets**: if the Issuer Event of Default is a consequence of an Insolvency Event in respect of the Issuer, no further Portfolios shall be acquired by the Guarantor pursuant to the Master Assets Purchase Agreement;
- (iv) **Guarantee**: interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under the Conditions, subject to and in accordance with the terms of the Guarantee and the Post-Issuer Default

Priority of Payment;

- (v) **Disposal of Assets:** the Guarantor shall sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement, if necessary in order to effect payments under the Covered Bonds,

provided that, in case of the Issuer Event of Default determined by a resolution issued in respect of the Issuer pursuant to article 74 of the Consolidated Banking Act (referred to under item (iv) (*Article 74 resolution*) above) (the "**Article 74 Event**"), the effects listed in items (i) (*No further Series of Covered Bonds*), (ii) (*No payments under the Subordinated Loan*), (iii) (*No Purchase price of any Eligible Assets or Top-Up Assets*) and (iv) (*Guarantee*) above will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect (the "**Suspension Period**") and the effect listed in item (v) (*Disposal of Assets*) will apply only if the suspension of payments pursuant Article 74 Event is in force during the period commencing on an Extension Determination Date where the payments of the unpaid amounts due by the Guarantor in respect of a Series of Covered Bonds have been deferred to the relevant Extension Maturity Date (being understood that it will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect). Accordingly (A) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds within the immediately succeeding Interest Payment Date (and, for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer).

Guarantor Events of Default

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

- (i) **Non payment:** the Guarantor fails to pay any interest and/or principal due and payable under the Guarantee and such breach is not remedied within the next following 15 Business Days, in case of amounts of interests, or 20 Business Days, in case of amounts of principal, as the case may be; or
- (ii) **Insolvency:** an Insolvency Event occurs with respect to the Guarantor; or
- (iii) **Breach of other obligation:** a breach of any obligation under the Programme Documents by the

Guarantor occurs (other than payment obligations referred to in item (i) (*Non-payment*) above) which is not remedied within 30 days (or such longer period as the Representative of the Bondholders may permit) after the Representative of the Bondholders has given written notice thereof to the Guarantor indicating the occurred breach and specifying that a Guarantor Event of Default will occur in case such breach is not remedied within the applicable remedy period set out above; or

- (iv) ***Breach of the Amortisation Test: provided that*** an Issuer Event of Default has occurred, the Amortisation Test is breached,

then the Representative of the Bondholders shall or, in the case of the Guarantor Event of Default under item (iii) (*Breach of other obligation*) shall, if so directed by a resolution of the Bondholders, serve a Guarantor Event of Default Notice on the Guarantor.

Effect of a Guarantor Event of Default Notice Upon service of a Guarantor Event of Default Notice upon the Guarantor:

- (i) **Acceleration of Covered Bonds:** the Covered Bonds shall become immediately due and payable at their Early Redemption Amount together, if appropriate, with any accrued interest and will rank *pari passu* among themselves in accordance with the Post-enforcement Priority of Payments;
- (ii) **Guarantee:** subject to and in accordance with the terms of the Guarantee, the Representative of the Bondholders, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable as gross up) in accordance with the Post-Enforcement Priority of Payments;
- (iii) **Disposal of Assets:** the Guarantor shall sell all Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement; and
- (iv) **Enforcement:** the Representative of the Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a Programme Resolution of the Bondholders.

THE TESTS

For an overview of the Tests, see paragraphs "*Mandatory Test*" and "*Amortisation Test*" of section "*Credit Structure*" below.

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

THE GUARANTOR AND THE GUARANTEE

Guarantee

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

Issuer and on the Guarantor.

The obligations of the Guarantor will accelerate once a Guarantor Event of Default Notice has been delivered to the Guarantor (with a copy to the Issuer). The obligations of the Guarantor under the Guarantee constitute direct, unconditional and unsubordinated obligations of the Guarantor collateralised by the Cover Pool and recourse against the Guarantor is limited to the Guarantor Available Funds.

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

Cover Pool

The Guarantee will be collateralised by the Cover Pool constituted by (i) the Mortgage Receivables and related collateral assigned to the Guarantor by the Seller in accordance with the terms of the Master Assets Purchase Agreement and any other Eligible Assets (including Public Assets within the limit of 10%) and Top-Up Assets held by the Guarantor with respect to the Covered Bonds and the proceeds thereof which will, *inter alia*, comprise the funds generated by Mortgage Receivables, the other Eligible Assets and the Top-Up Assets including, without limitation, funds generated by the sale of assets from the Cover Pool and funds collected from the Issuer after the occurrence of an Issuer Event of Default and the enforcement of the Guarantee.

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

Limit to the transfer of Public Assets

The maximum aggregate amount of Public Assets which may from time to time be assigned to the Guarantor and included in the Cover Pool shall be no higher than 10% of the Cover Pool, provided that such limit may be exceeded if necessary in order to cure a breach of Tests.

Limited recourse

The obligations of the Guarantor to the Bondholders and, in general, to the Seller and Other Guarantor Creditors will be limited recourse obligations of the Guarantor. The Bondholders, the Seller and such Other Guarantor Creditors will have a claim against the Guarantor only to the extent of the Guarantor Available Funds subject to the relevant Priorities of Payments, in each case subject to, and as provided for in, the Guarantee and the other Programme Documents.

Segregation of Guarantor's rights and collateral

The Covered Bonds benefit from the provisions of Article 7-*bis* of Law 130, pursuant to which the Cover Pool is segregated by operation of law from the Guarantor's other

assets.

In accordance with Article 7-*bis* of Law 130, prior to and following a winding up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Guarantee to be called, proceeds of the Cover Pool paid to the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to the Bondholders, to the Swap Providers under the Swap Agreements and in satisfaction of any other costs related to the Programme.

The Cover Pool may not be seized or attached in any form by creditors of the Guarantor other than the entities referred to above, until full discharge by the Guarantor of its payment obligations under the Guarantee or cancellation thereof.

Cross collateralisation

All Eligible Assets and Top-Up Assets transferred from the Seller to the Guarantor from time to time and the proceeds thereof form the collateral supporting the Guarantee in respect of all Series of Covered Bonds.

Claim under the Guarantee

The Representative of the Bondholders, for and on behalf of the Bondholders, may submit a claim to the Guarantor and make a demand under the Guarantee in case of an Issuer Event of Default or Guarantor Event of Default.

Excess Assets and support for further issues

Any Eligible Assets and Top-Up Assets forming part of the Cover Pool which are in excess of the value of the Eligible Assets and Top-Up Assets required to satisfy the Tests may be (i) re-purchased by the Seller in accordance with the provisions of the Cover Pool Management Agreement and the Master Assets Purchase Agreement or (ii) retained in the Cover Pool, also to be applied to support the issue of new Series of Covered Bonds or ensure compliance with the Tests, provided that in each case any such disposal or retention shall occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310 and no disposal under item (i) above may occur if it would cause the Tests to be breached.

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

Guarantor default

Where a Guarantor Event of Default occurs, the Representative of the Bondholders will serve upon the Guarantor a Guarantor Event of Default Notice, thereby accelerating the Guarantee in respect of each Series of outstanding Covered Bonds issued under the Programme.

However, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default.

For further details, see Condition 13.3 (*Guarantor Events of Default*).

Disposal of assets included in the Cover Pool following the delivery of an Issuer Event of Default Notice (but prior to the service of a Guarantor Event of Default Notice)

Following the service of an Issuer Event of Default Notice (other than in respect of an Issuer Event of Default consisting of an Article 74 Event whose suspension of payments is in force prior to an Extension Determination Date where the payments of the unpaid amounts due by the Guarantor in respect of a Series of Covered Bonds have been postponed to the relevant Extension Maturity Date) on the Issuer and the Guarantor, but prior to service of a Guarantor Event of Default Notice, the Guarantor (or the Servicer on behalf of the Guarantor) shall, if necessary in order to effect timely payments under the Covered Bonds, sell Eligible Assets and Top-Up Assets comprised in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the right of pre-emption in favour of the Issuer in respect of such Eligible Assets and Top-Up Assets. Such pre-emption right of the Issuer is not applicable in case of Issuer Event of Default consisting in an Insolvency Event of the Issuer.

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

The proceeds from any such sale will be credited to the Collection Accounts and applied as set out in the applicable Priority of Payments.

Disposal of the Assets included in the Cover Pool following the delivery of a Guarantor Event of Default Notice

Following the service of a Guarantor Event of Default Notice, the Guarantor shall immediately sell all Eligible Assets and Top-Up Assets included in the Cover Pool upon the terms of the Cover Pool Management Agreement, subject to the right of pre-emption in favour of the Issuer in respect of such Eligible Assets and Top-Up Assets. Such pre-emption right of the Issuer is not applicable in case an Issuer Event of Default in respect of the Issuer has occurred.

Actions of the Representative of the Bondholders

Each Bondholder, by purchasing any Covered Bond, shall be deemed to agree, and each of the Other Guarantor Creditors will acknowledge pursuant to the Intercreditor Agreement, that the Representative of the Bondholders shall not be bound to make any claim on the Guarantor or make a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or enforce the Guarantee if so instructed by the Bondholders or exercise any rights granted under the mandate conferred on it under the Mandate Agreement or the Intercreditor Agreement or exercise any other discretion or power unless, in each case, it has been

indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

The Representative of the Bondholders shall not be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by any Bondholder or by any Other Guarantor Creditor as a result of the performance of its duties save where such loss, liability, claim, expense or damage is suffered or incurred as a result of gross negligence (*colpa grave*), wilful default (*dolo*) or fraud (*frode*) of the Representative of the Bondholders.

SALE AND DISTRIBUTION

Distribution

Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions to be set forth in the Programme Agreement.

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

Purchase of Covered Bonds by the Issuer

The Issuer may at any time purchase any Covered Bonds in the open market or otherwise and at any price.

RISK FACTORS

This section describes the principal risk factors associated with an investment in the Covered Bonds. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this document, including the considerations set out below, before making any investment decision. This section of the Prospectus is split into two main sections — General Investment Considerations and Investment Considerations relating to the Issuer and the Guarantor.

All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below. Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Covered Bonds issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on the information currently available to them or which they may not currently be able to anticipate. Neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Covered Bonds are exhaustive.

In addition to the above, prospective investors should also read the detailed information set out in this Prospectus (including any document incorporated by reference) and reach their own views prior to making any investment decision.

Investment Considerations relating to the Issuer

Factors that may affect the Issuer's and CREDEM group ability to fulfil its obligations under the Covered Bonds issued under the Programme Risks regarding the Issuer and the CREDEM Group

Risks relating to the Issuer's business

As a credit institution, the Issuer is exposed to the typical risks associated with the business of a financial intermediary such as credit risk, market risk, interest rate risk, liquidity and operational risk, plus a series of other risks typical to businesses such as strategic risk, legal risk, tax and reputational exposure.

Credit risk relates to the risk of loss arising from counterparty default (in particular, recoverability of loans) or in the broadest sense from a failure to perform contractual obligations, including on the part of any guarantors.

Market risk relates to the risk arising from market transactions in financial instruments, currencies and commodities.

Interest rate risk refers to the possibility of the Issuer incurring losses as a result of a poor performance in market interest rates.

Liquidity risk relates to the Issuer's ability or lack thereof to meet cash disbursements in a timely and economic manner. It is quantified as the additional cost arising from asset sales and/or negotiation of new liabilities incurred by the intermediary when required to meet unexpected commitments by way of recourse to the market.

Operational risk relates to the risk of loss arising from shortcomings or failures in internal processes, people or systems and from external events.

Risks connected with the creditworthiness of customers

The Issuer's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. The failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on the Issuer's business and financial results.

Risks connected with information technology

The Issuer's business relies upon integrated information technology systems, including an offsite back-up system. It relies on the correct functioning and reliability of such system and on its ability to protect the Issuer's network infrastructure, information technology equipment and customer information from losses caused by technical failure, human error, natural disaster, sabotage, power failures and other losses of function to the system. The loss of information regarding customers or other information central to the Issuer's business, such as credit risk control, or material interruption in the service could have a material adverse effect on its results of operations. In addition, upgrades to the Issuer's information technology required by law or necessitated by future business growth may require significant investments.

Operational risks

The CREDEM Group, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems, failure to comply with regulatory requirements and Conduct of Business rules, failure of external systems, for example, those of the Issuer's suppliers or counterparties. The CREDEM Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect its financial performance and business activities.

Reduced interest rate margin

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

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

Both of the above factors may adversely affect the Issuer's financial condition and results of operations. In addition, downturns in the Italian economy could cause pressure on the competition through, for example, increased price pressure and lower business volumes for which to compete.

Risk factors regarding the CREDEM Group's business sector

Competition

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

In addition, after the enactment of the Bersani Decree, the competition in the Italian mortgage loan industry has increased. Both traditional and new lenders use advertising, targeted marketing, pricing offers in an effort to expand their presence in or to facilitate their entry into the market and compete for customers.

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

Risks associated with the legislative, accounting and regulatory context

Changes in the Italian and European regulatory framework could adversely affect the Issuer's Business. The Issuer is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the public authority responsible for regulating the Italian securities market), the European Central Bank, the European System of Central Banks and the CSSF in Luxembourg.

The Consolidated Banking Act to which the Issuer is subject governs the activities in which banks may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. Any changes in how such regulations are applied, may have a material effect on the Issuer's business and operations.

Law no. 3 of 27 January 2012

Law no. 3 of 27 January 2012, published in the Official Gazette of the Republic of Italy no. 24 of 30 January 2012 (the "**Over Indebtedness Law**") has become effective as of 29 February 2012 and introduced a new procedure, by means of which, *inter alia*, debtors who (i) are in a state of over indebtedness (*sovraindebitamento*), and (ii) cannot be subject to bankruptcy proceedings or other insolvency proceedings pursuant to the Bankruptcy Law, may request to enter into a debt restructuring agreement (*accordo di ristrutturazione*) with their respective creditors, further provided that (iii) in respect of future proceedings, the relevant debtor has not made recourse to the debt restructuring procedure enacted by the Over Indebtedness Law during the preceding 3 years.

The Over Indebtedness Law provides that the relevant debt restructuring agreement, subject to the relevant court approval, shall entail, *inter alia* (i) the renegotiation of the payments' terms with the relevant creditors; (ii) the full payment of the secured creditors; (iii) the full payment of any other creditors which are not part of the debt restructuring agreement (provided that the payments due to any creditors which have not approved the debt restructuring agreement, including any secured creditors, may be suspended for up to one year); and (iv) the possibility to appoint a trustee for the administration and liquidation of the debtor's assets and the distribution to the creditors of the proceeds of the liquidation.

Should the debtors under the Portfolio enter into such debt restructuring agreement (be it with the Issuer or with any other of its creditors), the Guarantor could be subject to the risk of having the payments due by the relevant debtor suspended for up one year.

Mortgage borrower protection

Certain recent legislation enacted in Italy has given new rights and certain benefits to mortgage debtors and/or reinforced existing rights including, *inter alia*,:

- i. the right of prepayment of the principal amount of the mortgage loan, without incurring a penalty; or, in respect of mortgage loan agreements entered into before 2 February 2007, at a reduced penalty rate (Law Decree of 31 January 2007, the "**Bersani Decree**");
- ii. right to the substitution (*portabilità*) of a mortgage loan with another mortgage loan and/or the subrogation of a new bank into the rights of their creditors in accordance with article 1202 (*surrogazione per volontà del debitore*) of the Civil Code, by eliminating the limits and costs previously borne by the Debtors for the exercise of such right. If the subrogation has not been executed within 30 days from the date of the assignee bank's request of the interbank collaboration procedures, the original bank shall indemnify the mortgage debtor an amount equal to 1 per cent. of the mortgage value for each month or part of a month of delay. In the event the delay is due to circumstances ascribed to the assignee bank, the original bank shall be entitled to recover from the assignee bank an amount equal to the indemnity paid to the mortgage debtor;
- iii. the right of first home-owners (*mutui prima casa*) to suspend instalment payments under mortgage loans up to a maximum of two times and for a maximum aggregate period of 18 months (Italian Law No. 244 of 24 December 2007, the "**2008 Budget Law**");
- iv. the right to renegotiate the floating rate/floating instalments mortgage loans executed before 29 May 2008 for the purpose of the purchase, building or maintenance of the debtors' principal residence (Convention between the Ministry of Economy and Finance and the ABI of 19 June 2008 "*convenzione per la rinegoziazione dei mutui a tasso variabile stipulati anteriormente al 29 maggio 2008 e finalizzati all'acquisto, costruzione e ristrutturazione della abitazione principale*", the "**Convention**");
- v. the right to suspend the payments of instalments due under the relevant mortgage loans in favour of individuals, companies and institutions, as the case may be, resident, incorporated or located in the municipalities affected by the earthquake events as of 6 April 2009 (Law Decree number 39 of 28 April 2009, as converted into law by the Italian Law number 77 of 24 June 2009 "*Interventi urgenti in favore delle popolazioni colpite dagli eventi sismici nella regione Abruzzo nel mese di aprile 2009 e ulteriori interventi urgenti di protezione civile*", the "**Abruzzo Decree**") and as of 20 and 29 May 2012 (Law Decree number 74 of 6 June 2012 "*Interventi urgenti in favore delle popolazioni colpite dagli eventi sismici che hanno interessato il territorio delle province di Bologna, Modena, Ferrara, Mantova, Reggio Emilia e Rovigo, il 20 e il 29 maggio 2012*" as converted into law by the Italian Law number 122 of 1 August 2012);
- vi. the right to suspend the payments of instalments in respect of the principal of mortgage loans granted to small and medium enterprises for a period of 12 months (convention between ABI and the Ministry of Economic and Finance of 3 August 2009, "**PMI Moratorium**");
- vii. the right to suspend the payment of instalments relating to mortgage loans for a 12 month period, where requested by the relevant Debtor during the period from 1 February 2010 to 31 March 2013 (Convention between ABI and the consumers' associations stipulated on 18 December 2009, the "**Piano Famiglie**");

- viii. the rights granted, pursuant to Article 8, paragraph 6, of Law Decree No. 70 of 13 May 2011, converted into law by law No. 106 of 12 July 2011 (the “**Decreto Sviluppo**”), to certain borrowers to (a) renegotiate mortgage loans, which may result in the amendment of the interest calculation method from floating rate to fixed rate and (b) to extend the applicable amortisation plan of the relevant mortgage loan for a period not longer than five years, provided that, as a result of such extension, the residual duration of the relevant mortgage loan does not exceed a period equal to 25 years; and
- ix. the right to suspend the payments of instalments due under the relevant loans in favour of certain debtors resident in the municipalities of the Veneto Region affected by the flood events occurred in such places in the period from 31 October to 2 November 2010 (order no. 3906 issued by the Prime Minister (*Presidente del Consiglio dei Ministri*) on 13 November 2010, as amended on 7 May 2011, the “**Ordinanza**”).

This legislation may have an adverse effect on the Cover Pool and, in particular, on any cash flow projections concerning the Cover Pool as well as on the over-collateralisation required in order to maintain the then current ratings of the Covered Bonds. However, the Nominal Value Test and the Amortisation Test have been structured in such a way to attribute a zero weight to any Mortgage Receivable in respect of which principal instalments are deferred as a consequence of the granting of a Payment Holiday) therefore, to the extent that any Payment Holiday granted in respect of Mortgage Receivables included in the Cover Pool may lead to a breach of Tests, the Issuer will be required to sell to the Guarantor subsequent portfolios of Eligible Asset and/or Top-Up Assets in accordance with the Cover Pool Management Agreement and the Master Assets Purchase Agreement in order to remedy such breach, see “*Description of Certain Relevant Legislation in Italy –Aspects of Italian Law relevant to Mortgage Loans*”.

The ECB is in the process of performing a comprehensive assessment of the Issuer and other European banks, the outcome of which is uncertain

The ECB announced in October 2013 that it would commence a comprehensive assessment, including stress tests and an asset quality review, of certain large European banks, including CREDEM. The findings from this assessment, expected to be published in October 2014, may result in recommendations for additional supervisory measures and corrective actions affecting CREDEM and the banking environment generally. It is not yet possible to assess the impact of such measures, if any, on CREDEM. Furthermore, the disclosure of the ECB’s findings or the implementation of additional supervisory measures that are viewed by the market as unfavourable to the Issuer or the Covered Bonds could adversely affect the trading price of the Covered Bonds.

Market declines and volatility

The results of the CREDEM Group could be affected by general economic, financial and other business conditions. During a recession, there may be less demand for mortgages and other loan products and a greater number of the CREDEM Group’s customers may default on their loans or other obligations. An increase in the cost of funding and interest rate may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the CREDEM Group’s debtors and counterparties can affect the overall credit quality and the recoverability of mortgages and loans and amounts due from counterparties. Fluctuations in interest rates and cost of funding in Italy and in the Euro-zone and in the other markets in which the Issuer operates influence its performance.

The on-going economic crisis may also negatively affect the real estate market and value of collateral securing loans with an adverse impact on the fair value of CREDEM Group’s secured loans and mortgages, entailing additional provisions or reserve requirements. Moreover, when a debtor defaults on his collateralised loans or obligations, the value of the collateral could not be sufficient to meet the claims of the creditors so that CREDEM Group may not recover the full expected amount due.

Credit and market risk

To the extent that any of the instruments and strategies used by the CREDEM Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the CREDEM Group may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The CREDEM Group's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The CREDEM Group's financial results also depend upon how effectively it determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

Protracted market declines and reduced liquidity in the markets

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

The Issuer is vulnerable to the current disruptions and volatility in the global financial markets

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

The global financial system still has to overcome some of the difficulties which began in August 2007 and which were intensified by the bankruptcy of Lehman Brothers in September 2008. Financial market conditions have remained challenging and, in certain respects, have deteriorated. In addition, the continued concern about sovereign credit risks in the Euro-zone and Italy in particular has progressively intensified, and International Monetary Fund and European Union financial support packages have been agreed for Greece, Ireland, Cyprus and Portugal.

Credit quality has generally declined, as reflected by the downgrades suffered by several countries in the Euro-zone, including Italy, since the start of the sovereign debt crisis. The large sovereign debts and/or fiscal deficits in certain European countries, including Italy, have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries.

There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal, Cyprus and Ireland will be sufficient to avert "contagion" to other countries. If sentiment towards the banks and/or other financial institutions operating in Italy were to deteriorate materially, or if the Issuer's ratings and/or the ratings of the sector were to be further adversely affected, this may have a materially adverse impact on the Issuer. In addition, such change in sentiment or reduction in ratings could result in an increase in the costs

and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all Italian financial services institutions, including the Issuer.

Any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur may severely destabilise the markets and have a material adverse effect on the Issuer's operating results, financial condition and prospects as well as on the marketability of the Covered Bonds. This might also impact on the Issuer's credit ratings, borrowing costs and access to liquidity. A further Italian sovereign downgrade or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a "double dip" recession. These risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies in, Ireland, Greece, Portugal, Spain, Cyprus and Italy in particular. Further instability within these countries or other countries within the Euro-zone might lead to contagion.

These concerns may impact the ability of Euro-zone banks to access the funding they need, or may increase the costs of such funding, which may cause such banks to suffer liquidity stress. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an impact on the Issuer's access to, and cost of, funding. Should the Issuer be unable to continue to source a sustainable funding profile, the Issuer's ability to fund its financial obligations at a competitive cost, or at all, could be adversely impacted.

Governmental and central banks' actions intended to support liquidity may be insufficient or discontinued

In response to the 2011 financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral.

The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the CREDEM Group's business, financial condition and results of operations.

Investment Considerations relating to the Guarantor

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

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

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

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

Limited resources available to the Guarantor

Following the service of an Issuer Event of Default Notice on the Issuer and on the Guarantor, the Representative of the Bondholders will enforce the Guarantee. Upon enforcement of the Guarantee, the Guarantor will be under an obligation to pay the Bondholders and shall procure the payment of the Guaranteed Amounts when they are Due for Payment. The Guarantor's ability to meet its obligations under the Guarantee will depend on (a) the amount of interest and principal generated by the Cover Pool and the timing thereof, (b) amounts received from the Swap Providers and (c) the proceeds of any Eligible Investments. In case necessary in order to effect timely payments under the Covered Bonds, the Guarantor shall sell Select Assets in accordance with the provision of Cover Pool Management Agreement (*in this respect please refer to section Risk Factors-Sale of the Eligible Assets and the Top-Up Assets following the occurrence of an Issuer Event of Default*). Other than as set out above, the Guarantor will not have any other source of funds available to meet its obligations under the Guarantee.

If a Guarantor Event of Default occurs and the Guarantee is enforced, the proceeds of enforcement may not be sufficient to meet the claims of all the secured creditors, including the Bondholders. If, following enforcement and realization of the assets in the Cover Pool, creditors have not received the full amount due to them pursuant to the terms of the Programme Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

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

Reliance of the Guarantor on third parties

The Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Guarantor. In particular, but without limitation, the Servicer has been appointed to service Mortgage Receivables in the Portfolios sold to the Guarantor and the Test Calculation Agent has been appointed to calculate compliance with the Tests and the Asset Monitor has been appointed to monitor compliance with the Tests. In the event that any of these parties fails to

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

The ability of the Guarantor to make payments in respect of the Covered Bonds, where applicable, will depend upon the due performance by the parties to the Programme Documents of their respective various obligations under the Programme Documents to which they are each a party. In particular, without limitation, the punctual payment of amounts due on the Covered Bonds will depend on the ability of the Servicer to service the Cover Pool, the Swap Providers complying with their obligation under the relevant Swap Agreement and the continued availability of hedging under the relevant Swaps Agreement. The performance of such parties of their respective obligations under the relevant Programme Documents is dependent on the solvency of each relevant party. In each case, the performance by the Guarantor of its obligations under the Programme Documents is also dependent on the solvency of, *inter alios*, the Servicer and the Swap Providers.

If the Servicer's long term rating falls below "Baa3" by Moody's or "BBB-" by Fitch the Representative of the Bondholders shall direct the Guarantor to appoint a Back-up Servicer (approved by the Representative of the Bondholders) within 30 calendar days from the date on which the Servicer's long term rating has been downgraded. If a Servicer Termination Event occurs pursuant to the terms of the Servicing Agreement, then the Guarantor and/or the Representative of the Bondholders will be entitled to terminate the appointment of the Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential or commercial properties would be found who would be willing and able to service the Mortgage Loan on the terms of the Servicing Agreement. The ability of a substitute servicer to perform fully the required services would depend, *inter alia*, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Cover Pool or any part thereof, and/or the ability of the Guarantor to make payments under the Guarantee.

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

The Representative of the Bondholders is not obliged in any circumstances to act as the Servicer or to monitor the performance by the Servicer of its obligations.

Reliance on Swap Providers

To hedge against possible variations in the performance between the various indexations in the Cover Pool and Euribor with a certain designated maturity, the Guarantor may enter into one or more Asset Swap Agreements with one or more Asset Swap Providers. In addition, to mitigate against interest rate, basis risk, currency and/or other risks in respect of each Series of Covered Bonds issued under the Programme, the Guarantor is expected to enter into one or more Covered Bond Swap Agreements with one or more Covered Bond Swap Providers in respect of each Series of Covered Bonds.

If the Guarantor fails to make timely payments of amounts due under any Swap Agreement, then it will (unless otherwise stated in the relevant Swap Agreement) have defaulted under that Swap Agreement. A Swap Provider is (unless otherwise stated in the relevant Swap Agreement) only obliged to make payments to the Guarantor as long as the Guarantor complies with its payment obligations under the relevant Swap Agreement.

In circumstances where non-payment by the Guarantor under a Swap Agreement does not result in a default under that Swap Agreement, the Swap Provider may be obliged to make payments to the Guarantor pursuant to the Swap Agreement as if payment had been made by the Guarantor. Any amounts not paid by the Guarantor to a Swap Provider may in such circumstances incur additional amounts of interest by the Guarantor, which would rank senior to amounts due on the Covered Bonds.

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

If a Swap Agreement terminates, then the Guarantor may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the Guarantor will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the Guarantor will be able to enter into a replacement swap agreement with an adequately rated counterparty, or if one is entered into, that the credit rating of such replacement swap provider will remain sufficiently high to prevent a downgrade by the Rating Agencies of the then current ratings of the Covered Bonds. In addition the Swap Agreements may provide that notwithstanding the downgrading of a Swap Provider and the failure by such Swap Provider to take the remedial action set out in the relevant Swap Agreement, the Guarantor may not terminate such Swap Agreement until a replacement swap provider has been found.

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

Differences in timings of obligations under the Covered Bond Swaps

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

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

No gross up on withholding tax by the Guarantor

In respect of payments made by the Guarantor under the Guarantee, to the extent that the Guarantor is required by law to withhold or deduct any present or future taxes of any kind imposed or levied by or on behalf of the Republic of Italy from such payments, the Guarantor will not be under an obligation to pay any additional amounts to Bondholders, irrespective of whether such withholding or deduction arises from existing legislation or its application or interpretation as at the relevant Issue Date or from changes in such legislation, application or official interpretation after the Issue Date.

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident Guarantor under the Guarantee. For further details see the section entitled "*Taxation*".

Change of counterparties

The parties to the Programme Documents who receive and hold monies pursuant to the terms of such documents (such as the Account Bank or the Servicer) are required to satisfy certain criteria in order to continue to receive and hold such monies.

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

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

Limited description of the Cover Pool

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

- the Issuer selling further Eligible Assets and Top-Up Assets (or Eligible Assets and Top-Up Assets, which are of a type that have not previously been comprised in the Cover Pool) to the Guarantor; and
- the Issuer repurchasing certain Eligible Assets and Top-Up Assets in accordance with the Master Assets Purchase Agreement.

However, each Mortgage Receivables will be required to meet the Eligibility Criteria and to conform with the representations and warranties set out in the Warranty and Indemnity Agreement — see "*Description of the Programme Documents — Warranty and Indemnity Agreement*". In addition Mandatory tests are intended to ensure, *inter alia*, that the ratio of the Guarantor's assets to the Covered Bonds is maintained at a certain minimum level and the Test Calculation Agent will provide on each Calculation Date a report that will set out, *inter alia*, certain information in relation to the Mandatory Tests.

No due diligence on the Cover Pool

None of the Dealers, the Guarantor or the Representative of the Bondholders or any Other Guarantor Creditors, with the exception of the Seller, has undertaken or will undertake any investigations, searches or other actions in respect of any of the Eligible Assets or other Mortgage Receivables. Instead, the Guarantor will rely on the Criteria and the relevant representations and warranties given by the Seller in the Warranty and Indemnity Agreement. The remedy provided for in the Warranty and Indemnity Agreement for breach of representation or warranty is for the Seller to indemnify and hold harmless the Guarantor in respect of losses arising from such breach. Such obligations are not guaranteed by nor will they be the responsibility of any person other than the Seller and neither the Guarantor nor the Representative of the Bondholders will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations. However, pursuant to the

Cover Pool Management Agreement the assets which are not Eligible Assets comprised in the Cover Pool are excluded by the calculation of the Test on the Portfolio and in case of breach of the Test due to such exclusion, either the Seller or, failing the Seller to do so, the Issuer are obliged to integrate the Cover Pool.

Maintenance of the Cover Pool

Pursuant to the terms of the Master Assets Purchase Agreement, the Seller has agreed to transfer Subsequent Portfolios to the Guarantor and the Guarantor has agreed to purchase Subsequent Portfolios in order to ensure that the Cover Pool is in compliance with the Tests. The Initial Portfolio Purchase Price shall be funded through the proceeds of the first Drawdown under the Subordinated Loan Agreement and the Subsequent Portfolio Purchase Price will be funded through (A) (i) any Guarantor Available Funds available in accordance with the Pre-Issuer Default Principal Priority of Payments; and (ii) to the extent the Guarantor Available Funds are not sufficient to pay the relevant Subsequent Portfolio Purchase Price, the proceeds of further drawdowns under the Subordinated Loan Agreement, for an amount equal to the portion of the Subsequent Portfolio Purchase Price not paid in accordance with item (i); (B) in certain circumstances, entirely by means of Drawdowns under the Subordinated Loan Agreement.

Under the terms of the Cover Pool Management Agreement, the Issuer has undertaken to ensure that the Cover Pool is in compliance with the Tests on each Calculation Date (and, to the extent that on any such Calculation Date any of such Tests was breached, on any following Test Calculation Date until the end of the relevant Test Remedy Period). If on any Calculation Date or Test Calculation Date, as the case may be, the Cover Pool is not in compliance with the Tests, then the Guarantor will require the Seller to grant further Drawdowns under the Subordinated Loan Agreement for the purposes of funding the purchase of Subsequent Portfolios, Top-Up Assets and/or other Eligible Assets, representing an amount sufficient to allow the Tests to be met on the Test Calculation Date falling at the end of the relevant Test Grace Period. If the Cover Pool is not in compliance with the Tests on such Test Calculation Date, the Representative of the Bondholders will serve a Breach of Test Notice on the Issuer and the Guarantor. The Representative of the Bondholders shall revoke the Breach of Test Notice if, on or prior to the expiry of the Test Remedy Period, the Tests are subsequently satisfied unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to serve a Breach of Test Notice in the future. If, following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the expiry of the Test Remedy Period, the Representative of the Bondholders will serve an Issuer Event of Default Notice on the Issuer and the Guarantor, unless a Programme Resolution is passed resolving to extend the Test Remedy Period.

If the aggregate collateral value of the Cover Pool has not been maintained in accordance with the terms of the Tests, that may affect the realisable value of the Cover Pool or any part thereof (both before and after the occurrence of a Guarantor Event of Default) and/or the ability of the Guarantor to make payments under the Guarantee. However, failure to satisfy the Amortisation Test on any Calculation Date following an Issuer Event of Default will constitute a Guarantor Event of Default, thereby entitling the Representative of the Bondholders to accelerate the Covered Bonds against the Issuer (to the extent not already accelerated against the Issuer) and also against the Guarantor and the Guarantor's obligations under the Guarantee against the Guarantor subject to and in accordance with the Conditions.

Prior to the delivery of an Issuer Event of Default Notice and subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer on or about the date of this Prospectus concerning, *inter alia*, (i) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the calculations performed by the Test Calculation Agent in respect of the Mandatory Tests; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iv) the effectiveness and adequacy

of the risk protection provided by any Swap Agreement entered into in the context of the Programme. In addition, the Asset Monitor will, pursuant to the terms of the Asset Monitor Agreement, (a) prior to the delivery of an Issuer Event of Default Notice, verify on behalf of the Issuer the calculations performed by the Test Calculation Agent on each Calculation Date (or Test Calculation Date as the case may be in accordance with the Cover Pool Management Agreement) in respect of the Mandatory Test; and (b) following the delivery of an Issuer Event of Default Notice, verify, on behalf of the Guarantor, the calculations performed by the Test Calculation Agent on each Calculation Date (or Test Calculation Date as the case may be in accordance with the Cover Pool Management Agreement) in respect of the Amortisation Test. See further "*Description of the Programme Documents – Asset Monitor Agreement*".

The Representative of the Bondholders shall not be responsible for monitoring compliance with, nor the verification of, the Tests or any other test, or supervising the performance by any other party of its obligations under any Programme Document.

Sale of the Eligible Assets and the Top-Up Assets following the occurrence of an Issuer Event of Default

Following an Issuer Event of Default Notice (other than in respect of an Issuer Event of Default consisting of an Article 74 Event whose suspension of payments is in force prior to an Extension Determination Date where the payments of the unpaid amounts due by the Guarantor in respect of a Series of Covered Bonds have been postponed to the relevant Extension Maturity Date), the Guarantor shall, if necessary in order to effect timely payments under the Covered Bonds, sell the Eligible Assets and Top-Up Assets (selected on a random basis) included in the Cover Pool in order to make payments to the Guarantor's creditors including making payments under the Guarantee, see "*Description of the Programme Documents - Cover Pool Management Agreement*".

There is no guarantee that a buyer will be found to acquire the Eligible Assets and the Top-Up Assets at the times required and there can be no guarantee or assurance as to the price which may be obtained for such Eligible Assets and Top-Up Assets, which may affect payments under the Guarantee. However, the Eligible Assets and the Top-Up Assets may not be sold by the Guarantor for less than an amount equal to the Adjusted Required Outstanding Principal Balance Amount (for the definition, see section "*Description of the Programme Documents - The Cover Pool Management Agreement*" below) for the relevant Series of Covered Bonds until six months prior to the Maturity Date in respect of such Series of Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Maturity Date under the Guarantee in respect of such Series of Covered Bonds. In the six months prior to, as applicable, the Maturity Date or Extended Maturity Date, the Guarantor is obliged to sell the Eligible Assets and the Top-Up Assets for the best price reasonably available on the market, notwithstanding that such price may be less than the Adjusted Required Outstanding Principal Balance Amount.

On a basis intended to achieve the best price for the sale of the selected Eligible Assets and To-Up Assets, the Guarantor, pursuant to the Cover Pool Management Agreement, shall appoint a Portfolio Manager of recognised standing who will advise the Guarantor and provide it with the necessary instruction to proceed to the sale of such Eligible Assets and To-Up Assets.

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

If a Guarantor Event of Default occurs and a Guarantor Event of Default Notice is served on the Guarantor, then the Representative of the Bondholders will be entitled to enforce the Guarantee and use the proceeds from the liquidation of the Cover Pool towards payment of all secured obligations in accordance with the "**Post-Enforcement Priority of Payments**" described in the section entitled "*Cashflows*" below.

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

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

Following the service of an Issuer Event of Default Notice on the Issuer and on the Guarantor, the realisable value of the Eligible Assets and the Top-Up Assets comprised in the Cover Pool, or the net proceeds arising out of their liquidation, may be reduced (which may affect the ability of the Guarantor to make payments under the Guarantee) by *inter alia*:

- default by Debtors in the payment of amounts due on the Eligible Assets and Top-Up Assets;
- changes to the lending criteria of the Issuer;
- set-off risks in relation to some types of Eligible Assets and Top-Up Assets in the Cover Pool;
- limited recourse to the Guarantor;
- possible regulatory changes by the Bank of Italy, CONSOB and other regulatory authorities;
- adverse movements in interest rates;
- unwinding cost related to the hedging structure;
- timing of a relevant sale of assets;
- regulations in Italy that could lead to some terms of the Eligible Assets and Top-Up Assets being unenforceable; and
- status of real estate market in the areas of operation of the Issuer.

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

Value of the Cover Pool

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

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

After the service of an Issuer Event of Default Notice on the Issuer and the Guarantor, but prior to service of a Guarantor Event of Default Notice, the Guarantor shall, if necessary in order to effect timely payments under the Covered Bonds, sell the Selected Assets and their related Security Interests included in the Cover Pool, pursuant to the terms of the Cover Pool Management Agreement. In respect of any sale of Selected Assets and their related Security Interests to third parties, however, the Guarantor will not provide any warranties or indemnities in respect of the Selected Assets and related Security Interests and there is no assurance that the Seller would give or repeat any warranties or representations in respect of the Selected Assets and related Security Interests in case it has not consented to the fact that the representations and warranties originally given by it in respect of such Selected Assets are transferred to third parties. Any representations or warranties previously given by the Seller in respect of the Mortgage Loans comprised in the Portfolios may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Assets and related Security Interests could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Guarantor to meet its obligations under the Guarantee.

Claw-back of the sales of the Eligible Assets

Assignments executed under Law 130 are subject to revocation on bankruptcy under article 67 of the Bankruptcy Law but only in the event that the declaration of bankruptcy of the Seller is made within three months of the covered bonds transaction (or of the purchase of the Cover Pool) or, in cases where paragraph 1 of article 67 applies (e.g. if the payments made or the obligations assumed by the bankrupt party exceed by more than one-fourth the consideration received or promised), within six months of the covered bonds transaction (or of the purchase of the Cover Pool). The claw-back of the assignments applies save that the assignee proves that it was not aware of the insolvency of the assignor. In this respect, pursuant to the Master Assets Purchase Agreement the Seller, on or about the date of each assignments, shall provide (i) a solvency certificate signed by a duly authorised officer of the Seller and (ii) a good standing certificate (*certificato di vigenza*) issued by the relevant chamber of commerce (*Camera di commercio industria artigianato agricoltura - ufficio registro delle imprese*) confirming that no insolvency petitions have been filed against the Issuer.

Default by Debtors in paying amounts due on their Mortgage Receivables and Securities

Debtors may default on their obligations due under the Mortgage Receivables and Securities for a variety of reasons. The Mortgage Receivables and Securities are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Debtors' individual, personal or financial circumstances may affect the ability of the Debtors to repay the amounts due on the Eligible Assets and Top-Up Assets. With reference to the Mortgage Loans, loss of earnings, illness, divorce and other similar factors may lead to an increase in default by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Mortgage Loans. In addition, the ability of a borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

The recovery of amounts due in relation to Defaulted Mortgage Receivables will be subject to the effectiveness of enforcement proceedings in respect of the Cover Pool which in Italy can take a considerable time depending on the type of action required and where such action is taken and on

several other factors, including the following: proceedings in certain courts involved in the enforcement of the Mortgage Loans and Mortgages may take longer than the national average; obtaining title deeds from land registries which are in process of computerising their records can take up to two or three years; further time is required if the relevant Debtor raises a defence to or counterclaim in the proceedings; and it takes an average of six to eight years from the time lawyers commence enforcement proceedings until the time an auction date is set for the forced sale of any Real Estate Asset.

Law number 302 of 3 August 1998 allowed notaries, accountants and lawyers to conduct certain stages of the enforcement procedures in place of the courts in order to reduce the length of enforcement proceedings by between two and three years.

Insurance coverage

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

Changes to the lending criteria of the Seller

Each of the Mortgage Loans originated by the Seller will have been originated in accordance with its lending criteria at the time of origination. It is expected that the Seller's lending criteria will generally consider the term of the loan, indemnity guarantee policies, status of applicants and credit history. In the event of the sale or transfer of any Mortgage Loans to the Guarantor, the Seller will warrant that such Mortgage Loans as were originated by it were originated in accordance with the Seller's lending criteria applicable at the time of origination. The Seller retains the right to revise its lending criteria from time to time subject to the terms of the Servicing Agreement. However, of any such change in the lending criteria shall be given notice by the Seller to the Rating Agencies and the Representative of the Bondholders and in case such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans and leads to the increase of defaults by Debtors (so affecting the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Guarantee) this result would be taken into account in the calculation of the Tests whereby a zero weighting will be given to the Defaulted Mortgage Receivables in the Cover Pool.

Legal risks relating to the Mortgage Loans

The ability of the Guarantor to recover payments of interest and principal from the Mortgage Loans is subject to a number of legal risks. These include the risks set out below.

Set-off risks

The assignment of receivables under Law 130 is governed by article 58, paragraph 2, 3 and 4, of the Consolidated Banking Act. According to such provision, such assignment becomes enforceable against the relevant debtors as of the later of (i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), and (ii) the date of registration of the notice of assignment in the local Companies' Registry. Consequently, the rights of the Guarantor may be subject to the direct rights of the Debtors against the Issuer including rights of set-off on claims existing prior to notification in the Official Gazette and registration at the local companies' registry. The notification in the Official Gazette and the registration at the local companies' registry would not be sufficient to assure that such assignment become enforceable against Debtors which are not resident in Italy.

The exercise of set-off rights by Borrowers may adversely affect any sale proceeds of the Cover Pool and, ultimately, the ability of the Guarantor to make payments under the Guarantee. In this respect, it should be noted that the Nominal Value Test is structured in such a way to take into account the exercise by any Borrower of its right of set-off. In addition, under the terms of the Warranty and Indemnity Agreement, the Seller has agreed to indemnify the Guarantor in respect of any reduction in amounts received by the Guarantor in respect of the Cover Pool as a result of the exercise by any Debtor of a right of set-off (except when there are Excess Assets in the Cover Pool).

Usury Law

Italian Law number 108 of 7 March 1996, as amended by law decree number 70 of 13 May 2011 (the "**Usury Law**") introduced legislation preventing lenders from applying interest rates equal to or higher than rates (the "**Usury Rates**") set every three months on the basis of a Decree issued by the Italian Treasury. 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. Recently, the Italian Supreme Court (*Corte di Cassazione*), under decision no. 350/2013 has clarified, for the first time, that the default interest are relevant for the purposes of determining if an interest rate is usurious. That interpretation is in contradiction with the current methodology for determining the Usury Rates, considering that the relevant surveys aimed at calculating the applicable average rate never took into account the default interest rates. In addition the Italian Supreme Court (*Corte di Cassazione*) under decision no. 602/2013, has held that, with regard to loans granted before the entry into force of Usury Law, an automatic reduction of the applicable interest rate to the Usury Rates applicable from time to time shall apply. However the Guarantor is entitled to be indemnified by the Issuer pursuant to the Warranty and Indemnity Agreement for any loss suffered in connection with a breach of the Usury Law.

Compound interest

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

Consumer Credit Legislation

On 23 April 2008, the directive 2008/48/CE (the "**Consumer Credit Directive**") has been adopted by the European Parliament and Council. The directive entered into force after 20 days from its publication in the Official journal of the European Union. Thereafter Member States had two years (2010) in which to implement its provisions.

On 4 September 2010 the Republic of Italy has adopted the Legislative Decree No. 141 of 13 August 2010 (the "**Decree 141**") published in the Official Gazette No. 207, which was introduced in order to implement the Consumer Credit Directive.

The new legislation covers consumer loans between €200 and €75,000 which are not required to be repaid within a month. It only covers credit contracts, not guarantors and other aspects of credit agreement law. The legislation applies only to loan contracts on which interest is paid, and not products such as deferred payment cards (charge cards) and does not cover the granting of credit secured on land or made to finance the acquisition or retention of property rights.

The legislation provides for the right of withdrawal for the consumers. This right can be exercised within 14 days after the conclusion of the contract or, if later, from the moment the consumer receives all the conditions and contract information; the right to repay early at any time in whole or in part the amount financed, without the application of penalties, a reduction of the total credit amount interest and costs due to residual life of the contract and the ability to suspend the payment of instalments in the event that there is a failure of the supplier of goods and / or services and the financing was granted with that purpose. In this case the consumer has the right to terminate the loan agreement and the contract for supply of goods and / or services.

It is not certain what effect the adoption and implementation of the directive would have on the Issuer and its respective businesses and operations.

Mortgage Credit Directive

On 4 February 2014, the directive 2014/17/EU (the "**Mortgage Credit Directive**") has been adopted by the European Parliament and Council. The directive entered into force after 20 days from its publication in the Official journal of the European Union. Thereafter Member States will have to transpose its provisions into their national law by March 2016.

The Mortgage Credit Directive relates to credit agreements for consumers relating to residential immovable property and it is aimed at creating a Union-wide mortgage credit market with a high level of consumer protection. It applies to both secured credit and home loans.

The main provisions of the Mortgage Credit Directive include consumer information requirements, principle based rules and standards for the performance of services (e.g. conduct of business obligations, competence and knowledge requirements for staff), a consumer creditworthiness assessment obligation, provisions on early repayment, provisions on foreign currency loans, provisions on tying practices, some high-level principles (e.g. those covering financial education, property valuation and arrears and foreclosures) and a passport for credit intermediaries who meet the admission requirements in their home Member State.

It is uncertain what effect the adoption and implementation of the Mortgage Credit Directive would have on the Mortgage Loans, the Issuer and its businesses and operations as well as would adversely affect the ability of the Guarantor to make payments under the Guarantee.

General Investment Considerations

Issuer liable to make payments when due on the Covered Bonds

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

the Issuer in respect of the Covered Bonds will not benefit from any security or other preferential arrangement granted by the Issuer.

The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Guarantee until the occurrence of an Issuer Event of Default and the service by the Representative of the Bondholders on the Issuer and on the Guarantor of an Issuer Event of Default Notice or, if earlier, following the occurrence of a Guarantor Event of Default and service by the Representative of the Bondholders of a Guarantor Event of Default Notice. The occurrence of an Issuer Event of Default does not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay amounts due under the Guarantee would constitute a Guarantor Event of Default which would entitle the Representative of the Bondholders to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the Guarantor under the Guarantee. Although the Mortgage Receivables included in the Cover Pool are originated by the Issuer, they are transferred to the Guarantor on a true sale basis and an insolvency of the Issuer would not automatically result in the insolvency of the Guarantor.

Obligations under the Covered Bonds

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

Bondholders are bound by Extraordinary Resolutions and Programme Resolution

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

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

It shall also be noted that after the delivery of an Issuer Event of Default Notice, the protection and exercise of the Bondholders' rights against the Issuer will be exercised by the Guarantor (or the Representative of the Bondholders on its behalf). The rights and powers of the Bondholders may only be exercised in accordance with the Rules of the Organisation of the Bondholders. In addition, after

the delivery of a Guarantor Event of Default Notice, the protection and exercise of the Bondholders' rights against the Guarantor and the security under the Guarantee is one of the duties of the Representative of the Bondholders. The Conditions limit the ability of each individual Bondholder to commence proceedings against the Guarantor by conferring on the meeting of the Bondholders the power to determine, in accordance with the Rules of Organisation of the Bondholders, whether any Bondholder may commence any such individual actions.

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

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

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

Extendible obligations under the Guarantee

The Final Terms provide that the Covered Bonds are subject to an Extended Maturity Date. As a consequence, following the failure by the Issuer to pay the Final Redemption Amount of a Series of Covered Bonds on its Maturity Date and if the Guarantor has insufficient moneys available to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the Extension Determination Date, then payment of such Guaranteed Amounts shall be automatically deferred.

In such case, payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, **provided that** any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid or provisioned by the Guarantor on any Guarantor Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. The Extended Maturity Date shall be the date falling 1 calendar year after the relevant Maturity Date or any following date indicated as such in the relevant Final Terms. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 10 (*Redemption and Purchase*) and the Guarantor will pay Guaranteed Amounts, constituting interest due on each Guarantor Payment Date and on the Extended Maturity Date. In these circumstances, except where the Guarantor has failed to apply money in accordance with the Post-Issuer Default Priority of Payments, failure by the Guarantor to make payment in respect of the Final Redemption Amount on the Maturity Date (subject to any applicable grace period) (or such later date within the applicable grace period) shall not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay the Guaranteed Amounts corresponding to the Final Redemption Amount on or prior to the Extended Maturity Date and/or Guaranteed Amounts constituting interest on any Guarantor Payment Date will (subject to any applicable grace periods) be a Guarantor Event of Default. To the extent that the Guarantor has received an Issuer Event of Default Notice in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Post-Issuer Default Priority of Payments and as described in Conditions 10 (*Redemption and Purchase*).

Limited secondary market

There is, at present, a limited secondary market for the Covered Bonds and, therefore, no assurance is provided that there is an active and liquid secondary market for the Covered Bonds, and that an active or liquid secondary market for the Covered Bonds will continue or develop. The Covered Bonds have not been, and will not be, offered to any persons or entities in the United States of America or registered under any securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under section entitled "*Subscription and Sale*". To the extent that a secondary market exists or develops further, it may not continue for the life of the Covered Bonds or it may not provide Bondholders with liquidity of investment with the result that a Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Bondholder to realise a desired yield. Illiquidity may have a severely adverse effect on the market value of Covered Bonds. In addition, Covered Bonds issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Covered Bonds may be adversely affected. In an illiquid market, an investor might not be able to sell its Covered Bonds at any time at fair market prices. The possibility to sell the Covered Bonds might additionally be restricted by country specific reasons.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Ratings of the Covered Bonds

The ratings that may be assigned by Moody's to the Covered Bonds address the expected loss posed to the Bondholders. The ratings that may be assigned by Fitch incorporate both an indication of the probability of default and of the recovery given a default of this debt instrument. Ratings do not constitute recommendations to buy, sell, or hold any security, nor do they comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of any payments of any security. Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity. Credit ratings are opinions on relative credit quality and not a predictive measure of specific default probability.

Ratings may be changed, qualified, placed on Rating Watch or withdrawn at any time. A suspension, reduction or withdrawal of the rating can negative affect the market price of the bonds issued.

Any such evaluation may be helpful for the investors in order to assess the credit risk connected to financial instruments, because it provides references about the ability of the issuer to fulfil its obligations. The lower the rating assigned, in accordance with the relevant scale of values, the higher the risk, assessed by the rating agencies, the obligations will not be fulfilled or will be fulfilled only in part or not in time. A credit rating, if provided, is not a recommendation to buy, sell or hold securities

and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended from time to time, including also by Regulation (EC) No. 462/2013 and Regulation (EC) No. 513/2011) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings referred to in this Prospectus and/or the Final Terms, is set out in relevant section of this Prospectus and will be disclosed in the Final Terms.

A credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be subject to revision or withdrawal by the Rating Agencies. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds.

Changes to rating methodology and rating criteria may adversely affect the then current ratings of the Covered Bonds

Bondholders should note that at any time any Rating Agency may revise its relevant rating methodology or revise its current ratings criteria with the result that, among other things, any rating assigned to the Covered Bonds may be lowered and/or in order to comply with any such revised criteria or rating methodology, amendments may need to be made to the Programme Documents. However, Bondholders should note that the Issuer, the Guarantor and the relevant transaction parties will be permitted, but not obliged, to make such amendments to the relevant Programme Document to effect such changes without the prior consent or sanction of the Bondholders in accordance with the provisions of Rule 31 (*Amendments and modifications*).

Any changes to the methodology applied for rating covered bonds or the expectations of the rating agencies with regards to the nature of counterparty contracts and ratings of covered bond pool counterparties might lead to a downgrade of the Covered Bonds or re-affirmation of the Covered Bond rating.

Covered Bonds issued under the Programme

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

All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share equally in the security granted by the Guarantor under the Guarantee. Following the service on the Issuer and on the Guarantor of an Issuer Event of Default Notice (but prior to a Guarantor Event of Default and service of a Guarantor Event of Default Notice on the Guarantor) the Guarantor will use all monies to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment subject to paying certain higher ranking obligations of the Guarantor in the Post-Issuer Default Priority of Payments. In such circumstances, the Issuer will only be entitled to receive payment from the Guarantor of interest, Premium and repayment of principal under the Subordinated Loan granted, from time to time, pursuant to the Subordinated Loan Agreement, after all amounts due under the Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for. Following the occurrence of a Guarantor Event of Default and service of

a Guarantor Event of Default Notice on the Guarantor, the Covered Bonds will become immediately due and repayable and Bondholders will then have a claim against the Guarantor under the Guarantee for an amount equal to the Principal Amount Outstanding plus any interest accrued in respect of each Covered Bond, together with accrued interest and any other amounts due under the Covered Bonds, and any Guarantor Available Funds will be distributed according to the Post Enforcement Priority of Payments.

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

- (a) the Subordinated Loan granted by the Issuer to the Guarantor under the terms of the Subordinated Loan Agreement, may only be used by the Guarantor (i) as consideration for the acquisition of the Eligible Assets from CREDEM pursuant to the terms of the Master Assets Purchase Agreement; and (ii) as consideration for the acquisition of the Top-Up Assets and/or other Eligible Assets from CREDEM pursuant to the terms of the Cover Pool Management Agreement;
- (b) the Issuer must always ensure that the Tests are satisfied on each Calculation Date (and Test Calculation Date when required by Programme Documents) in order to ensure that the Guarantor can meet its obligations under the Guarantee; and
- (c) the Issuer shall give prior notice to the Rating Agencies of the issuance of any further Series of Covered Bonds.

Limits to Integration

The integration of the Cover Pool, whether through Eligible Assets or through Top-Up Assets, shall be carried out in accordance with the methods, and subject to the limits, set out in the Bank of Italy Regulations. More specifically, integration is allowed exclusively for the purpose of (a) complying with the tests provided for under the Decree No. 310; (b) complying with any contractual over-collateralisation requirements agreed by the parties to the relevant agreements or (c) complying with the limit of 15.00% in relation to certain Top-Up Asset including in the Cover Pool. Investors should note that integration is not allowed in circumstances other than as set out in the Bank of Italy Regulations and specified above.

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

Potential investors should consider the tax consequences of investing in the Covered Bonds and consult their tax adviser about their own tax situation. Notwithstanding anything to the contrary in this Prospectus, if withholding of, or deduction of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of Italy, any authority therein or thereof having power to tax, the Issuer or, as the case may be, the Guarantor will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Bondholders, as the case may be. The Issuer shall be obliged to pay an additional amounts pursuant to Condition 13 (*Taxation*) subject to customary exceptions including Decree No. 239 withholdings. Neither the Issuer nor the Guarantor shall be obliged to pay any additional amounts to the Bondholders in relation to withholdings or deductions on payments made by the Guarantor.

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident Guarantor under the Guarantee. For further details see the section entitled "*Taxation*".

Prospectus to be read together with applicable Final Terms

The Prospectus, to be read together with the applicable Final Terms of Covered Bonds (a form of which is included in this Prospectus), applies to the different types of Covered Bonds which may be

issued under the Programme. The full terms and conditions applicable to each Series of Covered Bonds can be reviewed by reading the Conditions as set out in full in this Prospectus, which constitute the basis of all Covered Bonds to be offered under the Programme, together with the applicable Final Terms which apply and/or not apply and/or complete the Conditions in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Covered Bonds.

The return on an investment in Covered Bonds will be affected by charges incurred by investors

An investor's total return on an investment in any Covered Bonds will be affected by the level of fees charged by the nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Covered Bonds, custody services and on payments of interest, principal and other amounts. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Covered Bonds.

EU Savings Directive

On 3 June 2003, the Council of the European Union adopted the EU Directive No. 2003/48/EC regarding the taxation of savings income (the "**EU Savings Directive**"). According to the EU Savings Directive, each member State of the European Union (a "**Member State**") is required to operate a withholding system with the rate of withholding currently at 35 per cent unless during this transitional period they elect to abolish the withholding system in favour of automatic information exchange under the EU Savings Directive. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of this automatic information exchange. In any case, the transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive extends the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April, 2005 (“**Decree 84**”). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payments and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

The proposed EU Financial Transactions Tax

On 14 February 2013 the European Commission published a legislative proposal on a new Financial Transactions Tax (the “**FTT**”). The proposal followed the Council's authorisation to proceed with the adoption of the FTT through enhanced cooperation, *i.e.* adoption limited to 11 countries - among which Italy, France, Germany and Austria. Although implementation was originally envisaged for 1 January 2014, the process has been delayed.

Given the concerns voiced by both the financial sector and business associations, it is unclear how the FTT will proceed and when it will be implemented. If adopted, the impact on the ‘real economy’ of the FTT as currently envisaged – especially for corporations – could be severe as many financial transactions are made on behalf of businesses that would bear the additional costs of the tax. For example, a transaction tax would raise the cost of the sale and purchase of corporate bonds in a time where it is widely acknowledged that access to capital markets by corporate issuers has to be incentivised.

Moreover, it is worth mentioning that the proposal does not exempt the transfers of financial instruments within a group. Thus, if a financial instrument is not purchased for a client but only moved within a banking group, each transaction would be subject to taxation. Also, the inclusion of derivatives and repos/lending transactions in the taxation scope clashes with the efficiency of financial markets.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) it can legally invest in Covered Bonds (ii) Covered Bonds can be used as collateral for various types of borrowing and "repurchase" arrangements and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Changes of law

The structure of the Programme and *inter alia* the issue of the Covered Bonds and the ratings which may be assigned to them upon the relevant issue are based (unless otherwise determined in the relevant Final Terms) on Italian law, tax and administrative practice (and, in the case of the Swap Agreements and the Deed of Charge, English law) in effect as at the date of this Prospectus, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to Italian or English law (or any other relevant law) or administrative practice or to the law applicable to any Programme Document and to administrative practices in the relevant jurisdiction. This Prospectus will not be updated to reflect such changes or events.

Law 130

Law 130 was enacted in Italy in April 1999 and amended in 2005 to allow for the issuance of covered bonds. The Law 130 was further amended by Law Decree no. 145 of 23 December 2013 (the “**Destinazione Italia Decree**”) as converted into Law no. 9 of 21 February 2014 and by Law Decree no. 91 of 24 June 2014 (the “**Decree Competitività**”) as converted into Law no. 116 of 11 August 2014. As at the date of this Prospectus, no interpretation of the application of Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the Decree No. 310, setting out the technical requirements of the guarantee which may be given in respect of covered bonds and (ii) Part III, Chapter 3, of the Bank of Italy Regulations and any further clarification issued by the Bank of Italy concerning, *inter alia*, guidelines on the valuation of assets, the procedure for purchasing Top-Up Assets and controls required to ensure compliance with the legislation. Consequently, it is possible that such or different authorities may issue further regulations relating to Law 130, the Decree No. 310 or the Bank of Italy Regulations or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

The Covered Bonds may not be a suitable investment for all investors

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances.

In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

U.S. Foreign Account Tax Compliance Withholding

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”), the Issuer and other non-U.S. financial institutions through which payments on the Covered Bonds are made, may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made on or after 1st January 2017 in respect of (i) any Covered Bonds issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to “foreign passthru payments” are filed in the Federal Register and (ii) any Covered Bond that are treated as equity for U.S. federal tax purposes, whenever issued.

Under existing guidance, this withholding tax may be triggered on payments on the Covered Bonds if (i) the Issuer is a foreign financial institution (“**FFI**”) (as defined in FATCA, including any accompanying U.S. regulations or guidance) which enters into and complies with an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide certain information on its account holders (making the Issuer a “**Participating FFI**”), (ii) the Issuer is required to withhold on “foreign passthru payments”, and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or (b) any FFI to or through which payment on such Covered Bonds is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The application of FATCA to amounts paid with respect to the Covered Bonds is not completely clear. In particular, Italy entered into an intergovernmental agreement with the United States to help implement FATCA for certain Italian entities on 10 January 2014. The full impact of such an agreement on the Issuer and the Issuer’s reporting and withholding responsibilities under FATCA is not completely clear. The Issuer will be required to report certain information on its U.S. account holders to the government of Italy and/or the Italian Tax Authorities in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable Italian law. However, it is not yet certain how the United States and Italy will address withholding on “foreign passthru payments” (which may include payments on the Covered Bonds) or if such withholding will be required at all.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Covered Bonds as a result of FATCA, none of the Issuer, the Guarantor, any paying agent or any other person would be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive amounts that are less than expected.

Each Bondholder should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each holder in its particular circumstance.

Priority of Payments

Recent English insolvency and US bankruptcy court rulings may restrain parties from making or receiving payments in accordance with the order of priority agreed between them.

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such provisions are similar in effect to the terms included in the Programme Documents relating to the subordination of Excluded Swap Termination Amounts.

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the US Bankruptcy Court has held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the US Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed.

If a creditor of the Guarantor (such as the Swap Providers) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales, and it is owed a payment by the Guarantor, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the Italian law governed Programme Documents (such as a provision of the relevant Priorities of Payment which refers to the ranking of the Swap Providers' payment rights in respect of Excluded Swap Termination Amounts). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy law. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as Swap Counterparty, including US established entities and certain non-US established entities with assets or operations in the US (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed branch in a US state). If a subordination provision included in the Programme Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Bondholders, the market value of the Covered Bonds and/or the ability of the Guarantor to satisfy its obligations under the Covered Bonds.

Given the general relevance of the issues under discussion in the judgments referred to above and that the Programme Documents include terms providing for the subordination of Excluded Swap Termination Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

Controls over the transaction

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

Risks related to the structure of a particular issue of Covered Bonds

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Covered Bonds subject to optional redemption by the Issuer

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Covered Bonds

Fixed/Floating Rate Covered Bonds may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

Interest rate risks

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

Floating rate risks

Investment in Floating Rate Covered Bonds involves the risk for the Bondholders of fluctuating interest rate levels and uncertain interest earnings.

Covered Bonds issued at a substantial discount or premium

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

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including

Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Other considerations

The Issuer's businesses are subject to substantial regulation and regulatory oversight. Any significant regulatory developments could have an effect on how the Issuer conducts its businesses and on the results of operations

The Issuer conducts its businesses subject to on-going regulatory and associated risks, including the effects of changes in laws, regulations, and policies in Italy and at a European level. The timing and the form of future changes in regulation are unpredictable and beyond the control of the Issuer, and changes made could materially adversely affect the Issuer's business.

The Issuer is required to hold a licence for its operations and is subject to regulation and supervision by authorities in Italy. Extensive regulations are already in place and new regulations and guidelines are introduced relatively frequently. The rules applicable to banks and other entities in banking groups are mainly provided by implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision (the "**Basel Committee**") and aim at preserving their stability and solidity and limiting their risk exposure (see below "**Basel III**" and the "**CRD IV Package**").

Regulators and supervisory authorities are taking an increasingly strict approach to regulations and their enforcement that may not be to the Issuer's benefit. A breach of any regulations by the Issuer could lead to intervention by supervisory authorities and the Issuer could come under investigation and surveillance, and be involved in judicial or administrative proceedings. The Issuer may also become subject to new regulations and guidelines that may require additional investments in systems and people and compliance with which may place additional burdens or restrictions on the Issuer.

The Issuer is also subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the European Central Bank and the European System of Central Banks. The banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union that will affect the Issuer including proposed regulatory initiatives that could significantly alter the Issuer's capital requirements.

In particular, in the wake of the global financial crisis that began in 2008, the Basel Committee (as defined below) approved, in the fourth quarter of 2010, revised global regulatory standards ("**Basel III**") on bank capital adequacy and liquidity, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019.

In January 2013 the Basel Committee revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio (i.e. annual increases of 10 per cent., starting with 60 per cent. in 2015 and ending with 100 per cent. in 2019), and Basel Committee expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities.

The Basel III framework has been implemented in the EU through new banking regulations adopted on 26 June 2013: Directive 2013/36/EU of the European Parliament and of the Council of the

European Union of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the “**CRD IV Directive**”) and Regulation (EU) No 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013¹ on prudential requirements for credit institutions and investment firms (the “**CRD IV Regulation**” and together with the CRD IV Directive, “**CRD IV Package**”).

Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for the phase-in until 2024) but it is possible that in practice implementation under national laws be delayed until after such date. Additionally, it is possible that, that Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package.

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 (the “**Circular No. 285**”)) which came into force on 1 January 2014, implementing CRD IV Package and setting out additional local prudential rules concerning matters not harmonised on EU level.

As at 1 January 2014, Italian banks are required to comply with a minimum CET1 Capital ratio of 4.5%², Tier I Capital ratio of 5.5%³ and Total Capital Ratio of 8%. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer*: set at 2.5% of risk weighted assets and applies to Credem from 1 January 2014 (pursuant to Title II, Chapter I, Section II of Circular No. 285);
- *Counter-cyclical capital buffer*: is set by the relevant competent authority between 0% - 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the member state justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV Directive);
- *Capital buffers for globally systemically important banks*: set as an “additional loss absorbency” buffer ranging from 1.0% to 3.5% determined according to specific indicators (size, interconnectedness, lack of substitutes for the services provided, global activity and complexity); to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive) becoming fully effective on 1 January 2019; and
- *Capital buffers for systemically important banks at a domestic level*: up to 2.0% as set by the relevant competent authority and must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the financial system (Article 131 of the CRD IV Directive). The capital buffer for important banks at domestic level belonging to a group which is a global SIFI is limited. This buffer shall not exceed the higher of 1% of the total risk exposure amount and the G-SIFI buffer rate applicable to the group at consolidated level.

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 for the financial sector or one or more subsets of the sector, in order to prevent and mitigate long term non-cyclical systemic or macro-prudential risks with the potential of serious negative consequences to the financial system and the real economy in a specific Member State. Until 2015, in case of buffer rates of more than 3%, Member States will need prior approval from the Commission, which will take into account

¹ Final Corrigendum published on 30 November 2013

² Bank of Italy Circular n. 285 of 17 December 2013 (Transitional Provisions)

³ Bank of Italy Circular n. 285 of 17 December 2013 (Transitional Provisions)

the assessments of the European Systemic Risk Board (ESRB) and the EBA. From 2015 onwards and for buffer rates between 3 and 5 % the Member States setting the buffer will have to notify the Commission, the EBA, and the ESRB. The Commission will provide an opinion on the measure decided and if this opinion is negative, the Member States will have to "comply or explain". Buffer rates above 5% will need to be authorized by the Commission through an implementing act, taking into account the opinions provided by the ESRB and by the EBA.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV Directive). At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV Directive as the Italian level-1 rules for the CRD IV Directive implementation on this point have not yet been enacted.

As part of the CRD IV Package transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as Tier I and Tier II capital instruments under the framework which CRD IV Package has replaced EU Directive 2010/76/EU (“**CRD III**”) that no longer meet the minimum criteria under CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition is capped at 80% in 2014, with this cap decreasing by 10% in each subsequent year.

The new liquidity requirements introduced under CRD IV Package will also be phased in: the liquidity indicators (the “**Liquidity Coverage Ratio**”), as discussed above, will apply from 1 January 2015 and be gradually phased in and the European Commission intends to develop the net stable funding ratio with the aim of introducing it from 1 January 2018.

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

CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity in order to enhance regulatory harmonisation in Europe through the EBA Single Supervisory Rule Book (as defined below). Specifically, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the Liquidity Coverage Ratio buffer. In addition, the CRD IV Package states that the EBA shall report to the Commission on the operational requirements for the holdings of liquid assets. Furthermore the CRD IV Package also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending.

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU’s future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive, Markets in Financial Instruments EU Regulation which entered into force on 2 July 2014 and will apply from 30 months after entry into force subject certain transitional arrangements, and the Bank Recovery and Resolution EU Directive (with the bail-in provisions becoming applicable as of 1 January 2016). The Basel committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

Such changes in the regulatory framework and how they are implemented may have a material effect on all the European Banks and on the Credem’s business and operations as well. As the new framework of banking laws and regulations affecting Credem is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted,

enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Credem.

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

On 2 July 2014, the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the “**Recovery and Resolution Directive**” or “**RRD**”) entered into force. The RRD provides competent authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

Except for the Bail-In Tool with respect to eligible liabilities, which is expected to apply as from 1 January 2016, the RRD contemplates that the measures set out therein, including the Bail-In Tool with respect to capital instruments, will apply as from 1 January 2015.

The powers provided to “resolution authorities” in the RRD include write down/conversion powers to ensure that capital instruments (including Additional Tier 1 Instruments) and eligible liabilities (including senior debt instruments) fully absorb losses at the point of non-viability of the issuing institution (referred to as the “**Bail-In Tool**”). Accordingly, the RRD contemplates that resolution authorities may require the write down of such capital instruments and eligible liabilities in full on a permanent basis, or convert them in full into common equity tier 1 instruments (“**RRD Non-Viability Loss Absorption**”). The RRD provides, *inter alia*, that resolution authorities shall exercise the write down power in a way that results in (i) common equity tier 1 instruments being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of other capital instruments (including Additional Tier 1 Instruments) being written down or converted into common equity tier 1 instruments on a permanent basis and (iii) thereafter, eligible liabilities being written down or converted in accordance with a set order of priority.

The point of non-viability under the RRD is the point at which the national authority determines that:

- (a) the institution is failing or likely to fail, which includes situations where:
 - (i) the institution has incurred/will incur in a near future losses depleting all or substantially all its own funds;
 - (ii) the assets are/will be in a near future less than its liabilities;
 - (iii) the institution is/will be in a near future unable to pay its debts or other liabilities when they fall due; and/or
 - (iv) the institution requires public financial support;
- (b) there is no reasonable prospect that a private action would prevent the failure; and
- (c) a resolution action is necessary in the public interest.

The RRD currently represents the official proposal at the EU level for the implementation in the European Union of the non-viability requirements set out in the press release dated 13 January 2011 issued by the Basel Committee on Banking Supervision (the “**Basel Committee**”) entitled “Minimum requirements to ensure loss absorbency at the point of non-viability” (the “**Basel III Non-Viability Requirements**”), which forms a part of the broader Basel III requirements, implemented in the European Union through the CRD IV Package. The CRD IV Regulation contemplates that the Basel III Non Viability Requirements will be implemented in the European Union by way of the RRD and the RRD Non Viability Loss Absorption.

It is currently unclear whether RRD Non-Viability Loss Absorption, when implemented, will apply to capital instruments that are already in issue at that time or whether certain grandfathering rules will apply.

In addition to RRD Non-Viability Loss Absorption, the RRD provides resolution authorities with broader powers to implement other resolution measures with respect to banks which reach non-

viability, which may include (without limitation) the sale of the bank's business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

The powers currently set out in the RRD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

As the RRD has just been approved, it is too early to anticipate the full impact of the directive but there can be no assurance that, once it is implemented, Covered Bondholders will not be adversely affected by actions taken under it. In addition, there can be no assurance that, once the RRD is implemented, its application will not have a significant impact on Credem's results of operations, business, assets, cash flows and financial condition, as well as on funding activities carried out by Credem and the products and services offered by Credem.

It is expected that the RRD will be implemented in Italy through the adoption of special legislation by the Italian Parliament. There has not yet been any official proposal for the implementation of the RRD in Italy.

Governmental and central banks' actions intended to support liquidity may be insufficient or discontinued

In response to the financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral.

The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting Credem's business, financial condition and results of operations.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following information which have been previously published or are published simultaneously with this Prospectus and which have been or are filed with the CSSF:

- (a) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2013 and the relevant auditor's report;
- (b) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2012 and the relevant auditor's report;
- (c) the half-year condensed consolidated financial statements of the Issuer in respect of the sixth-month period ending 30 June 2014;
- (d) the half-year condensed consolidated financial statements of the Issuer in respect of the sixth-month period ending 30 June 2013;
- (e) the audited non-consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2013;
- (f) the audited non-consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2012;
- (g) the auditor's report in respect of the financial statements of the Guarantor as at 31 December 2013; and
- (h) the auditor's report in respect of the financial statements of the Guarantor as at 31 December 2012.

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

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

The audited consolidated financial statements referred to above, together with the audit reports thereon, are available in English. The English language versions represent a direct translation from the Italian language documents.

Cross-reference List

The following table shows where the information incorporated by reference into this Prospectus can be found in the above-mentioned financial statements incorporated into this Prospectus.

Annual consolidated financial statements of the Issuer as at and for the year ended 31 December	2013	2012
Consolidated Balance Sheet	Pages 72-73	Pages 72-73
Consolidated Income Statement	Page 74	Page 74
Consolidated Statement of Comprehensive Income	Page 75	Page 75
Statement of Changes in Consolidated Shareholders' Equity	Pages 76-77	Pages 76-77
Consolidated Statement of Cash flows	Pages 78-79	Pages 78-79
Notes to the financial statements	Pages 81-386	Pages 81-338
Auditor's reports	Pages 404-407	Pages 356-358

Half-year audited condensed consolidated financial statements of the Issuer for the period ended 30 June	2014	2013
Consolidated Balance Sheet	Pages 65-66	Pages 58-59
Consolidated Income Statement	Page 67	Page 60
Consolidated Statement of Comprehensive Income	Page 68	Page 61
Statement of Changes in Consolidated Shareholders' Equity	Pages 69-70	Pages 62-63
Consolidated Statement of Cash flows	Pages 71-72	Pages 64-65
Explanatory notes	Pages 74-266	Pages 67-233
Auditor's reports	Pages 282-285	Pages 247-250

Annual financial statements of the Guarantor as at and for the year ended 31 December 2013

Balance sheet	Page 11
Income Statement	Page 11
Explanatory notes and form and content of the financial statements of the year	Pages 16-65

Auditor's report in respect of the financial statements of the Guarantor as at and for the year ended 31 December 2013	Attached to the Financial Statements which are incorporated by reference
Annual financial statements of the Guarantor as at and for the year ended 31 December 2012	
Balance sheet	Page 10
Income Statement	Page 10
Explanatory notes and form and content of the financial statements of the year	Pages 15-58
Auditor's report in respect of the financial statements of the Guarantor as at and for the year ended 31 December 2012	Attached to the Financial Statements which are incorporated by reference

The information incorporated by reference that is not included in the cross-reference list above, is considered as additional information and is not required by the relevant schedules of Commission Regulation No. 809/2004/EC of 29 April 2004 or is included elsewhere in this Prospectus.

SUPPLEMENTS, FINAL TERMS AND FURTHER PROSPECTUSES

The Issuer has undertaken that, for the duration of the Programme (and unless the Issuer has notified the relevant Dealer(s) in writing that it does not intend to issue Covered Bonds under the Programme for the time being), (i) if at any time there is a significant new factor, material mistake or inaccuracy relating to information included in the Prospectus which is capable of affecting the assessment of the Covered Bonds, and (ii) on or before each anniversary of the date of this Prospectus, it shall prepare an appropriate supplement to this Prospectus or, as the case may be, publish a replacement Prospectus for use in connection with any subsequent offering of the Covered Bonds to be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market or, as the case may be, on other or further stock exchanges or markets agreed by the Issuer.

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

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

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

CONDITIONS OF THE COVERED BONDS

The following is the text of the terms and conditions of the Covered Bonds (the "Conditions" and, each of them, a "Condition"). In these Conditions, references to the "holder of Covered Bonds" and to the "Bondholders" are to the ultimate owners of the Covered Bonds, dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of (i) Article 83-bis et seq. of the Financial Law and the relevant implementing regulations, and (ii) the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented from time to time. The Registered Covered Bonds issued in the form of registered covered bonds are evidenced on the basis of due registration in the register (the "Register") maintained by the Issuer or by any registrar appointed by the Issuer (the "Registrar"). Solely a duly registered Bondholder in the Register may claim payments under the Registered Covered Bonds.

The Bondholders are deemed to have notice of and are bound by, and shall have the benefit of, inter alia, the terms of the Rules of the Organisation of the Bondholders attached to, and forming part of, these Conditions. In addition, the applicable Final Terms in relation to any Series of Covered Bonds will complete the Conditions for the purpose of such Series.

1. Introduction

- (a) **Programme:** Credito Emiliano S.p.A. (the "**Issuer**") has established a covered bond programme (the "**Programme**") for the issuance of up to €5,000,000,000 in aggregate principal amount of covered bonds (*obbligazioni bancarie garantite*) (the "**Covered Bonds**") guaranteed by CREDEM CB S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to Article 7-bis of Law No. 130 of 30 April 1999 (as amended, from time to time, the "**Law 130**"), Ministerial Decree No. 310 of the Ministry for the Economy and Finance of 14 December 2006 (as amended from time to time the "**Decree No. 310**") and the supervisory instructions of the Bank of Italy relating to covered bonds under Part III, Chapter 3, of circular No. 285 of 17 December 2013, containing the "*Disposizioni di vigilanza per le banche*" as further implemented and amended (the "**Bank of Italy Regulations**").
- (b) **Final Terms:** Covered Bonds are issued in series (each a "**Series**"). Each Series is the subject of final terms (the "**Final Terms**") which integrate and complete these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Series of Covered Bonds are these Conditions as integrated and/or completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) **Guarantee:** Each Series of Covered Bonds is the subject of a guarantee dated on or about the date of the Prospectus dated prior to the First Issue Date (the "**Guarantee**") entered into between the Guarantor, the Issuer and the Representative of the Bondholders for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series issued under the Programme. The Guarantee will be backed by the Cover Pool (as defined below). The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool and the Guarantor Available Funds. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments.
- (d) **Programme Agreement and Subscription Agreements:** The Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series which may from time to time be agreed between the Issuer and the Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in

reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of a programme agreement (the "**Programme Agreement**") entered into between the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s). In relation to each Series of Covered Bonds the Issuer and the relevant Dealer(s) will enter into a subscription agreement on or about the date of the relevant Final Terms (the "**Subscription Agreement**"). According to the terms of the Programme Agreement, the Issuer has the faculty to nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular *Series* of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

- (e) **Monte Titoli Mandate Agreement:** In a mandate agreement with Monte Titoli S.p.A. ("**Monte Titoli**") (the "**Monte Titoli Mandate Agreement**"), Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds issued in dematerialised form.
- (f) **Master Definitions Agreement:** In a master definitions agreement (the "**Master Definitions Agreement**") between, *inter alios*, the Issuer, the Guarantor, the Representative of the Bondholders and the Other Guarantor Creditors (as defined below), the definitions of certain terms used in the Programme Documents have been agreed.
- (g) **The Covered Bonds:** Except where stated otherwise, all subsequent references in these Conditions to "**Covered Bonds**" are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to "**each Series of Covered Bonds**" are to (i) the Covered Bonds which are the subject of the relevant Final Terms and (ii) each other Series of Covered Bonds issued under the Programme which remains outstanding from time to time.
- (h) **Rules of the Organisation of the Bondholders:** The rules of the organisation of bondholders (the "**Rules**") are attached to, and form an integral part of, these Conditions. References in these Conditions to the Rules include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.
- (i) **Summaries:** Certain provisions of these Conditions are summaries of the Programme Documents and are subject to their detailed provisions. Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Programme Documents applicable to them. Copies of the Programme Documents are available for inspection by Bondholders during normal business hours at the registered office of the Representative of the Bondholders from time to time and, where applicable, at the Specified Office(s) of the Principal Paying Agent.

2. Interpretation

- (a) Definitions:

In these Conditions the following expressions have the following meanings:

"**Accounts**" means, collectively, the Collection Accounts, the Payments Account, the Quota Capital Account, the Expenses Account, the Reserve Account, the Securities Account, the Eligible Investments Account, the Subordinated Loan Account and the Swap Collateral Accounts (if any), the Cash Reserve Commingling Account and any other account opened in accordance with the Programme.

"**Account Bank**" means Credito Emiliano S.p.A. or any other entity acting as account bank pursuant to the Cash Allocation, Management and Payments Agreement.

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

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms.

"**Affected Loan**" means a Mortgage Loan in respect of which there is a breach of the representations and warranties contained in the Warranty and Indemnity Agreement and the Seller has not indemnified the Guarantor or otherwise cured such breach, to the extent required by the terms of the Warranty and Indemnity Agreement.

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

"**Affected Mortgage Receivables**" means any Receivables which, in the immediately preceding Collection Period, was in breach of the representations and warranties contained in the Warranty and Indemnity Agreement and in relation to which the Seller has not indemnified the Guarantor to the extent required by the terms of the Warranty and Indemnity Agreement.

"**Amortisation Test**" means the test which will be carried out pursuant to the terms of the Cover Pool Management Agreement as better detailed in section entitled "*Credit Structure*" above.

"**Amortisation Test Aggregate Loan Amount**" means the amount calculated pursuant to the formula set out in clause 3 of the Cover Pool Management Agreement.

"**Arranger**" means Barclays Bank PLC.

"**Article 74 Event**" means, in respect of the Issuer, the issue of a resolution pursuant to Article 74 of the Consolidated Banking Act.

"**Asset Monitor**" means Mazars S.p.A., or any other entity appointed from time to time to act as such in accordance with the Asset Monitor Agreement.

"**Asset Monitor Agreement**" means the asset monitor agreement entered into on or about the First Issue Date between, *inter alios*, the Asset Monitor and the Issuer (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), as better described in the section headed "*Description of the Programme Documents – the Asset Monitor Agreement*" of the Prospectus.

"**Asset Monitor Report Date**" has the meaning set out in Clause 1.2 (*Other definitions*) of the Asset Monitor Agreement.

"**Asset Percentage**" means the lower of (i) 93.00 per cent and (ii) such other percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agencies (after procuring

the required level of overcollateralization in line with target rating). Notwithstanding that, in the event the Issuer chooses not to apply such other percentage figure (item (ii) above) of the Asset Percentage, this will not result in a breach of the Nominal Value Test.

"Asset Swap Agreement" means any asset swap agreement entered into from time to time between the Guarantor and an Asset Swap Provider in the context of the Programme.

"Asset Swap Provider" means any entity acting as a counterparty to the Guarantor pursuant to an Asset Swap Agreement.

"Asset Swap Payment Date" means , in respect of any Asset Swap Agreement, the date on which a payment of interest or principal, as the case maybe, is due by the Asset Swap Provider to the Guarantor under the terms of such Asset Swap Agreement.

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

"Availability Period" means the period from the date of execution of the Subordinated Loan Agreement to the date on which all Series of Covered Bonds issued in the context of the Programme have been redeemed or cancelled in full in accordance with the Conditions and the relevant Final Terms.

"Back-up Servicer" means the entity which shall be appointed by the Guarantor, together with the Representative of the Bondholders, pursuant to Article 9 of the Servicing Agreement.

"Bank of Italy Regulations" means the supervisory instructions of the Bank of Italy relating to covered bonds (*Obbligazioni Bancarie Garantite*) under Part III, Chapter 3, of Circular No. 285 dated 17 December 2013 containing the "*Disposizioni di vigilanza per le banche*".

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

"Base Interest" has the meaning given to it on the Conditions of the Covered Bonds.

"Bondholders" means the holders from time to time of any Covered Bonds of any Series.

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

"Breach of Test Cure Notice" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement informing that a Breach of Test Notice has been revoked.

"Broken Amount" means, in respect of any Series of Covered Bonds, the broken amount as may be specified in the relevant Final Terms.

"Business Day" means any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Luxembourg and London and on which the Trans-European Automated Real Time Gross Transfer System (TARGET2) (or any successor thereto) is open.

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

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day.
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day.
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day.
- (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that*:
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"Calculation Agent" means BNP Paribas Securities Services, Milan branch or any other entity acting as such pursuant to the Cash Allocation, Management and Payments Agreement.

"Calculation Amount" means, in respect of any Series of Covered Bonds, the calculation amount as may be specified in the relevant Final Terms.

"Calculation Date" means both prior to and after the delivery of a Guarantor Event of Default Notice, the date falling on the second Business Day immediately preceding each Guarantor Payment Date.

"Call Option" means the option granted to the Issuer to redeem a certain Series of Covered Bonds which may be specified in the relevant Final Terms.

"Cash Allocation, Management and Payments Agreement" means the Cash Allocation, Management and Payments Agreement entered into on or about the First

Issue Date between the Issuer, the Guarantor, the Servicer, the Calculation Agent, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Principal Paying Agent and the Representative of the Bondholders (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in the Section headed "*Description of the Programme Documents – Cash Allocation Management and Payments Agreement*" of the Prospectus.

"Cash Reserve Commingling Account" means the euro denominated account established in the name of the Guarantor with the Cash Reserve Commingling Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Cash Reserve Commingling Account Bank" means Credito Emiliano S.p.A. acting as Cash Reserve Commingling Account Bank, or any other entity acting as such pursuant to the Cash Allocation, Management and Payments Agreement.

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

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

"Collateral Security" means any security (including any loan mortgage insurance and excluding Mortgage) granted to the Seller by any Debtor in order to guarantee or secure the payment and/or repayment of any amounts due under the Mortgages Loan Agreements.

"Collection Accounts" means, respectively, the Principal Collection Account and the Interest Collection Account.

"Collection Period" means (i) prior to the delivery of a Guarantor Event of Default Notice, each quarterly period commencing on (and excluding) the relevant Collection Period End Date, and ending on (and including) the immediately following the Collection Period End Date or, as applicable, upon occurrence of a breach of Test, the third immediately following Collection Period End Date, and, with reference to the first Collection Period, commencing on (and including) the Valuation Date of the Initial Portfolio and ending on (and including) the last calendar day of the month preceding the first Guarantor Payment Date; and (ii) following the delivery of a Guarantor Event of Default Notice, each period commencing on (and excluding) the relevant Collection Period End Date, and ending on (and including) the immediately following the Collection Period End Date.

"Collection Period End Date" means (a) prior to the delivery of a Guarantor Event of Default Notice, the date falling on the last calendar day of December, March, June and September of each year, provided that upon occurrence of a breach of Tests, such Collection Period End Date will fall on the last calendar day of each month; and (b) following the delivery of a Guarantor Event of Default Notice, the date determined by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Conditions and the Intercreditor Agreement.

"Collections" means all amounts received or recovered by the Servicer in respect of the Eligible Assets.

"Commercial Mortgage Loan Agreement" means any commercial mortgage loan agreement out of which Commercial Mortgage Receivables arise.

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

"Commercial Mortgage Receivables" means the Receivables deriving from a Commercial Mortgage Loan pursuant to a Commercial Mortgage Loan Agreement.

"Common Criteria" means the criteria listed in schedule 1 to the Master Assets Purchase Agreement.

"Conditions" means the terms and conditions of the Covered Bonds.

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

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

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

"Cover Pool Management Agreement" means the agreement entered into on or about the First Issue Date between the Issuer, the Guarantor, the Representative of the Bondholders and the Test Calculation Agent (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), as better described in the Section headed "*Description of the Programme Documents – Cover Pool Management Agreement*" of the Prospectus.

"Covered Bond Swap Provider" means any entity acting as a swap counterparty to the Guarantor pursuant to a Covered Bond Swap Agreement.

"Covered Bond Swap Agreement" means any covered bond swap agreement entered into from time to time between the Guarantor and the Covered Bond Swap Providers in the context of the Programme.

"Covered Bond Swap Payment Date" means, in respect of any Covered Bond Swap Agreement, the date on which a payment of interest or principal, as the case maybe, is due by the Covered Bond Swap Provider to the Guarantor under the terms of such Covered Bond Swap Agreement.

"Covered Bonds" means each Series of covered bonds (*obbligazioni bancarie garantite*) issued or to be issued by the Issuer under the Programme.

"CREDEM" means Credito Emiliano S.p.A.

"CREDEM Group" means, collectively, the banks and the other subsidiaries from time to time being part of the CREDEM Group, enrolled under the register of the banking groups held by Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

"Credit and Collection Policy" means the procedures for the management, collection and recovery of Mortgage Receivables attached as schedule 3 to the Servicing Agreement.

"Criteria" means, collectively, the Common Criteria, the Specific Criteria and the Criteria for Public Entities Securities attached to the Master Assets Purchase Agreement.

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

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) where the Calculation Period is longer than one Regular Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
 - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;
- (ii) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if **"30/360"** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

- "M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- "M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;
- "D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and
- "D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

- "Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;
- "Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- "M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- "M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- "D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and
- "D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

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

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

where:

- "Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;
- "Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

- "M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- "M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- "D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and
- "D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

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

"**Dealer**" means Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, HSBC France, ING Bank N.V., J.P. Morgan Securities plc, Natixis, Société Générale, Nomura International plc, The Royal Bank of Scotland plc, UBS Limited, Unicredit Bank AG and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 5 (*Form of Dealer Accession Letter*) of the Programme Agreement on any other terms acceptable to the Issuer and such entity.

"**Debtor**" means any borrower and any other person, other than a Mortgagor, who entered into a Mortgage Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due in respect of a Mortgage Loan, as a consequence, *inter alia*, of having granted any Collateral Security or having assumed the borrower's obligation under an *accollo*, or otherwise.

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

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

"**Deed of Charge**" means the English law deed of charge entered into between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors) on or about the First Issue Date, as subsequently amended.

"**Deed of Pledge**" means the Italian law deed of pledge entered into on or about the First Issue Date between the Guarantor, the Account Bank, the Cash Reserve Commingling Account Bank and the Representative of the Bondholders (acting on behalf of the Bondholders and of the Other Guarantor Creditors) (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in the Section headed "*Description of the Programme Documents – Deed of Pledge*" of the Prospectus.

"Defaulted Mortgage Receivable" means Receivables which have been classified as *"attività finanziarie deteriorate"* pursuant to section *"Avvertenze Generali"*, paragraph *"Qualità del Credito"* of Circular of the Bank of Italy No. 272 of 30 July 2008 containing the *"Matrice dei Conti"*, as subsequently amended and supplemented.

"Defaulting Party" has the meaning ascribed to that term in the relevant Swap Agreement.

"Delinquent Mortgage Receivables" means any Receivable having at least one (1) or more Instalment due and unpaid for more than 90 days following the expire of the relevant exemption period (*"periodo di franchigia"*), but which have not been classified as Defaulted Mortgage Receivables.

"Documentation" means any documentation relating to the Mortgage Receivables comprised in the Portfolio.

"Due for Payment" means the obligation of the Guarantor to pay any Guaranteed Amounts following the delivery of an Issuer Event of Default Notice, such obligation arising:

- (a) prior to the occurrence of a Guarantor Event of Default, on the date on which the Guaranteed Amounts become due and payable in accordance with the Conditions and the Final Terms of the relevant Series of Covered Bonds; and
- (b) following the occurrence of a Guarantor Event of Default, on the date on which a Guarantor Event of Default Notice is served on the Guarantor.

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

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

"Earliest Maturing Covered Bonds" means, at any time, the Series of Covered Bonds that has or have the earliest Maturity Date or Extended Maturity Date (if applicable) as specified in the relevant Final Terms.

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

- (i) the Mortgage Receivables; and
- (ii) the Public Assets.

"Eligible Institution" means any credit institution organised under the laws of any state which is a member of the European Union or of the United States, enable to banking activity in Italy (i) the short-term unsecured and unsubordinated debt obligations of which are rated at least "F2" by Fitch and "P-3" by Moody's and; the long-term unsecured and unsubordinated debt obligations of which are rated at least "BBB+" by Fitch and "Baa3" by Moody's; or (ii) which is guaranteed by an entity whose short-term unsecured and unsubordinated debt obligations are rated at least "F2" by Fitch and "P-3" by Moody's; and the long-term unsecured and unsubordinated debt obligations of which are rated at least "BBB+" by Fitch and

"Baa3" by Moody's, provided that any reference to a rating by Fitch shall be deemed to be a reference to the "Issuer Default Rating" given by such Rating Agency.

"Eligible Investment" means any (a) Top-Up Assets and/or (b) Public Entities Securities, and/or (c) cash deposit held by an Eligible Institution and/or (d) any other debt instrument (including repurchase transaction, certificate of deposit, commercial paper, debt security) issued or fully guaranteed by an Eligible Institution provided that in all cases such investments shall from time to time comply with Rating Agencies' criteria so that, *inter alia*: (i) the relevant exposures shall have certain minimum long-term and short-term ratings from the Rating Agencies; (ii) the maximum aggregate total exposures in general to classes of assets may be limited; (iii) all investments shall be denominated in Euro; (iv) all investments shall be entered into with a counterparty which is an Eligible Institution; and (v) all investments shall have a duration no longer than the Eligible Investment Maturity Date immediately following the date on which the relevant Eligible Investment has been made.

"Eligible Investments Account" means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Eligible Investment Maturity Date" means the fifth Business Day before each Guarantor Payment Date.

"EURIBOR" shall have the meaning ascribed to it in the relevant Final Terms.

"Euro", **"€"** and **"EUR"** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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

"Euro-Zone" means the region comprised of member states of the European Union which adopt the euro in accordance with the Treaty.

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

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

"Excluded Swap Termination Amount" means any termination payments payable by the Guarantor to any Swap Provider in the event of early termination of the relevant Swap Agreement where such Swap Provider is the Defaulting Party or the Affected Party.

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

"Expenses Account" means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Extended Maturity Date" means the date when final redemption payments in relation to a specific Series of Covered Bonds become due and payable pursuant to the extension of the relevant Maturity Date.

"Extension Determination Date" means, with respect to each Series of Covered Bonds, the date falling 7 Business Days after the Maturity Date of the relevant Series.

"Extraordinary Resolution" has the meaning set out in the Rules.

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

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

"Financial Laws Consolidated Act" means Italian Legislative Decree number 58 of 24 February 1998, as amended and supplemented from time to time.

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

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

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

"Fitch" means Fitch Ratings Limited.

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

"FSMA" means the Financial Services and Markets Act 2000.

"Guarantee" means the guarantee issued on or about the date of the Prospectus by the Guarantor for the benefit of the Bondholders (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in Section headed "*Description of the Programme Documents – Guarantee*" of the Prospectus.

"Guaranteed Amounts" means any amounts due from time to time to the Bondholders in relation to each Series of Covered Bonds.

"Guaranteed Obligations" means the payment obligations of the Guarantor with respect to the Guaranteed Amounts.

"Guarantor" means CREDEM CB S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy pursuant to Law 130, having its registered office at Via Vittorio Alfieri, 1, 31015 Conegliano

(TV), Italy, subject to the activity of management and coordination ("*attività di direzione e coordinamento*") of CREDEM, fiscal code and enrolment with the companies register of Treviso No. 04326290261, enrolled under No. 41747 in the general register of financial intermediaries held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act.

"Guarantor Available Funds" means, collectively, the Interest Available Funds and the Principal Available Funds.

"Guarantor Corporate Services Agreement" means the agreement entered into on or about the First Issue Date between the Guarantor and the Guarantor Corporate Servicer pursuant to which the Guarantor Corporate Servicer will provide certain administration services to the Guarantor, as better described in Section headed "*Description of the Programme Documents – Corporate Services Agreement*" of the Prospectus.

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

"Guarantor Event of Default Notice" means the notice to be served by the Representative of the Bondholders upon occurrence of a Guarantor Event of Default.

"Guarantor Event of Default" has the meaning given to it in Condition 10.3 (*Guarantor Events of Default*).

"Guarantor Payment Date" means (a) prior to the delivery of a Guarantor Event of Default Notice, the date falling on the 25th calendar day of January, April, July and October of each year or, if such day is not a Business Day, on the immediately following Business Day; and (b) following the delivery of a Guarantor Event of Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Conditions and the Intercreditor Agreement.

"Individual Purchase Price" means:

- (i) with respect to each Asset, the most recent book value (*ultimo valore di iscrizione in bilancio*) of the relevant Asset; *minus* (x) any principal and interest (limited to the interest resulting by the most recent book value (*ultimo valore di iscrizione in bilancio*)) received by the Seller up to the relevant Valuation Date (excluded); *plus* (y) any Accrued Interest; or
- (ii) upon discretion of the Seller, (also with reference to the Top-Up Assets), any other value, as indicated by the Seller in the relevant Transfer Notice in accordance with article 7-*bis* of Law 130, the Bank of Italy Regulations and any other Bank of Italy disposition.

"Initial Portfolio" means the initial portfolio of Mortgage Receivables and related Security Interests purchased by the Guarantor on 1 November 2010 pursuant to the Master Assets Purchase Agreement.

"Initial Portfolio Purchase Price" means the purchase price paid by the Guarantor to the Seller for the transfer of the Initial Portfolio.

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

- (i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*" and "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or
- (ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Programme Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to Article 74 of the Consolidated Banking Act); or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2448 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or
- (v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business.

"Instalment" means with respect to each Mortgage Loan Agreement, each instalment due from the relevant Debtor thereunder and which consists of an Interest Instalment and a Principal Instalment.

"Instalment in Arrears" means any Instalment still due and unpaid following the expiry of the relevant exemption period ("*periodo di franchigia*").

"Insurance Companies" means the companies with whom the Insurance Policies are held.

"Insurance Policies" means the insurance policies taken out with the Insurance Companies in relation to each Real Estate Asset and each Mortgage Loan.

"Interest Amount" means, in relation to any Series of Covered Bonds and an Interest Period, the amount of interest payable in respect of that Series for that Interest Period.

"Interest Available Funds" means in respect of any Calculation Date, the aggregate of:

- (1) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Interest Collection Account in respect of the immediately preceding Collection Period;
- (2) all recoveries in the nature of interest received by the Servicer and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (3) all amounts of interest accrued (net of any withholding or expenses, if due) and credited into the Accounts in respect of the immediately preceding Collection Period;
- (4) any amounts credited to the Reserve Account as at the immediately preceding Guarantor Payment Date;
- (5) all Eligible Investment Revenues in respect of the Eligible Investments made with reference to the immediately preceding Collection Period;
- (6) any amounts (excluding any principal payment) received or to be received under the Asset Swap Agreement(s) other than any Swap Collateral Excluded Amounts with reference to the immediately following Asset Swap Payment Date;
- (7) any amounts (excluding any principal payment) received or to be received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts with reference to the immediately following Covered Bond Swap Payment Date;
- (8) any swap termination payments (excluding any principal payment) received or to be received from a replacement Swap Provider under a Swap Agreement in the event of a termination of a Swap Agreement between the Guarantor and the relevant Swap Provider with reference to the immediately following Guarantor Payment Date;
- (9) all interest amounts received from the Seller by the Guarantor pursuant to the Master Assets Purchase Agreement and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (10) any amounts to be paid as Interest Shortfall Amount out of item (First) of the Pre-Issuer Default Principal Priority of Payments on the immediately succeeding Guarantor Payment Date;
- (11) any revenue amounts (other than the amounts already allocated under other items of the Interest Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period; and

- (12) interest amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

"Interest Collection Account" means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Interest Commencement Date" means the Issue Date of the Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

"Interest Determination Date" has the meaning ascribed to it in the relevant Final Terms.

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

"Interest Payment Date" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"Interest Period" means, in relation to each Series of Covered Bonds, the period from an Interest Payment Date to the next following Interest Payment Date, as specified as such in, or determined in accordance with the provisions of, the relevant Final Terms.

"Interest Shortfall Amount" means, on any Guarantor Payment Date, an amount equal to difference, if positive, between (a) the aggregate amounts payable under items *First to Sixth* of the Pre-Issuer Default Interest Priority of Payments; and (b) the Interest Available Funds (net of such Interest Shortfall Amount) on such Guarantor Payment Date.

"Intercreditor Agreement" means the agreement entered into on or about the First Issue Date between the Guarantor and the Other Guarantor Creditors (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in the Section headed "*Description of the Programme Documents – Servicing Agreement*" of the Prospectus.

"Interest Coverage Test" means the tests which will be carried out pursuant to the terms of the Cover Pool Management Agreement as better detailed in section entitled "*Credit Structure*" above.

"**Investment Manager**" means Credito Emiliano S.p.A. or any other entity acting as such pursuant to the terms of the Cash Allocation, Management and Payments Agreement.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Series or Tranche of Covered Bonds (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc. and available on www.ISDA.org. Upon request of the Bondholders copy of the "ISDA Definitions" may be provided by the Issuer.

"**Issue Date**" means each date on which a Series of Covered Bonds is issued.

"**Issuer**" means Credito Emiliano S.p.A.

"**Issuer Event of Default**" has the meaning given to it in Condition 10.2 (*Issuer Events of Default*).

"**Issuer Event of Default Notice**" means the notice to be served by the Representative of the Bondholders to the Issuer and the Guarantor upon occurrence of an Issuer Event of Default.

"**Latest Valuation**" means, at any time with respect to any Real Estate Asset, the value given to the relevant Real Estate Asset by the most recent valuation (to be performed in accordance with the requirements provided for under the Bank of Italy Regulations) addressed to the Seller or obtained from an independently maintained valuation model, acceptable to reasonable and prudent institutional mortgage lenders in Italy.

"**Law 130**" means Italian Law No. 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

"**Lead Managers**" means, in respect of each Series of Covered Bonds, the banks indicated as lead managers in the relevant Final Terms.

"**Liabilities**" means in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgements, actions, proceedings or other liabilities whatsoever including legal fees and any taxes and penalties incurred by that person, together with any VAT or similar tax charged or chargeable in respect of any sum referred to in this definition.

"**LIBOR**" means the London Inter-Bank Offered Rate.

"**Limit of 15%**" means the limit of 15% (of the aggregate outstanding principal amount of the Cover Pool) of Top-Up Assets included in the Cover Pool provided or any other limit set out in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

"**Listing Agent**" means BNP Paribas Securities, Luxembourg branch.

"**LTV**" means, with reference to each Mortgage Loan, the ratio between the amount granted under a Mortgage Loan Agreement, added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, and the value of the relevant property.

"Mandate Agreement" means the mandate agreement entered into on or about the First Issue Date between the Representative of the Bondholders and the Guarantor (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in section headed "*Description of the Programme Documents – the Mandate Agreement*" of the Prospectus.

"Mandatory Tests" means the Nominal Value Test, the Net Present Value Test and the Interest Coverage Test each as required under the terms of the Cover Pool Management Agreement.

"Margin" means, in respect of any Series of Covered Bonds, the applicable rate as may be specified in the relevant Final Terms.

"Master Definitions Agreement" means the master definitions agreement entered into on or about the First Issue Date by the parties of the Programme Documents (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof).

"Master Assets Purchase Agreement" means the master assets purchase agreement entered into on 29 October 2010 between the Guarantor and the Seller (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), as better described in the Section headed "*Description of the Programme Documents – Master Assets Purchase Agreement*" of the Prospectus.

"Maturity Date" means each date on which final redemption payments for a Series of Covered Bonds become due, provided that this date is not extended to the Extended Maturity Date, in accordance with the relevant Final Terms.

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms.

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms.

"Meeting" has the meaning set out in the Rules.

"Monte Titoli" means *Monte Titoli S.p.A.*, a società per azioni having its registered office at Piazza degli Affari, 6, 20123 Milan, Italy.

"Monte Titoli Account Holders" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-quater of the Financial Laws Consolidated Act and includes any depositary banks approved by Clearstream and Euroclear.

"Monte Titoli Mandate Agreement" means the agreement entered into between the Issuer and Monte Titoli.

"Monthly Servicer's Report Date" means the date falling on the fifth Business Day immediately preceding the 25th calendar day of each month.

"Moody's" means Moody's Investors Service Inc.

"Mortgage" means the mortgage security interests (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Mortgage Receivables.

"Mortgage Loan" means a Residential Mortgage Loan or a Commercial Mortgage Loan, as the case may be, the claims in respect of which have been and/or will be transferred by the Seller to the Guarantor pursuant to the Master Assets Purchase Agreement.

"Mortgage Loan Agreement" means any Residential Mortgage Loan Agreement or Commercial Mortgage Loan Agreement out of which the Mortgage Receivables arise.

"Mortgage Loans in Arrears" means any Mortgage Loan having Instalments due and unpaid for a period under than 90 days.

"Mortgage Receivables" means, collectively, the Commercial Mortgage Receivables and the Residential Mortgage Loan Agreements.

"Mortgagor" means any person, either a borrower or a third party, who has granted a Mortgage in favour of the Seller to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

"Negative Carry Factor" means the number, expressed as a percentage, equal to (a) the WA Swap Margin paid by the Guarantor to the Covered Bond Swap Provider(s), under the relevant Covered Bond Swap Agreement, or, absent such Covered Bond Swap Agreement, (b) the WA CB Margin or (c) combination of (a) and (b) above, as the case maybe, or any other higher percentage designated as such by the Issuer and notified to the Test Calculation Agent and the Rating Agencies.

"Net Present Value Test" means the test which will be carried out pursuant to the terms of the Cover Pool Management Agreement as better detailed in section entitled "*Credit Structure*" above.

"Nominal Value Test" means the test which will be carried out pursuant to the terms of the Cover Pool Management Agreement as better detailed in section entitled "*Credit Structure*" above.

"Obligations" means all the obligations of the Guarantor created by or arising under the Programme Documents.

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

"Optional Redemption Amount" means, in respect of any Series of Covered Bonds, if the Call Option is specified in the relevant Final Terms as being applicable, the principal amount at which such Series may be redeemed at the option of the Issuer as may be specified in, or determined in accordance with, the relevant Final Terms.

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

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

"Optional Redemption Date" means in respect of any Series of Covered Bonds, if the Call Option is specified in the relevant Final Terms as being applicable, the day on which such Series may be redeemed at the option of the Issuer as may be specified in, or determined in accordance with, the relevant Final Terms.

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms.

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms.

"Order" means a final, judicial or arbitration decision, ruling or award from a court of competent jurisdiction that is not subject to possible appeal or reversal.

"Organisation of the Bondholders" means the association of the Bondholders, organised pursuant to the Rules of the Organisation of the Bondholders.

"Other Guarantor Creditors" means the Seller, the Servicer, the Back-up Servicer (if any), the Subordinated Loan Provider, the Investment Manager, the Calculation Agent, the Test Calculation Agent, the Representative of the Bondholders, the Asset Swap Provider, the Covered Bond Swap Providers, the Account Bank, the Guarantor Corporate Servicer, the Cash Reserve Commingling Account Bank and, following the occurrence of an Issuer Event of Default, the Asset Monitor, the Portfolio Manager (if any), the Principal Paying Agent, and any other paying agent (if any) appointed pursuant to the Programme Documents.

"Outstanding Principal Amount" means, on any date in respect of any Series of Covered Bonds or, where applicable, in respect of all Series of Covered Bonds the principal aggregate amount outstanding of such Series or, where applicable, of all Series of Covered Bonds.

"Outstanding Principal Balance" means, on any date, in relation to a loan, a bond or any other asset included in the Cover Pool, the aggregate nominal principal amount outstanding of such loan, bond or asset as at such date.

"Payments Account" means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Payment Business Day" means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

- (1) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (2) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"Payment Holiday" means in respect of a Mortgage Loan, the deferral of the payment of its interest and/or principal instalments in accordance with the application of moratoria provisions from time to time granted to Debtors by any laws, agreements

between Italian banking associations and national consumer associations, the Bank of Italy or other regulatory bodies regulations.

"Payments Report" means a report setting out all the payments to be made on the following Guarantor Payment Date in accordance with the Priorities of Payments which is required to be delivered by the Calculation Agent pursuant to the Cash Management, Allocation and Payments Agreement.

"Place of Payment" means, in respect of any Covered Bondholders, the place at which such Covered Bondholder receives payment of interest or principal on the Covered Bonds.

"Portfolio" means collectively the Initial Portfolio and any other Subsequent Portfolios which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Assets Purchase Agreement.

"Portfolio Manager" means the entity appointed as such in accordance with clause 5.2 of the Cover Pool Management Agreement.

"Post-Enforcement Priority of Payments" means the order of priority pursuant to which the Guarantor Available Funds shall be applied, following the delivery of a Guarantor Event of Default Notice, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"Post-Issuer Default Priority of Payments" means the order of priority pursuant to which the Guarantor Available Funds shall be applied, following the delivery of an Issuer Event of Default Notice, on each Guarantor Payment Date.

"Potential Commingling Amount" means an amount calculated by the Issuer (or the Servicer, as the case may be) equal to the expected aggregate amount of monthly collections and recoveries calculated in respect of the next following 2 months and considering a 5% constant prepayment ratio p.a. ., or any other higher amount designated as such by the Issuer (or the Servicer, as the case maybe) and notified to the Rating Agencies.

"Potential Set-Off Amount" means an amount, calculated by the Issuer as a percentage of the Cover Pool that the Issuer determines as potentially subject to set-off by the Debtors.

"Pre-Issuer Default Interest Priority of Payments" means the order of priority pursuant to which the Interest Available Funds shall be applied, prior to the delivery of an Issuer Event of Default Notice, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"Pre-Issuer Default Principal Priority of Payments" means the order of priority pursuant to which the Principal Available Funds shall be applied, prior to the delivery of an Issuer Event of Default Notice, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"Pre-Issuer Default Priority of Payments" means, as applicable, the Pre-Issuer Default Interest Priority of Payments or the Pre-Issuer Default Principal Priority of Payments as set out in the Intercreditor Agreement.

"Premium" means, on each Guarantor Payment Date, an amount payable by the Guarantor on the Subordinated Loan in accordance with the relevant Priority of

Payments and equal to the Guarantor Available Funds as at such date, after all amounts payable in priority thereto have been made in accordance with the relevant Priority of Payments.

"Principal Amount Outstanding" means, on any day: (a) in relation to a Covered Bond, the principal amount of that Covered Bond upon issue less the aggregate amount of any principal payments in respect of that Covered Bond which have become due and payable (and been paid) on or prior to that day; and (b) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount in (a) in respect of all Covered Bonds outstanding.

"Principal Available Funds" means in respect of any Calculation Date, the aggregate of:

- (i) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Principal Collection Account of the Guarantor in respect of the immediately preceding Collection Period;
- (ii) all other recoveries in respect of principal received by the Servicer and credited to the Principal Collection Account of the Guarantor in respect of the immediately preceding Collection Period;
- (iii) all principal amounts received by the Guarantor from the Seller pursuant to the Master Assets Purchase Agreement and credited to the Principal Collection Account in respect of the immediately preceding Collection Period;
- (iv) the principal proceeds of any disposal of Assets and any disinvestment of Assets or Eligible Investments made in respect of the immediately preceding Collection Period;
- (v) all amounts in respect of principal (if any) received or to be received under any Asset Swap Agreements (other than any Swap Collateral Excluded Amounts) with reference to the immediately following Asset Swap Payment Date;
- (vi) all amounts in respect of principal (if any) received or to be received under any Covered Bond Swap Agreements (other than any Swap Collateral Excluded Amounts) with reference to the immediately following Covered Bond Swap Payment Date;
- (vii) any swap termination payments (excluding any interest payment) received or to be received from a replacement Swap Provider under a Swap Agreement in the event of a termination of a Swap Agreement between the Guarantor and the relevant Swap Provider with reference to the immediately following Guarantor Payment Date;
- (viii) any amounts to be paid out of item *Seventh* of the Pre-Issuer Default Interest Priority of Payments on the immediately succeeding Guarantor Payment Date;
- (ix) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Period End Date;
- (x) any principal amounts (other than the amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any

party to the Programme Documents during the immediately preceding Collection Period; and

- (xi) principal amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

"Principal Collection Account" means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (a) in relation to Euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Principal Paying Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Principal Paying Agent.

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

"Principal Paying Agent" means BNP Paribas Securities Services, Milan branch, or any other entity acting as such in the context of the Programme.

"Priority of Payments" means each of the orders in which the Guarantor Available Funds shall be applied on each Guarantor Payment Date in accordance with the Conditions and the Intercreditor Agreement.

"Privacy Law" means the Legislative Decree number 196 of 30 June 2003 (*Codice in materia di protezione dei dati personali*), as amended and supplemented from time to time.

"Programme" means the programme for the issuance of each series of Covered Bonds (*obbligazioni bancarie garantite*) by the Issuer in accordance with article 7-bis of Law 130.

"Programme Agreement" means the programme agreement entered into on or about the First Issue Date between the Guarantor, the Issuer, the Dealers and the Representative of the Bondholders (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), as better described in the Section headed *"Description of the Programme Documents – Programme Agreement"* of the Prospectus.

"Programme Documents" means the Master Assets Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Guarantor Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Deed of Pledge, the Deed of Charge, the Master Definitions Agreement, the Conditions and each Final Terms and any other

agreement entered into in connection with the Programme and any other agreement designated as "Programme Document" by the Issuer.

"**Programme Limit**" means €5,000,000,000 (or its equivalent in other currencies), as a maximum aggregate nominal amount of the Covered Bonds at any time outstanding under the Programme or the higher amount determined by the Issuer in accordance with the provisions of the Programme Agreement.

"**Programme Resolution**" means an extraordinary resolution passed at a single meeting of the Bondholders of all Series, held in accordance with the provisions contained in Rules.

"**Prospectus**" means the Prospectus prepared in connection with the Programme.

"**Prospectus Directive**" means Directive 2003/71/EC of 4 November 2003, as subsequently amended and supplemented.

"**Prudential Regulations**" means the prudential regulations for banks issued by the Bank of Italy on 27 December 2006 with Circular No. 263 (*Nuove disposizioni di vigilanza prudenziale per le banche*), as subsequently amended and supplemented.

"**Public Assets**" means, collectively, the Public Entities Receivables and the Public Entities Securities, **provided that**, the Public Assets may not amount to more than 10% of the aggregate nominal value of the Cover Pool and further provided that such limit may be temporarily exceeded if necessary in order to cure a breach of Tests.

"**Public Entities**" has the meaning ascribed to such term in article 3, letter (c) of the Decree No. 310.

"**Public Entities Receivables**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, any receivables owned by or receivables which have been benefit of a guarantee eligible for credit risk mitigation granted by:

- (i) Public Entities, including ministerial bodies and local or regional bodies, located within the European Economic Area or Switzerland for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and
- (ii) Public Entities, located outside the European Economic Area or Switzerland, for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach - or regional or local public entities or non-economic administrative entities, located outside the European Economic Area or Switzerland, for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach,

"**Public Entities Securities**" means pursuant to article 2, sub-paragraph 1, of Decree No. 310, any securities issued by or which have benefit of a guarantee eligible for credit risk mitigation granted by:

- (i) Public Entities, including ministerial bodies and local or regional bodies, located within the European Economic Area or Switzerland for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and

- (ii) Public Entities, located outside the European Economic Area or Switzerland, for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach - or regional or local public entities or non-economic administrative entities, located outside the European Economic Area or Switzerland, for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach.

"Purchase Price" means, as applicable, the purchase price of the Initial Portfolio (the **"Initial Portfolio Purchase Price"**) or the purchase price of any Subsequent Portfolios (the **"Subsequent Portfolio Purchase Price"**) pursuant to the Master Assets Purchase Agreement.

"Put Option Notice" means a notice of exercise relating to the put option contained in Condition 7, letter (f) (*Redemption at the option of the Bondholders*), substantially in the form which may, from time to time, be agreed between the Issuer and the Principal Paying Agent.

"Put Option Receipt" means a receipt issued by the Principal Paying Agent to a depositing Covered Bondholder upon deposit of Covered Bonds with the Principal Paying Agent by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder.

"Quarterly Servicer's Report Date" means the date falling on the fifth Business Day immediately preceding each Guarantor Payment Date.

"Quota Capital Account" means the euro denominated account established in the name of the Guarantor with Banca Antonveneta S.p.A. (IBAN: IT 29 V 05040 61621 000001227707) as specified in the Cash Allocation Management and Payments Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Quotaholders" means Credito Emiliano S.p.A. and SVM Securitisation Vehicles Management S.r.l. and **"Quotaholder"** means any of them.

"Quotaholders' Agreement" means the agreement entered into on or about the First Issue Date by the Guarantor, the Quotaholders and the Representative of the Bondholders, as better described in the Section headed "The Guarantor – The Quotaholders' Agreement" of the Prospectus.

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Series of Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms.

"Rating Agencies" means, to the extent they have attributed a rating to any Series of Covered Bonds, Fitch and Moody's.

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

"Receiver" has the meaning ascribed to such term in the Deed of Charge.

"Recoveries" means any amounts received or recovered by the Servicer in relation to any Defaulted Mortgage Receivables and any Delinquent Mortgage Receivables.

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms.

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Principal Paying Agent in the market that is most closely connected with the Reference Rate.

"Reference Rate" means the rate by reference to which Floating Rates of Interest will be calculated (such as, but not limited to, LIBOR or EURIBOR). The Reference Rate and the manner in which the Floating Rates of Interest will be calculated using the Reference Rate (including any margin over or below the Reference Rate) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Covered Bonds and specified in the applicable Final Terms.

"Regular Period" means:

- (i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"Relevant Clearing System" means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made.

"Relevant Financial Centre" has the meaning given in the relevant Final Terms.

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"Relevant Time" has the meaning given in the relevant Final Terms.

"Register" means the register maintained by the Registrar in relation to the Registered Covered Bonds issued under the Programme.

"Registered Paying Agent" means any institution which shall be appointed by the Issuer to act as paying agent in respect of the Registered Covered Bond under the Programme.

"Registered Covered Bonds" means the Covered Bonds issued in registered form.

"Representative of the Bondholders" means BNP Paribas Securities Services, Milan branch or any entity that will act as representative of the Bondholders pursuant to the Programme Agreement and the Rules.

"Required Redemption Amount" means in respect of each Series of Covered Bonds, the amount calculated as at the Principal Amount Outstanding of each Series of Covered Bonds.

"Required Reserve Amount" means, with reference to each Calculation Date, an amount equal to the higher between:

- A. the aggregate of:
 - (a) two twelfths of the aggregate amount payable on the immediately following Guarantor Payment Date in respect of item (i) (*First*) to (iii) (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and
 - (b) the swap interest payments in respect of each relevant Covered Bond Swap Agreement or, if no Covered Bond Swap Agreement has been entered into in relation to a Series of Covered Bond, the interest amounts due in relation to that Series of Covered Bonds, and which accrues in respect of a period of 2 months; and
- B. (I) if the Issuer's senior unsecured obligations cease to be rated at least "A" and "F1" by Fitch, the sum of:
 - (a) the aggregate amounts payable on the immediately following Guarantor Payment Date in respect of item (i) (*First*) to (iii) (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and
 - (b) Euro 400,000 plus, for each Series of Covered Bond outstanding (x) only in cases where the Issuer is not acting as Covered Bond Swap Provider in relation to the relevant series of Covered Bonds, the aggregate of the swap interest payments in respect of each relevant Covered Bond Swap Agreement – calculated by applying the Floating Rate Option (as defined in the ISDA Definitions) for each relevant Covered Bond Swap Agreement determined on a forward basis – or, (y) if no Covered Bond Swap Agreement has been entered into or if it has been entered into with the Issuer in relation to a Series of Covered Bonds, of the interest amounts in relation to that Series of Covered Bonds which are due or expected to be borne by the Guarantor during the three-month period which starts on the immediately following Guarantor Payment Date (excluded) and ends on the second immediately following Guarantor Payment Date (included).
- (II) otherwise, zero.

"Reserve Account" means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Reserve Amount" means any amount to be credited into the Reserve Account up to the Reserve Required Amount.

"Residential Mortgage Loan" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, a residential mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent of the value of the property and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"Residential Mortgage Loan Agreement" means any residential mortgage loan agreement out of which Residential Mortgage Receivables arise.

"Residential Mortgage Receivables" means the Receivable deriving from a Residential Mortgage Loan pursuant to a Residential Mortgage Loan Agreement.

"Retention Amount" means an amount equal to € 30.000, or any other amount agreed by Issuer and the Guarantor with the prior approval of the Representative of the Bondholders and prior notice to the Rating Agencies.

"Rules" means the Rules of the organisation of the Bondholders.

"Securities Account" means the euro denominated account established, or to be established, in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

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

"Security" means the security created pursuant to the Deed of Pledge and the Deed of Charge.

"Security Interest" means:

- (i) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (iii) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

"Segregation Event" means the occurrence of a breach of any Tests on a given Calculation Date which remains unremedied within the Test Grace Period.

"**Selected Assets**" means the Eligible Assets and Top-Up Assets which may be selected from the Cover Pool on a random basis by the Servicer to be sold on behalf of the Guarantor pursuant to the Cover Pool Management Agreement.

"**Seller**" means CREDEM in its capacity as such pursuant to the Master Assets Purchase Agreement.

"**Senior Payments**" means all payments to be made by the Guarantor pursuant to items from *First* to *Fifth* under the Pre-Issuer Default Interest Priority of Payments.

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

"**Servicer**" means CREDEM in its capacity as such pursuant to the Servicing Agreement.

"**Servicer's Report**" means the quarterly or monthly report, as the case may be, delivered by the Servicer on each Servicer's Report Date and containing details on the Collections of the Mortgage Receivables during the relevant Collection Periods prepared in accordance with the Servicing Agreement.

"**Servicer's Report Date**" means either a Quarterly Servicer's Report Date or a Monthly Servicer's Report Date as the case may be.

"**Servicer Termination Event**" means an event which allows the Guarantor to terminate the Servicer's appointment and appoint a Substitute Servicer, according to Clause 10 of the Servicing Agreement.

"**Servicing Agreement**" means the agreement entered into on 29 October 2010 between the Guarantor 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 thereof), as better described in the Section headed "*Description of the Programme Documents – Servicing Agreement*" of the Prospectus.

"**Specific Criteria**" has the meaning ascribed to such term under section entitled "*Description of the Cover Pool – Eligibility Criteria*".

"**Specific Criteria for the Subsequent Portfolios**" has the meaning ascribed to such term under section entitled "*Description of the Cover Pool – Eligibility Criteria*".

"**Specified Currency**" means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms).

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms.

"**Specified Period**" has the meaning given in the relevant Final Terms.

"**Stock Exchange**" means the Luxembourg Stock Exchange's main regulated market, Bourse de Luxembourg.

"**Subordinated Loan Account**" means the euro denominated account established in the name of the Guarantor with the Seller as specified in the Cash Allocation Management and Payments Agreement, or such other substitute account as may be

opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Subordinated Loan Agreement" means the subordinated loan agreement entered into on 29 October 2010 between the Guarantor and the Subordinated Loan Provider in the context of the Programme.

"Subordinated Loan Provider" means CREDEM, in its capacity as such pursuant to the Subordinated Loan Agreement.

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

"Subsequent Portfolios" means any portfolio of Mortgage Receivables other than the Initial Portfolio which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"Subsequent Portfolio Purchase Price" means the consideration which the Guarantor shall pay to the Seller for the transfer of Subsequent Portfolios and equal to the aggregate amount of the Individual Purchase Price of all the relevant Mortgage Receivables as at the relevant Valuation Date.

"Substitute Servicer" means the successor of the Servicer upon the occurrence of a Servicer Termination Event, which may be appointed by the Guarantor pursuant to Article 10.6 of the Servicing Agreement.

"Swap Agreements" means, jointly and severally, the Covered Bond Swap Agreement(s), the Asset Swap Agreement(s), each being a 1992 ISDA Master Agreement (*Multicurrency – Cross Border*) entered into from time to time (including the respective schedules and credit support annexes thereto and each confirmation evidencing a swap transaction thereunder) and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

"Swap Collateral" means an amount equal to the value of collateral provided by a Swap Provider to the Guarantor under the relevant Swap Agreement.

"Swap Collateral Account" means any cash and/or securities account opened by the Guarantor in accordance with any Swap Agreement and clause 6.7 of the Intercreditor Agreement.

"Swap Collateral Excluded Amounts" means at any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the obligations of the relevant Swap Provider to the Guarantor, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of such Swap Agreement and ultimately upon termination of the relevant Swap Agreement.

"Swap Providers" means, as applicable and as the context may require, any or all of the Asset Swap Provider(s), the Covered Bond Swap Providers and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

"Tax" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the

Republic of Italy or any political sub-division thereof or any authority thereof or therein.

"Test Calculation Agent" means Credito Emiliano S.p.A. and following an Issuer Event of Default consisting in an Issuer Insolvency Event, the Servicer as appointed pursuant to the Cash Allocation Management and Payments Agreement.

"Test Calculation Date" means, following the breach of any Test, the second Business Day immediately preceding the 25th calendar day of each month.

"Test Grace Period" means the period starting on the date on which the breach of any Test is notified by the Test Calculation Agent and ending on the immediately following Test Calculation Date.

"Test Performance Report" means the report to be delivered, not later than the Business Day following each Calculation Date (or Test Calculation Date, as the case may be), by the Test Calculation Agent pursuant to the terms of the Cover Pool Management Agreement.

"Test Remedy Period" means the period starting from the date on which a Breach of Test Notice is delivered and ending on immediately following Test Calculation Date.

"Tests" means, collectively, the Mandatory Test and the Amortisation Test.

"Top-Up Assets" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree No. 310, each of the following assets: (i) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and (ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

"Total Commitment" means Euro 2.400.000,00 or the higher amount indicated by the Subordinated Loan Provider in accordance with the Subordinated Loan.

"Transfer Agreement" means any transfer agreement for the purchase of each Subsequent Portfolio entered in accordance with the terms of the Master Assets Purchase Agreement.

"Transfer Date" means each date on which the Portfolio is transferred from the Seller to the Guarantor which, with reference to the Initial Portfolio, means 1 November 2010 and, with reference to the Subsequent Portfolios, means the date indicated by the Seller in the relevant Transfer Notice.

"Transfer Notice" means, in respect to each Subsequent Portfolio, such transfer notice which will be sent by the Seller and addressed to the Guarantor in the form set out in schedule 7 to the Master Assets Purchase Agreement.

"Treaty" means the Treaty on the Functioning of the European Union as amended.

"Usury Law" means the Italian Law number 108 of 7 March 1996 together with Decree number 394 of 29 December 2000 which has been converted in law by Law number 24 of 28 February 2001, as subsequently amended and supplemented.

"Valuation Date" means, in respect of the Initial Portfolio, 1 November 2010 and in respect of each Subsequent Portfolio the date – selected by the Seller - on which the economic effects of the transfer of the relevant Portfolio will commence.

"VAT" or **"Value Added Tax"** means *Imposta sul Valore Aggiunto (IVA)* as defined in D.P.R. number 633 of 26 October 1972.

"WA CB Margin" means the weighted average positive or negative margin, over applicable (i) Mid-Swap rate or (ii) Euribor with a certain designated maturity, as the case maybe, paid by the Issuer with respect to any Series of Covered Bonds issued under the Programme, weighted by the Outstanding Principal Amount of the relevant Series of Covered Bonds.

"WA Swap Margin" means the weighted average positive or negative margin, over applicable Euribor with a certain designated maturity, paid by the Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, weighted by the Outstanding Principal Amount of the relevant Series of Covered Bonds hedged under such relevant Covered Bond Swap Agreement.

"Warranty and Indemnity Agreement" means the warranty and indemnity agreement entered into on 29 October 2010 between the Seller and the Guarantor (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in the Section headed "*Description of the Programme Documents – Warranty and Indemnity Agreement*" of the Prospectus.

2. **Denomination, Form and Title**

The Covered Bonds are in the Specified Denomination or Specified Denominations which may include a minimum denomination of € 100,000 (or, where the Specified Currency is a currency other than Euro, the Euro Equivalent in such Specified Currency) and higher integral multiples of a smaller amount, all as specified in the relevant Final Terms and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be € 100,000 (or, if the Covered Bonds are denominated in a Specified Currency other than Euro, the Euro Equivalent in such Specified Currency). The Covered Bonds will be issued in dematerialised form or in any other form (registered or bearer form, book entry or certified form) as set out in the relevant Final Terms.

The Covered Bonds issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli for the account of the Monte Titoli Account Holders until redemption or cancellation thereof and title thereto will be evidenced by book entries in accordance with the provisions of (i) Article 83-bis et seq. of the Financial Law and the relevant implementing regulations and (ii) the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as amended and supplemented from time to time. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form. The rights and powers of the Bondholders may only be exercised in accordance with these Conditions, the Final Terms and the Rules.

The Covered Bonds issued in registered form will be represented by a certificate (the "**Certificate**") which shall bear the manual, facsimile or scanned signature of one duly authorised signatory of the Issuer and will be manually authenticated by or on behalf of the Registrar.

The rights of the Bondholder, arising from the Registered Covered Bonds and title to the relevant Certificate itself will pass by assignment and registration in the Register.

3. Status and Guarantee

- (a) **Status of the Covered Bonds:** The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Bondholders will be collected by the Guarantor on their behalf.
- (b) **Status of the Guarantee:** The payment of Guaranteed Amounts in respect of each Series of Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor in the Guarantee. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

4. Fixed Rate Provisions

- (a) **Application:** This Condition 4 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 7 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any Specified Currency other than Euro,

the lowest amount of such Specified Currency that is available as legal tender in the country of such Specified Currency and, in the case of Euro, means one cent.

5. Floating Rate

- (a) **Application:** This Condition 5 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 7 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination:** Floating rates of interest will be calculated by reference to the Reference Rate. If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Principal Paying Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Principal Paying Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Principal Paying Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Principal Paying Agent, at approximately 11.00

a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Principal Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Principal Paying Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) **Calculation of Interest Amount:** The Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any Specified Currency other than Euro, the lowest amount of such Specified Currency that is available as legal tender in the country of such Specified Currency and, in the case of Euro, means one cent.

- (g) **Calculation of other amounts:** If the relevant Final Terms specifies that any other amount is to be calculated by the Principal Paying Agent, then the Principal Paying Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Principal Paying Agent in the manner specified in the relevant Final Terms.
- (h) **Publication:** The Principal Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Principal Paying Agent(s) and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Bondholders. The Principal Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.
- (i) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Principal Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent(s), the Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6. Redemption and Purchase

- (a) **Scheduled redemption:** To the extent outstanding, the Covered Bonds will be redeemed at their Final Redemption Amount on their relevant Maturity Date, subject as provided in Condition 6 (b) (*Extension of maturity*) and Condition 7 (*Payments*).
- (b) **Extension of maturity:** The Final Terms of each Series of Covered Bonds will provide that if the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the relevant Final Terms and the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the Extension Determination Date, then (subject as provided below), payment of the unpaid amount by the Guarantor under the Guarantee will be deferred until the Extended Maturity Date **provided that** any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least four Business Days prior to the Maturity Date as to whether payment will or will not be made in full at the Final Redemption Amount in respect of the Covered Bonds on that Maturity Date. Any failure by the Issuer to

notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The Guarantor shall notify the relevant holders of the Covered Bonds (in accordance with Rule 19 (*Effect of Resolutions*)), any relevant Swap Provider(s), the Rating Agencies, the Representative of the Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the Maturity Date as specified in the preceding paragraph of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the Covered Bonds pursuant to the Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor, on the following Guarantor Payment Dates, shall, pursuant to the Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priority of Payments) *pro rata* in payment of an amount equal to the Final Redemption Amount in respect of the Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on the Maturity Date and on each Interest Payment Date falling thereafter up to and including the Extended Maturity Date.

(c) ***Redemption for tax reasons:*** The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if the Floating Rate Provisions are specified in the relevant Final Terms as being not applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the First Issue Date; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (A) where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or
- (B) where the Covered Bonds may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent with copy to the Representative of the Bondholders (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10 (c) (*Redemption for tax reason*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 6(c) (*Redemption for tax reason*).

- (d) ***Redemption at the option of the Issuer:*** If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (e) ***Partial redemption:*** If the Covered Bonds, issued in a dematerialised form, are to be redeemed in part only on any date in accordance with Condition 6(d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Bondholders referred to in Condition 6(d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) ***Redemption at the option of Bondholders:*** If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Bondholders and prior to the delivery of an Issuer Event of Default Notice, redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 6(f) (*Redemption at the option of the Bondholders*), the

Bondholders must, not less than 30 nor more than 45 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the deposit in Bondholder. Once deposited in accordance with this Condition 6(f) (*Redemption at the option of the Bondholders*), no duly completed Put Option Notice may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall mail notification thereof to the Bondholders at such address as may have been given by the Bondholders in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 6(f) (*Redemption at the option of the Bondholders*), the Bondholders and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

- (g) ***No other redemption:*** The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Condition 6(a) (*Scheduled redemption*) above or as specified in the relevant Final Terms.
- (h) ***Purchase:*** The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price and any Covered Bonds so purchased may be held, reissued or resold or may be surrendered in accordance with Condition 6(i) (*Cancellation*). The Guarantor shall not purchase any Covered Bonds at any time.
- (i) ***Cancellation:*** All Covered Bonds which are redeemed or purchased and subsequently surrendered for cancellation by the Issuer shall be cancelled and may not be reissued or resold.
- (j) ***Redemption due to illegality:*** the Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Representative of the Bondholders and the Principal Paying Agent and, in accordance with Condition 16 (*Notices*), all Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Bondholders immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 6(j) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7. Payments

- (a) ***Payments through clearing systems:*** Payment of interest and repayment of principal in respect of the Covered Bonds issued in dematerialised form will be credited, in accordance with the instructions of Monte Titoli, by the Principal Paying Agent on

behalf of the Issuer or the Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.

- (b) **Other modalities of payments:** Payment of interest and repayment of principal in respect of the Covered Bonds issued in a form other than dematerialised will be made through the agent or registrar and pursuant to the modalities provided for in the relevant Final Terms.
- (c) **Payments subject to fiscal laws:** All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to Bondholders in respect of such payments.
- (d) **Payments on Business Days:** If the due date for payment of any amount in respect of any Covered Bond is not a Business Day in the Place where the payment has to be made, the Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

8. Waiver of set-off

In case of Registered Covered Bonds issued to each holder in the form of registered covered bonds (such as, for example, *Namensschuldverschreibungen*), the Issuer hereby waives any right of set-off against the claims arising from the Covered Bonds as well as the exercise of any pledge, right of retention or other rights through which the claims of any Bondholder could be prejudiced to the extent that such rights belong to the reserved assets (*gebundenes Vermögen*) of an insurer within the meaning of § 54 of the German Insurance Supervisory Law (*Versicherungsaufsichtsgesetz*) or belong to funds covering the debt securities (*Deckungsmasse für Schuldverschreibungen*) and have been set up on the basis of German law, the same applies mutatis mutandis in the event of composition or insolvency proceedings.

9. Taxation

- (a) **Gross up by Issuer:** All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed (i) by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, or (ii) pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof (“**FATCA**”) unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law (including pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA). In that event, the Issuer shall pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of such

amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

- (i) in respect of any payment or deduction of any interest or principal on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Decree No. 239 with respect to any Covered Bonds and in all circumstances in which the procedures set forth in Decree No. 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
 - (ii) in respect of any Covered Bond where such withholding or deduction is required pursuant to Italian Law Decree No. 512 of 30th September 1983, converted into Law No. 649 of 25th November 1983 as amended from time to time; or
 - (iii) held by or on behalf of a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Covered Bonds by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Covered Bonds; or
 - (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC, Amending Directive or any other law implementing or complying with, or introduced in order to conform to, such Directives; or
 - (v) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to another Principal Paying Agent in a Member State of the EU; or
 - (vi) held by or on behalf of an Bondholder who is entitled to avoid such withholding or deduction in respect of such Covered Bonds by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non/residence or other similar claim for exemption; or
 - (vii) where such withholding is required by FATCA.
- (b) ***Taxing jurisdiction:*** If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction. For the purposes of this paragraph (b), the Issuer will not be considered to become subject to the taxing jurisdiction of the United States should the Issuer be required to withhold amounts in respect any withholding tax imposed by the United States on any payments the Issuer makes.
- (c) ***No Gross-up by the Guarantor:*** If withholding of, or deduction of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of Italy, any authority therein or thereof having power to tax, the Guarantor will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Bondholders.

10. Segregation Event and Events of Default

10.1 Segregation Event

A Segregation Event will occur upon the notification by the Test Calculation Agent to the Guarantor and the Representative of the Bondholders that a breach of the Mandatory Tests has not been remedied within the applicable Test Grace Period.

Upon the occurrence of a Segregation Event, the Representative of the Bondholders will promptly, and in any case within 5 calendar days, serve notice (the "**Breach of Test Notice**") on the Issuer, the Guarantor, the Servicer, the Asset Monitor, the Calculation Agent, and the Rating Agencies that a Segregation Event has occurred.

Upon the delivery of a Breach of Test Notice and until a Breach of Test Cure Notice will be delivered (as defined below)):

- (a) no further Series or Tranche of Covered Bonds may be issued by the Issuer;
- (b) there shall be no further payments to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (c) the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid only by using the proceeds of the Subordinated Loan, except where the breach referred to in the Breach of Test Notice may be cured by using the Guarantor Available Funds;
- (d) payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Event of Default Notice has been delivered; and
- (e) the Servicer shall no longer be entitled to perform any of the renegotiation of the Mortgage Loans included in the Cover Pool as set out in the Servicing Agreement

If the relevant Test(s) is/are met within the Test Remedy Period, the Representative of the Bondholders will promptly and in any case within 5 calendar days deliver to the Issuer, the Guarantor, the Asset Monitor and the Rating Agencies a notice informing such parties that the Breach of Test Notice then outstanding has been revoked (the "**Breach of Test Cure Notice**") and the relevant Segregation Event has been cured.

10.2 Issuer Events of Default

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

- (i) *Non-payment*: the Issuer fails to pay any amount of interest and/or principal due and payable on any Series of Covered Bonds at their relevant Interest Payment Date (including the relevant Maturity Date) and such breach is not remedied within the next 15 Business Days, in case of amounts of interest, or 20 Business Days, in case of amounts of principal, as the case may be; or
- (ii) *Breach of other obligations*: a breach by the Issuer of any of its material obligations under the Programme Documents (other than those referred to in item (i) and (vi)) occurs and such breach is not remedied within 30 days (or such longer period as the Representative of the Bondholders may permit) after the Representative of the Bondholders has given written notice thereof to the Issuer, indicating the occurred breach and specifying that an Issuer Event of Default will occur in case such breach is not remedied within the applicable remedy period set out above; or

- (iii) *Insolvency*: an Insolvency Event occurs with respect to the Issuer; or
- (iv) *Article 74 resolution*: a resolution pursuant to article 74 of the Consolidated Banking Act is issued in respect of the Issuer; or
- (v) *Breach of Tests*: following the delivery of a Breach of Test Notice, the Mandatory Tests are not met on, or prior to, the expiry of the Test Remedy Period unless a resolution of the Bondholders is passed resolving to extend the Test Remedy Period; or
- (vi) *Cessation of business*: the Issuer ceases to carry on its primary business.

then the Representative of the Bondholders shall or, in the case of the event under item (ii) (*Breach of other obligations*) of this Condition 10.2 shall, if so directed by a Programme Resolution, serve an Issuer Event of Default Notice on the Issuer and the Guarantor demanding payment under the Guarantee, and specifying, in case of the Issuer Event of Default referred to under item (iv) (*Article 74 resolution*) of this Condition 10.2, that the Issuer Event of Default may be temporary.

Upon the service of an Issuer Event of Default Notice:

- (a) (*No further Series of Covered Bonds*) the Issuer may not issue any further Series of Covered Bonds;
- (b) (*No payments under the Subordinated Loan*) there shall be no further payments to the Subordinated Loan Provider under the Subordinated Loan, unless the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds, in accordance with the relevant Priority of Payments;
- (c) (*No purchase of any Eligible Assets or Top-Up Assets*) if the Issuer Event of Default is a consequence of an Insolvency Event in respect of the Issuer, no further Portfolios shall be acquired by the Guarantor pursuant to the Master Assets Purchase Agreement;
- (d) (*Guarantee*) interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under the Conditions, subject to and in accordance with the terms of the Guarantee and the Post-Issuer Default Priority of Payment;
- (e) (*Disposal of Assets*) if necessary in order to effect payments under the Covered Bonds, the Guarantor shall sell the Eligible Assets and Top-Up Asset included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement;

provided that, in case of the Issuer Event of Default determined by a resolution issued in respect of the Issuer pursuant to article 74 of the Consolidated Banking Act (referred to under item (iv) (*Article 74 resolution*) above) (the "**Article 74 Event**"), the effects listed in items (a) (*No further Series of Covered Bonds*), (b) (*No payments under the Subordinated Loan*), (c) (*No Purchase price of any Eligible Assets or Top-Up Assets*) and (d) (*Guarantee*) above will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect (the "**Suspension Period**") and the effect listed in item (e) (*Disposal of Assets*) will apply only if the suspension of payments pursuant Article 74 Event is in force during the period commencing on an Extension Determination Date where the payments of the unpaid amounts due by the Guarantor in respect of a Series of Covered Bonds have been deferred to the relevant Extension Maturity Date (being understood that it will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect).

Accordingly (A) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds within the immediately succeeding Interest Payment Date (and, for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer).

10.3 *Guarantor Events of Default*

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

- (i) *Non payment*: the Guarantor fails to pay any interest and/or principal due and payable under the Guarantee and such breach is not remedied within the next following 15 Business Days, in case of amounts of interests, or 20 Business Days, in case of amounts of principal, as the case may be; or
- (ii) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; or
- (iii) *Breach of other obligations*: a breach of any obligation under the Programme Documents by the Guarantor occurs (other than payment obligations referred to in item (i) (Non-payment) above) which is not remedied within 30 days (or such longer period as the Representative of the Bondholders may permit) after the Representative of the Bondholders has given written notice thereof to the Guarantor indicating the occurred breach and specifying that a Guarantor Event of Default will occur in case such breach is not remedied within the applicable remedy period set out above; or
- (iv) *Breach of the Amortisation Test*: **provided that** an Issuer Event of Default has occurred, the Amortisation Test is breached,

then the Representative of the Bondholders shall or, in the case of the Guarantor Event of Default under item (iii) (*Breach of other obligation*) of this Condition 10.3 shall, if so directed by a Programme Resolution of the Bondholders, serve a Guarantor Event of Default Notice on the Guarantor. Notice of the occurrence of such Guarantor Event of Default shall be given also to the Swap Providers.

Upon the service of a Guarantor Event of Default Notice, unless a Programme Resolution is passed resolving otherwise:

- (a) *Acceleration of Covered Bonds*: All Series of Covered Bonds then outstanding will become immediately due and payable by the Guarantor at their Early Redemption Amount together, if appropriate, with any accrued interest and will rank *pari passu* among themselves in accordance with the Post Enforcement Priority of Payments;
- (b) *Guarantee*: subject to and in accordance with the terms of the Guarantee, the Representative of the Bondholders, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 9(a) (*Gross up by the Issuer*)) in accordance with the Post-Enforcement Priority of Payments;
- (c) *Disposal of Assets*: the Guarantor shall immediately sell all Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement; and

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

10.4 *Determinations, etc.*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10.4 by the Representative of the Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor and all Bondholders and (in such absence as aforesaid) no liability to the Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

11. Limited recourse and non Petition

11.1 *Limited recourse*

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

11.2 *Non petition*

Only the Representative of the Bondholders may pursue the remedies available under the general law or under the Programme Documents to obtain payment of the Guaranteed Amounts or enforce the Guarantee and/or the Security and no Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Guarantee and/or the Security. In particular:

- (a) no Bondholder (nor any person on its behalf) is entitled, otherwise than as permitted by the Programme Documents, to direct the Representative of the Bondholders to enforce the Guarantee and/or Security or take any proceedings against the Guarantor to enforce the Guarantee and/or the Security;
- (b) no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) shall have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any Guaranteed Amount from the Guarantor;
- (c) until the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with these Conditions and the relevant Final Terms no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

- (d) no Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

12. Prescription

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

13. Representative of the Bondholders

- (a) **Organisation of the Bondholders:** The Organisation of the Bondholders shall be established upon, and by virtue of, the issue of the First Series of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of all the Covered Bonds of whatever Series. Pursuant to the Rules, for as long as any Covered Bonds of any Series are outstanding, there shall at all times be a Representative of the Bondholders. The appointment of the Representative of the Bondholders as legal representative of the Organisation of the Bondholders is made by the Bondholders subject to and in accordance with the Rules.
- (b) **Initial appointment:** In the Programme Agreement, the Dealers have appointed the Representative of the Bondholders to perform the activities described in the Mandate Agreement, in the Programme Agreement, in these Conditions (including the Rules), and in the other Programme Documents and the Representative of the Bondholders has accepted such appointment for the period commencing on the First Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds of whatever Series have been cancelled or redeemed in accordance with these Conditions and the applicable Final Terms.
- (c) **Acknowledgment by Bondholders:** Each Bondholder, by reason of holding Covered Bonds:
 - (i) recognises the Representative of the Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by the Programme Documents and any agreement entered into from time to time by the Representatives of the Bondholders in such capacity as if such Bondholders were a signatory thereto; and
 - (ii) acknowledges and accepts that the Dealers shall not be liable in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Bondholders as a result of the performance by the Representative of the Bondholders of its duties or the exercise of any of its rights under the Programme Documents.

14. Agents

In connection with the Covered Bonds, the Principal Paying Agent acts solely as agent of the Issuer and, following service of an Issuer Event of Default Notice, as agent pursuant to the Cash Allocation, Management and Payments Agreement of the Guarantor, and does not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Principal Paying Agent and its initial Specified Office is set out in these Conditions. Any additional Principal Paying Agent and its Specified Office are specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the

appointment of the Principal Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer and the Guarantor shall at all times maintain a Principal Paying Agent;
- (b) the Issuer and the Guarantor shall at all times maintain a Principal Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and
- (c) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Principal Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Principal Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in the Principal Paying Agent or in its Specified Office shall promptly be given to the Bondholders.

15. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Series of Covered Bonds under the Programme in accordance with the Programme Documents, these Conditions and as regulated in the relevant Final Terms.

16. Notices

- (a) **Notices given through Monte Titoli:** Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.
- (b) **Notices to the stock exchange:** As long as the Covered Bonds are listed on the Luxembourg Stock Exchange or on any other stock exchange and the rules of such stock exchange so require, any notice to Bondholders shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or on the website of the other relevant stock exchange, as the case may be.
- (c) **Other publication:** The Representative of the Bondholders shall be at liberty to sanction any other method of giving notice to Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to listing, trading and/or quotation and **provided that** notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Bondholders shall require.

17. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole

Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

18. Governing Law and Jurisdiction

- (a) ***Governing law:*** The Covered Bonds will be governed by Italian law or any other law set out in the relevant Final Terms. These Conditions and the related Programme Documents will be governed by Italian law, except for the Swap Agreements and the Deed of Charge, which will be governed by English law.
- (b) ***Jurisdiction:*** The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.
- (c) ***Relevant legislation:*** Anything not expressly provided for in these Conditions will be governed by the provisions of Law 130 and, if applicable, Article 58 of the Consolidated Banking Act, the Bank of Italy Regulations and Decree No. 310.

RULES OF THE ORGANISATION OF THE BONDHOLDERS

TITLE I

GENERAL PROVISIONS

1. GENERAL

- 1.1 The Organisation of the Bondholders in respect of all Covered Bonds of whatever Series issued under the Programme by Credito Emiliano S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series and is governed by these Rules of the Organisation of the Bondholders (the "**Rules**").
- 1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series in accordance with the Terms and Conditions of the Covered Bonds (the "**Conditions**") and the applicable Final Terms.
- 1.3 The contents of these Rules are deemed to be an integral part of the Conditions of the Covered Bonds of each Series issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Rules, the terms below shall have the following meanings:

"Block Voting Instruction" means, in relation to a Meeting, a document issued by the Principal Paying Agent or by a Registrar:

- (a) in case of Covered Bonds issued in a dematerialised form, certifying that specified Covered Bonds are held to the order of a Principal Paying Agent or under its control or have been blocked in an account with a clearing system or and will not be released until the earlier of:
- (i) the conclusion of the Meeting; and
 - (ii) the surrender to the Principal Paying Agent which issued the same not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by such Principal Paying Agent to the Issuer and the Representative of the Bondholders;
- (b) in case of Covered Bonds issued in a registered form, certifying that specified Covered Bonds have been blocked with the Registrar and will not be released until the conclusion of the Meeting;
- (c) certifying that the Holder, or the registered Holder in case of Covered Bonds issued in a registered form, of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the relevant Principal Paying Agent or Registrar that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;

- (d) listing the aggregate principal amount of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and
- (e) authorising a named individual to vote in accordance with such instructions;

"Blocked Covered Bonds" means: (i) Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of a Principal Paying Agent, or (ii) in case of Covered Bonds issued in a registered form, Covered Bonds which have been blocked with the Registrar, for the purpose of obtaining from that Principal Paying Agent a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in respect of which the Block Voting Instruction or Voting Certificate is required;

"Chairman" means, in relation to any Meeting, the person who takes the chair in accordance with Article 8 (*Chairman of the Meeting*);

"Event of Default" means an Issuer Event of Default or a Guarantor Event of Default;

"Extraordinary Resolution" means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than 75% of the votes cast;

"Fitch" means Fitch Ratings Ltd;

"Holder" or **"holder"** means in respect of Covered Bonds, the ultimate owner of such Covered Bonds;

"Meeting" means a meeting of Bondholders (whether originally convened or resumed following an adjournment);

"Monte Titoli Account Holder" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) and includes any depository banks appointed by the relevant Clearing System;

"Moody's" means Moody's Investors Service Limited;

"Ordinary Resolution" means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50% of the votes cast;

"Programme Resolution" means an Extraordinary Resolution passed at a single meeting of the Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules (a) to direct the Representative of the Bondholders to take any action pursuant to Condition 13.2 (ii) (*Issuer Event of Default*), Condition 13.3 (iii) (*Guarantor Event of Default*) or (b) to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (c) to extend the Test Remedy Period or (d) to take any other action stipulated in the Conditions or the Programme Documents as requiring a Programme Resolution;

"Proxy" means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

- (a) any person whose appointment has been revoked and in relation to whom the relevant Principal Paying Agent or the Registrar, or in the case of a proxy appointed under a

Voting Certificate, the Issuer has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and

- (b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed;

"Rating Agencies" means, to the extent they have attributed a Rating to any Series of Covered Bonds, Fitch and Moody's.

"Relevant Financial Centre" has the meaning ascribed to such term in the relevant Final Terms.

"Resolutions" means, collectively, the Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolutions, and **"Resolution"** means any of them;

"Swap Rate" means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in any Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if there is not exchange rate specified or if the Swap Agreements have terminated, the applicable spot rate;

"Transaction Party" means any person who is a party to a Programme Document;

"Voter" means, in relation to a Meeting, the Holder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by a Principal Paying Agent or by a Registrar or a Proxy named in a Block Voting Instruction;

"Voting Certificate" means, in relation to any Meeting:

- (a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time; or
- (b) a certificate issued by a Principal Paying Agent stating:
 - (i) that Blocked Covered Bonds will not be released until the earlier of:
 - (1) the conclusion of the Meeting; and
 - (2) the surrender of such certificate to such Principal Paying Agent; and
 - (ii) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

"Written Resolution" means a resolution in writing signed by or on behalf of one or more persons being or representing at least the relevant majority required for passing an Ordinary Resolution or Extraordinary Resolution or Programme Resolution, as the case may be, 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 the relevant Bondholders;

"24 hours" means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in each of the places where the Principal Paying Agent have its Specified Offices; and

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

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

2.2 Interpretation

In these Rules:

- 2.2.1 any reference herein to an "**Article**" shall, except where expressly provided to the contrary, be a reference to an article of these Rules;
- 2.2.2 a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Programme Document or to which, under such laws, such rights and obligations have been transferred; and
- 2.2.3 any reference to any "**Transaction Party**" shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 Separate Series

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 24 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Clause 2.3:

- 2.3.1 Articles 26 (Appointment, removal and remuneration) and 27 (Resignation of the Representative of the Bondholders); and
- 2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (Purpose of the Organisation) to 24 (Meetings and Separate Series) and 28 (Duties and Powers of the Representative of the Bondholders) to 36 (Powers to Act on behalf of the Guarantor),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "Covered Bonds" and "Bondholders" shall be construed accordingly.

3. PURPOSE OF THE ORGANISATION

- 3.1 Each Bondholder whatever Series of Covered Bonds he holds is a member of the Organisation of the Bondholders.
- 3.2 The purpose of the Organisation of the Bondholders is to co-ordinate the exercise of the rights of the Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Bondholders.

TITLE II

MEETINGS OF THE BONDHOLDERS

4. VOTING CERTIFICATES, BLOCK VOTING INSTRUCTIONS AND FORM OF PROXY

- 4.1 A Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue such certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time.
- 4.2 A Bondholder may also obtain a Voting Certificate from a Principal Paying Agent or require a Principal Paying Agent to issue a Block Voting Instruction by arranging for Covered Bonds to be (to the satisfaction of the Principal Paying Agent) held to its order or under its control or blocked in an account in a clearing system (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.
- 4.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.
- 4.4 So long as a Voting Certificate or Block Voting Instruction is valid, the person named therein as Holder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account Holder), the bearer thereof (in the case of a Voting Certificate issued by a Principal Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by a Principal Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.
- 4.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.
- 4.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.
- 4.7 Any registered Holder may require the Registrar and/or the Paying Agents to issue a Block Voting Instruction by arranging (to the satisfaction of the Registrar and/or the Paying Agents) for the related Bonds to be blocked with the Registrar not later than 48 hours before the time fixed for the relevant Meeting. The registered Holder may require the Registrar and/or the Paying Agents to issue a Block Voting Instruction by delivering to the Registrar and/or the Paying Agents written instructions not later than 48 hours before the time fixed for the relevant Meeting. Any registered Holder may obtain an uncompleted and unexecuted Form of Proxy from the Registrar or the Paying Agents. A Block Voting Instruction shall be valid until the release of the Blocked Bonds to which it relates. A Form of Proxy and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Bond.
- 4.8 The Issuer may fix a record date for the purposes of any Meeting or any resumption thereof following its adjournment for want of a quorum **provided that** such record date is not more than 10 days prior to the time fixed for such Meeting or (as the case may be) its resumption. The person in whose name a Bond is registered in the Register on the record date at close of business in the city in which the Registrar has its Specified Office shall be deemed to be the Holder of such Bond for the purposes of such Meeting and notwithstanding any subsequent transfer of such Bond or entries in the Register.

5. VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Bondholders so requires, a notarised (or otherwise acceptable) copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holders or Proxy named in a Voting Certificate issued by a Monte Titoli Account Holder shall be

produced at the Meeting but the Representative of the Bondholders shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction.

6. CONVENING A MEETING

6.1 Convening a Meeting

The Representative of the Bondholders, the Guarantor or the Issuer may and (in relation to a meeting for the passing of a Programme Resolution) the Issuer shall upon a requisition in writing signed by the holders of not less than five per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding convene a meeting of the Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting requisitioned by the Bondholders the same may be convened by the Representative of the Bondholders or the requisitionists. The Representative of the Bondholders may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Representative of the Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

6.2 Meetings convened by Issuer

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

6.3 Time and place of Meetings

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Bondholders.

7. NOTICE

7.1 Notice of Meeting

At least 21, or 5 in case of a Meeting convened in order to resolve to extend the Test Remedy Period pursuant to Condition 13.2 (*Issuer Events of Default*), days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Bondholders, the Registrar and the Principal Paying Agent, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Bondholders, or with a copy to the Representative of the Bondholders, where the Meeting is convened by the Issuer, subject to Article 6.3.

7.2 Content of notice

7.2.1 The notice shall specify the nature, the object and the content of the proposed resolution, without necessarily including the full text, and shall state that Voting Certificates for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time and that for the purpose of obtaining Voting Certificates from a Principal Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bonds must (to the satisfaction of such Principal Paying Agent) be held to the order of or placed under the control of such Principal Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

7.2.2 with reference to the Registered Covered Bonds, the notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Bonds may be blocked with the Registrar for the purposes of appointing Proxies under Block Voting Instructions until 48 hours before the time fixed for the Meeting and that Bondholders may also appoint Proxies either under a Block Voting Instruction by

delivering written instructions to the Registrar and the Paying Agents or by executing and delivering a Form of Proxy to the Specified Office of the Registrar and the Principal Paying Agent, in either case until 48 hours before the time fixed for the Meeting.

7.3 Validity notwithstanding lack of notice

A Meeting is valid notwithstanding that the formalities required by this Article 7 are not complied with if the Holders of the Covered Bonds constituting all the Principal Amount Outstanding of the Covered Bonds, the Holders of which are entitled to attend and vote, are represented at such Meeting and the Issuer and the Representative of the Bondholders are present.

8. CHAIRMAN OF THE MEETING

8.1 Appointment of Chairman

An individual (who may, but need not be, a Bondholder), nominated by the Representative of the Bondholders may take the chair at any Meeting, but if:

8.1.1 the Representative of the Bondholders fails to make a nomination; or

8.1.2 the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

8.2 Duties of Chairman

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

8.3 Assistance to Chairman

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Bondholders.

9. QUORUM

9.1 The quorum (*quorum constitutivo*) at any Meeting will be:

9.1.1 in the case of an Ordinary Resolution, one or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or, at an adjourned Meeting, one or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.2 in the case of an Extraordinary Resolution or a Programme Resolution, one or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or at an adjourned Meeting, one or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32.4 (*Obligation to exercise powers*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

- (a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;
- (b) alteration of the currency in which payments under the Covered Bonds are to be made;
- (c) alteration of the majority required to pass an Extraordinary Resolution;
- (d) the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and
- (e) alteration of this Article 9.1.3;

(each a "**Series Reserved Matter**"), the quorum shall be two or more persons being or representing holders of not less two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, two or more persons being or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding.

10. ADJOURNMENT FOR WANT OF QUORUM

10.1 If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

10.1.1 if such Meeting was requested by Bondholders, the Meeting shall be dissolved; and

10.1.2 in any other case, the Meeting (unless the Issuer and the Representative of the Bondholders otherwise agree) shall, subject to paragraphs 11 and 12 below, be adjourned to a new date no earlier than 14 days and no later than 42 days after the original date of such Meeting, and to such place as the Chairman determines, **provided that**:

- (a) no Meeting may be adjourned more than once for want of a quorum; and
- (b) the Meeting shall be dissolved if the Issuer and the Representative of the Bondholders together so decide.

11. ADJOURNED MEETING

Except as provided in Article 10 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

12. NOTICE FOLLOWING ADJOURNMENT

12.1 Notice required

Article 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

12.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

12.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

12.2 Notice not required

It shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 10 (*Adjournment for Want of Quorum*).

13. PARTICIPATION

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

13.1 Voters;

13.2 the directors and the auditors of the Issuer and the Guarantor;

13.3 representatives of the Issuer, the Guarantor, the Registrar and the Representative of the Bondholders;

13.4 financial advisers to the Issuer, the Guarantor and the Representative of the Bondholders;

13.5 legal advisers to the Issuer, the Guarantor, the Registrar and the Representative of the Bondholders; and

13.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Bondholders.

14. VOTING BY SHOW OF HANDS

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. VOTING BY POLL

15.1 Demand for a poll

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Bondholders or one or more Voters whatever the Principal Amount Outstanding of the Covered Bonds held or represented by such Voter(s). A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

15.2 **The Chairman and a poll**

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. **VOTES**

16.1 **Voting**

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every Vote who is so present shall have one vote in respect of each €1,000 or such other amount as the Representative of the Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Bondholders in its absolute discretion may stipulate) in the Principal Amount Outstanding of the Covered Bonds it holds or represents.

16.2 **Block Voting Instruction**

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 **Voting tie**

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. **VOTING BY PROXY**

17.1 **Validity**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked **provided that** none of the Issuer, the Representative of the Bondholders or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 **Adjournment**

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

18. RESOLUTIONS

18.1 Ordinary Resolutions

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

- 18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and
- 18.1.2 to authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 Extraordinary Resolutions

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

- 18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Bondholders, the Bondholders or any of them;
- 18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Bondholders, the Issuer, the Guarantor, the Bondholders or any of them, whether such rights arise under the Programme Documents or otherwise, and (b) these Rules, the Conditions or of any Programme Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Guarantor, the Representative of the Bondholders and/or any other party thereto;
- 18.2.3 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Bondholders from any liability in relation to any act or omission for which the Representative of the Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Programme Document;
- 18.2.4 waive any breach or authorise any proposed breach by the Issuer, the Guarantor or (if relevant) any other Transaction Party of its obligations under or in respect of these Rules, these Conditions or any other Programme Document or any act or omission which might otherwise constitute an Event of Default;
- 18.2.5 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;
- 18.2.6 authorise and ratify the actions of the Representative of the Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Programme Document;
- 18.2.7 to appoint any persons (whether Bondholders or not) as a committee to represent the interests of the Bondholders and to confer on any such committee any powers which the Bondholders could themselves exercise by Extraordinary Resolution; and
- 18.2.8 authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

18.3 Programme Resolutions

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Bondholders to take any action pursuant to Condition 13.2 (*Issuer Events of Default*) and Condition 13.3 (*Guarantor Event of Default*) or to appoint or remove the Representative of the Bondholders

pursuant to Article 26 (*Appointment, Removal and Remuneration*) or to extend the Test Remedy Period or to take any other action required by the Conditions or any Programme Document to be taken by Programme Resolution.

18.4 **Other Series of Covered Bonds**

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

19. **EFFECT OF RESOLUTIONS**

19.1 **Binding nature**

Subject to Article 18.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Bondholders duly convened and held in accordance with these Rules shall be binding upon all Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

19.2 **Notice of voting results**

Notice of the results of every vote on a resolution duly considered by Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Registrar and the Principal Paying Agent (with a copy to the Issuer, the Guarantor and the Representative of the Bondholders within 14 days of the conclusion of each Meeting).

20. **CHALLENGE TO RESOLUTIONS**

Any absent or dissenting Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. **MINUTES**

Minutes shall be made of all resolutions and proceedings of each Meeting. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. **WRITTEN RESOLUTION**

A Written Resolution shall take effect as if it were an Extraordinary Resolution or a Programme Resolution, or in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. **INDIVIDUAL ACTIONS AND REMEDIES**

Each Bondholder has accepted and is bound by the provisions of Condition 15 (*Limited Recourse and Non Petition*) accordingly, if any Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Guarantee (hereinafter, a "**Claiming Bondholder**"), then such Claiming Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Bondholders of his/her intention. The Representative of the Bondholders shall inform the other Bondholders of such prospective individual actions and remedies and invite them to raise, in writing, any objection that they may have by a specific date not more than 30 days after the date of the Representative of the Bondholders notification and not less than 15 days after such notification. If Bondholders representing 5% or more of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding object to such prospective individual actions and remedies, then the Claiming Bondholder will be prevented from taking any individual action or remedy

(without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted to the Representative of the Bondholders pursuant to the terms of this Article).

24. MEETINGS AND SEPARATE SERIES

24.1 Choice of Meeting

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

- 24.1.1 a Resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;
- 24.1.2 a Resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;
- 24.1.3 a Resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;
- 24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Bondholders of all Series; and
- 24.1.5 to all such meetings all the preceding provisions of these Rules shall *mutatis mutandis* apply as though references therein to Covered Bonds and Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

24.2 Denominations other than euro

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of a meeting or any adjourned such meeting or any poll resulting therefrom or any such request or Written Resolution) the Principal Amount Outstanding of such Covered Bonds shall be the equivalent in euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each €1.00 (or such other euro amount as the Representative of the Bondholders may in its absolute discretion stipulate) of the Principal Amount Outstanding of the Covered Bonds (converted as above) which he holds or represents.

25. FURTHER REGULATIONS

Subject to all other provisions contained in these Rules, the Representative of the Bondholders and the Issuer may agree such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Bondholders and the Issuer in their discretion may decide.

TITLE III

THE REPRESENTATIVE OF THE BONDHOLDERS

26. APPOINTMENT, REMOVAL AND REMUNERATION

26.1 Appointment

The appointment of the Representative of the Bondholders takes place by Programme Resolution in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Bondholders which will be BNP Paribas Securities Services, Milan branch.

26.2 Identity of Representative of the Bondholders

The Representative of the Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 107 of Italian Legislative Decree No. 385 of 1993; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Bondholders and, if appointed as such, they shall be automatically removed.

26.3 Duration of appointment

Unless the Representative of the Bondholders is removed by a Programme Resolution of the Bondholders or resigns pursuant to Article 27 (*Resignation of the Representative of the Bondholders*), it shall remain in office until full repayment or cancellation of all the Covered Bonds.

26.4 After termination

In the event of a termination of the appointment of the Representative of the Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 Remuneration

The Guarantor shall pay to the Representative of the Bondholders an annual fee for its services as Representative of the Bondholders from the First Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions and the relevant Final Terms.

27. RESIGNATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

The Representative of the Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the

resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Bondholders shall not become effective until a new Representative of the Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Bondholders has accepted its appointment. **provided that** if Bondholders fail to select a new Representative of the Bondholders within three months of written notice of resignation delivered by the Representative of the Bondholders, the Representative of the Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Bondholders*).

28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE BONDHOLDERS

28.1 Representative of the Bondholders as legal representative

The Representative of the Bondholders is the legal representative of the Bondholders and has the power to exercise the rights conferred on it by the Programme Documents in order to protect the interests of the Bondholders.

28.2 Meetings and resolutions

Unless any Resolution provides to the contrary, the Representative of the Bondholders is responsible for implementing all Resolutions of the Bondholders. The Representative of the Bondholders has the right to convene and attend Meetings (together with its adviser) to propose any course of action which it considers from time to time necessary or desirable.

28.3 Delegation

The Representative of the Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Programme Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Bondholders, whether by power of attorney or otherwise, delegate to any person some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Articles 28.3.1 and 28.3.2 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Bondholders may think fit in the interest of the Bondholders. The Representative of the Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 Judicial proceedings

The Representative of the Bondholders is authorised to represent the Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 Consents given by Representative of Bondholders

Any consent or approval given by the Representative of the Bondholders under these Rules and any other Programme Document may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders deems appropriate and, notwithstanding anything to the contrary contained in these Rules or in the Programme Documents, such consent or approval may be given retrospectively.

The Representative of the Bondholders may give any consent or approval, exercise any power, authority or discretion or take any similar action if it is satisfied that the interests of Bondholders will not be materially prejudiced thereby.

28.6 **Discretions**

Save as expressly otherwise provided herein, the Representative of the Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Bondholders by these Rules or by operation of law.

28.7 **Obtaining instructions**

In connection with matters in respect of which the Representative of the Bondholders is entitled to exercise its discretion hereunder (including but not limited to forming any opinion in connection with the exercise or non exercise of any discretion), the Representative of the Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Bondholders shall be entitled to request that the Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

28.8 **Remedy**

The Representative of the Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Conditions or any other Programme Documents may be remedied, and if the Representative of the Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Bondholders, the other creditors of the Guarantor and any other party to the Programme Documents.

29. EXONERATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

29.1 **Limited obligations**

The Representative of the Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Programme Documents.

29.2 **Specific limitations**

Without limiting the generality of the Article 29.1, the Representative of the Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Bondholders hereunder or under any other Programme Document, has occurred and, until the Representative of the Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Programme Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Programme Documents are duly observing and performing all their respective obligations;

29.2.3 except as expressly required in these Rules or any Programme Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Programme Document;

- 29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Programme Document, or of any other document or any obligation or right created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:
- (i) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;
 - (ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection with the Programme;
 - (iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;
 - (iv) the failure by the Issuer to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and
 - (v) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Servicer and the Principal Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;
- 29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;
- 29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;
- 29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Bondholders contained herein or in any Programme Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;
- 29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Programme Document;
- 29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;
- 29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Mortgage Receivables contained in the Cover Pool or any part thereof;
- 29.2.11 shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;
- 29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;
- 29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Programme Document;

- 29.2.14 shall not be under any obligation to insure the Cover Pool or any part thereof;
- 29.2.15 shall, when in these Rules or any Programme Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Bondholders, have regard to the overall interests of the Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;
- 29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Bondholders by Extraordinary Resolution or by a Written Resolution;
- 29.2.17 shall, as regards at the powers, trusts, authorities and discretions vested in it by the Programme Documents, except where expressly provided therein, have regard to the interests of both the Bondholders and the other creditors of the Issuer or the Guarantor but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interest of the Bondholders;
- 29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Programme Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all costs, charges, damages, expenses and liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Programme Documents shall require the Representative of the Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and
- 29.2.19 shall not have any liability for any loss, liability, damages claim or expense directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Bondholder, any Other Guarantor Creditor or any other person (except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Bondholders) as a result of (a) the delivery by the Representative of the Bondholders of the certificate of incapability of remedy relating any material default of obligations pursuant to Condition 13.2 (*Issuer Events of Default*) and Condition 13.3 (*Guarantor Events of Default*) on the basis of an opinion formed by it in good faith; or (b) any determination, any act, matter or thing that will not be materially prejudicial to the interests of the Bondholders as a whole or the interests of the Bondholders of any Series.

29.3 **Illegality**

No provision of these Rules shall require the Representative of the Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or liability which it may incur as a consequence of such action. The Representative of the Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. RELIANCE ON INFORMATION

30.1 Advice

The Representative of the Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic.

30.2 Certificates of Issuer and/or Guarantor

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

30.2.1 as to any fact or matter *prima facie* within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

30.2.1 to the effect that any particular dealing, transaction, step or thing is expedient, a certificate (stating that such is the case) of a director of the Issuer or (as the case may be) the Guarantor,

and the Representative of the Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 Resolution or direction of Bondholders

The Representative of the Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Bondholders.

30.4 Certificates of Monte Titoli Account Holders

The Representative of the Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 Clearing Systems

The Representative of the Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 Rating Agencies

The Representative of the Bondholders in evaluating, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the Bondholders of any Series or of all Series for the time being outstanding, may consider, *inter alia*, the circumstance that the then current rating of the Covered

Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise. If the Representative of the Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agencies as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Bondholders or the Representative of the Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.7 **Certificates of Parties to Programme Document**

The Representative of the Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Programme Document,

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

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

30.7.3 as to such party's opinion with respect to any issue

and the Representative of the Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any loss, liability, cost, damage, expense, or charge incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.8 **Auditors**

The Representative of the Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. **AMENDMENTS AND MODIFICATIONS**

31.1 **Modifications**

The Representative of the Bondholders may at any time and from time to time and without the consent or sanction of the Bondholders of any Series concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

31.1.1 to these Rules, the Conditions and/or the other Programme Documents which, in the opinion of the Representative of the Bondholders, it may be expedient to make **provided that** the Representative of the Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Bondholders of any Series; and

31.1.2 to these Rules, the Conditions and/or the other Programme Documents which is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law; and

31.1.3 to these Rules, the Conditions and/or the other Programme Documents which, in the opinion of the Representative of the Bondholders (which may be based on the advice of, or information obtained from, any lawyer, accountant, banker, tax advisor, or other expert or confirmation of rating) is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Bondholders.

31.2 **Binding Nature**

Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding upon the Bondholders and, unless

the Representative of the Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Bondholders in accordance with Condition 19 (*Notices*) and the Other Guarantor Creditors as soon as practicable thereafter.

31.3 **Establishing an error**

In evaluating whether an error is established as such, the Representative of the Bondholders may have regard to any evidence on which the Representative of the Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to any of the following:

31.3.1 a certificate from the Arranger:

- (i) stating the intention of the parties to the relevant Programme Document;
- (ii) confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention; and
- (iii) stating the modification to the relevant Programme Document that is required to reflect such intention.

31.3.2 may consider, *inter alia*, the circumstance that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

31.3 **Obligation to act**

The Representative of the Bondholders shall be bound to concur with the Issuer and the Guarantor and any other party in making any modifications to these Rules, the Conditions and/or the other Programme Documents if it is so directed by an Extraordinary Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32. **WAIVER**

32.1 **Waiver of Breach**

The Representative of the Bondholders may at any time and from time to time without the consent or sanction of the Bondholders of any Series and, without prejudice to its rights in respect of any subsequent breach, condition or event but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds of any Series then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive any proposed breach or breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Guarantee, these Rules, the Conditions or the other Programme Documents; or

32.1.2 determine that any Event of Default shall not be treated as such for the purposes of the Programme Documents,

without any consent or sanction of the Bondholders.

32.2 **Binding Nature**

Any such authorisation or waiver or determination may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding on all Bondholders and, if the Representative of the Bondholders so requires, shall be notified to the Bondholders in accordance with Condition 19 (*Notices*) and the Other Guarantor Creditors by the Issuer or the Guarantor, as soon as practicable after it has been given or made in accordance with the provisions of the conditions relating to Notices and the relevant Programme Documents.

32.3 **Restriction on powers**

The Representative of the Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution, but so that no such direction shall affect any authorisation, waiver or determination previously given or made.

32.4 **Obligation to act**

The Representative of the Bondholders shall be bound to waive or authorise any breach or proposed breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Guarantee, these Rules or any of the other Programme Documents or determine that any Event of Default shall not be treated as such if it is so directed by an Extraordinary Resolution or a Programme Resolution, as the case may be, and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

33. **INDEMNITY**

Pursuant to the Programme Agreement, the Guarantor 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 Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands properly incurred by or made against the Representative of the Bondholders or any entity to which the Representative of the Bondholders has delegated any power, authority or discretion in relation to the exercise or purported exercise of its powers, authorities and discretions and the performance of its duties under and otherwise in relation to these Rules and the Programme Documents (including but not limited to legal and travelling expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Bondholders pursuant to the Programme Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Programme Documents) except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Bondholders.

34. **LIABILITY**

Notwithstanding any other provision of these Rules and save as provided in the Programme Documents, the Representative of the Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Programme Documents, the Covered Bonds or these Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

35. **SECURITY DOCUMENTS**

35.1 **The Deed of Pledge**

The Representative of the Bondholders shall have the right to exercise all the rights granted by the Guarantor to the Bondholders pursuant to the Deed of Pledge. The beneficiaries of the Deed of Pledge are referred to in this Article 35 as the "**Secured Bondholders**".

35.2 **Rights of the Representative of the Bondholders**

35.2.1 The Representative of the Bondholders, acting on behalf of the Secured Bondholders, shall be entitled to appoint and entrust the Guarantor to collect, in the Secured Bondholders' interest and on their behalf, any amounts deriving from the pledged claims and rights, and shall be entitled to give instructions, jointly with the Guarantor, to the respective debtors of the pledged claims to make the payments related to such claims to the Payments Account or to any other account opened in the name of the Guarantor and appropriate for such purpose;

35.2.2 the Secured Bondholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the pledged claims or credited to the Payments Account or to any other account opened in the name of the Guarantor and appropriate of such purpose which

is not in accordance with the provisions of this Article 35. The Representative of the Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the pledged claims under the Deed of Pledge except in accordance with the provisions of this Article 35 and the Intercreditor Agreement.

TITLE IV

THE ORGANISATION OF THE BONDHOLDERS AFTER SERVICE OF AN NOTICE

36. POWERS TO ACT ON BEHALF OF THE GUARANTOR

It is hereby acknowledged that, upon service of a Guarantor Event of Default Notice or, prior to service of a Guarantor Event of Default Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Mandate Agreement the Representative of the Bondholders, in its capacity as legal representative of the Bondholders, shall be entitled (also in the interests of the Other Guarantor Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Bondholders, in its capacity as legal representative of the Bondholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's rights under certain Programme Documents, including the right to give directions and instructions to the relevant parties to the relevant Programme Documents.

TITLE V

GOVERNING LAW AND JURISDICTION

37. GOVERNING LAW

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

38. JURISDICTION

The Courts of Milan will have jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Series of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [•]

Credito Emiliano S.p.A.

**Issue of [Aggregate Nominal Amount of Series] [Description] Covered Bonds due [Maturity]
under the €5,000,000,000 Covered Bond Programme (Obbligazioni Bancarie Garantite)
unconditionally and irrevocably guaranteed as to payments of interest and principal by**

CREDEM CB S.r.l.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the prospectus dated 3 October 2014 [and the supplement[s] to the prospectus dated 3 October 2014] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) which includes the amendments made by Directive 2010/73/EU (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms [and the Base Prospectus as so supplemented]. [The Base Prospectus [, including the supplement[s]] [is/are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. (i) Series Number: [•]

(ii) Tranche Number: [•]

[(To be fungible from the date on which the Covered Bonds are issued with the [•] Series [•] Tranche [•] Covered Bonds due [•] issued on [•])]

- (iii) Date on which the Covered Bonds will become fungible: [Not Applicable] / [The Covered Bonds will be consolidated, form a single Series and be interchangeable for trading purposes with [(insert Number of the Series and ISIN Code)] on [the Issue Date/ (insert date)]
2. Specified Currency or Currencies: [•] [Euro/UK Sterling/Swiss Franc/Japanese Yen/ US Dollar/Other]
3. Aggregate Nominal Amount
- (i) Series: [•]
- (ii) Tranche: [•]
4. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
5. (i) Specified Denominations: [•] [plus integral multiples of [•]] (Include the wording in square brackets where the Specified Denomination is €100,000 or equivalent plus multiples of a lower principal amount.)
- (ii) Specified Form: The Covered Bonds will be issued in [dematerialised/ registered] form.
- (iii) Calculation Amount: [•]
6. (i) Issue Date [•]
- (ii) Interest Commencement Date [Specify/Issue Date/Not Applicable]
7. Maturity Date: [Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year.]
8. Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption [Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or

- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/[Not applicable]
- (v) Day Count Fraction: [Actual/Actual (ICMA)
Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/360
30/360
30E/360
Eurobond Basis
30E/360 (ISDA)]

13. **Floating Rate Provisions**

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]

(Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")

- (iii) Interest Payment Dates: [•]

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")

- (iv) First Interest Payment Date: [•]

- (v) Business Day Convention: [Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention/Preceding Business Day Convention/Convention/Floating Rate Convention/Eurodollar Convention/No Adjustment]

- (vi) Additional Business Centre(s): [•]/[Not Applicable]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[Name] shall be the Calculation Agent]
- (ix) Screen Rate Determination:
- (A) Reference Rate: [•] month [LIBOR/EURIBOR]
- (B) Interest Determination Date(s): [•]
- (C) Relevant Screen Page: [•](For example, Reuters LIBOR 01/EURIBOR 01)
- (D) Relevant Time: [•](For example, 11.00 a.m. Luxembourg time/Brussels time)
- (E) Relevant Financial Centre: [•](For example, Luxembourg/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro))
- (x) ISDA Determination:
- (A) Floating Rate Option: [•]
- (B) Designated Maturity: [•]
- (C) Reset Date: [•]
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum

- (xiv) Day Count Fraction: [Actual/Actual (ICMA)
Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/360
30/360
30E/360
Eurobond Basis
30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

14. **Call Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of Covered Bonds: [•] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]

15. **Put Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Covered Bonds: [•] per Calculation Amount
- (iii) Notice period: [•]

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

(i) Minimum Final Redemption Amount: [•] per Calculation Amount

(ii) Maximum Final Redemption Amount: [•] per Calculation Amount

17. Early Redemption Amount

Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Guarantor Event of Default: [Not Applicable / [•] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

18. Additional Financial Centre(s): [Not Applicable/[•]]

[Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 14(ii) and 15(vi)]

THIRD PARTY INFORMATION

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

Signed on behalf of Credito Emiliano S.p.A.

By:

Duly authorised

Signed on behalf of CREDEM CB S.r.l.

By:

Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Listing [Official list of the Luxembourg Stock Exchange/(*specify other*)/ None]

(ii) Admission to trading [Application [is expected to be/has been] made by the Issuer (or on its behalf) [for the Covered Bonds to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on] [the regulated market of the Luxembourg Stock Exchange/*specify other regulated market*] with effect from [•]]/[Not Applicable.]

(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)

(iii) Estimated admission to trading expenses [•]

2. RATINGS

[Applicable/Not Applicable]

Ratings:

The Covered Bonds to be issued have been rated:

[Moody's: [•]]

[Fitch: [•]]

[[Other]: [•]]

(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[The credit ratings included or referred to in these Final Terms [have been issued by Moody's and Fitch, each of which is established in the European Union and

registered under Regulation (EC) No 1060/2009 as amended from time to time, including also by Regulation (EU) no. 513 of 2011 and Regulation (EU) no. 462 of 2013 (the “**CRA Regulation**”) [As such Moody's and Fitch are included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation as of the date of these Final Terms.

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

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its] affiliates in the ordinary course of business” [*Amend as appropriate if there are other interests*]

4. **[Fixed Rate Covered Bonds only – YIELD]**

Indication of yield: [•]

5. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

Any Relevant Clearing System(s) other than [Not Applicable/*give name(s), address(es) and*

Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): *number(s)*

Delivery: Delivery [against/free of] payment

Representative of the Noteholders (if any): [•]

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

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]*(Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be held in a form which would allow Eurosystem eligibility (i.e. issued in dematerialised form (emesse in forma dematerializzata) and wholly and exclusively deposited with Monte Titoli in accordance with 83-bis of Italian legislative decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in article 83-quater of such legislative decree) and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.)*

6. DISTRIBUTION

(i) Method of distribution: [Syndicated/Non-syndicated]

(ii) If syndicated, names and business addresses of Managers [Not Applicable/give names and business address]

(iii) Name(s) and business address(es) of Stabilising Manager(s) (if any): [Not Applicable/give names and business address]

- (iv) If non-syndicated, name and [Not Applicable/*give names and business*
business addressee of Dealer: *address*

- (v) U.S. Selling Restrictions: [Reg. S Compliance Category]

PRO FORMA REGISTERED COVERED BONDS

The following is the form of Registered Covered Bonds (the pro forma certificate with the relevant Conditions attached as Schedule 1 and the relevant Final Terms attached as Schedule 2)

FORM OF REGISTERED COVERED BONDS

REGISTERED COVERED BONDS

THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

CREDITO EMILIANO S.P.A.

SERIES [●] REGISTERED COVERED BONDS

[Insert currency and principal amount]

[Insert currency and principal amount in words]

Issue Date: *[insert date]*

Maturity Date: *[insert date]*

*[if the Registered Covered Bonds has an Extended Maturity Date, insert: Extended Maturity Date:
[insert date]]*

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

CREDEM CB S.R.L.

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

This certificate evidences the Series [●] registered Covered Bonds (the "**Registered Covered Bonds**") of Credito Emiliano S.p.A. with its registered office in Reggio Emilia, Via Emilia San Pietro, 4, Italy, (the "**Issuer**") described, and having the provisions specified, in the Conditions attached as Schedule 1 hereto (the "**Registered Covered Bonds Conditions**") which forms an integral part thereof and in the Final Terms attached under Schedule 2 (the "**Registered Covered Bonds Final Terms**"). Words and expressions defined or set out in the Registered Covered Bonds Conditions and in the Registered Covered Bonds Final Terms shall have the same meaning when used in this certificate.

The Issuer shall pay to the registered holder of this Registered Covered Bonds the amounts payable in respect thereof pursuant to the Registered Covered Bonds Conditions and the Registered Covered Bonds Final Terms.

The rights and claims arising out of the Registered Covered Bonds as well as the title to this certificate will be transferred solely on the basis of due registration in the Register held by [●] as Registrar. Solely the duly registered holder of Registered Covered Bonds in the Register may claim payments under the Registered Covered Bonds.

The Issuer hereby certifies that at the date hereof [*insert name and complete address of Bondholder*] has been entered in the Register as the holder of this Registered Covered Bonds in the aforesaid principal amount.

This Registered Covered Bonds shall not be valid unless authenticated by the Registrar.

This Certificate is written in the English language [and provided with a [●] language translation.] The English text shall be prevailing and binding. [The [●] language translation is provided for convenience only.]

[*insert issue date*]

CREDITO EMILIANO S.P.A.

SIGNED by [*insert name of individual*]

As an authorised signatory

For **CREDITO EMILIANO S.P.A.**

**Authenticated without recourse,
warranty or liability by**

[●] as Registrar

By:

* * * * *

SCHEDULE 1

REGISTERED COVERED BONDS CONDITIONS

[*TO BE COPIED IN FROM SECTION "CONDITIONS OF THE COVERED BONDS" OF THE PROSPECTUS UPON EXECUTION OF THIS PRO-FORMA REGISTERED COVERED BOND*]

* * * * *

SCHEDULE 2

REGISTERED COVERED BOND FINAL TERMS

[*FINAL TERMS TO BE ATTACHED UPON THEIR EXECUTION*]

USE OF PROCEEDS

The net proceeds of the sale of the Covered Bonds will be used by the Issuer for general funding purposes of Credito Emiliano S.p.A..

THE ISSUER

The Issuer's annual audited consolidated financial statements at 31 December 2013 (the "2013 Annual Financial Statements") and its unaudited half yearly condensed consolidated financial statements at 30 June 2014 (the "2014 half-year condensed consolidated Financial Statements") have been prepared in accordance with IFRS.

The 2013 Annual Financial Statements include comparative figures showing, inter alia, income statement and balance sheet items as at and for the year ended 31 December 2012.

The 2014 half-year condensed consolidated Financial Statements include comparative figures for the period ended 30 June 2013 and balance sheet items as at 31 December 2013.

The Issuer's annual audited consolidated financial statements at 31 December 2012 (the "2012 Annual Financial Statements") and its unaudited half yearly condensed consolidated financial statements at 30 June 2013 (the "2013 half-year condensed consolidated Financial Statements") have been prepared in accordance with IFRS.

The 2013 and 2012 annual Financial Statements and the 2013 half-year condensed consolidated Financial Statements have been, respectively audited and reviewed by Deloitte & Touche S.p.A. The 2014 half-year condensed consolidated Financial Statements has been reviewed by Reconta Ernst & Young S.p.A. The reports issued by Deloitte & Touche S.p.A. and Reconta Ernst & Young S.p.A. are incorporated by reference into the Base Prospectus (see "Documents Incorporated by Reference").

Introduction and History

Credito Emiliano S.p.A. (the "**Issuer**" or the "**Bank**") was incorporated in Italy as a joint stock company (*società per azioni*) under the provisions of the Italian Civil Code on 12 July 1973 (with the name Interfinanziaria S.p.A.) and it is registered in the company register of Reggio Emilia under number 01806740153 (Article 4 of the Issuer's By-laws provides for it to be incorporated until 31 December 2050). Its corporate objectives, as set out in Article 3 of the By-laws, are the collection of savings and lending in its various forms as well as carrying out all activities and banking and financial services accorded to banks including financings and other specially regulated activities. Its registered office is at Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy, and its investor relations telephone number is +39 0522 582785.

The Issuer and its subsidiaries (together, the "**CREDEM Group**" or the "**Group**") form a medium-sized, multi-regional bank group based in the region of Emilia Romagna in northern Italy. Having operated originally as a retail bank, the CREDEM Group now provides a full range of commercial and asset management services. An expansion plan commenced in the 1970s has given the Issuer a national presence based on its local origins: it is now active throughout the whole of Italy whilst maintaining a strong presence in Emilia Romagna. As at 30 June 2014, the CREDEM Group comprised 13 companies (known as the "Banking Group" perimeter – Credemvita, as a life insurance company, despite it is fully owned by the Issuer and it is consolidated line-by-line, it is not included into "Banking Group" perimeter) operating in a wide range of financial activities.

The Issuer was established in 1910 as Banca Agricola Commerciale di Reggio Emilia, a local private bank in the northern region of Emilia Romagna. The current denomination of Credito Emiliano S.p.A. has been used since 1983 following the acquisition of Banca Belinzaghi di Milano, the first step taken by the Issuer towards expansion on a national level.

During the 1990s, the CREDEM Group undertook an active acquisition campaign, taking over almost thirty small Italian banks, mainly located in the southern part of Italy. In 1994, CREDEM acquired Euromobiliare S.p.A. (“**Euromobiliare**”), a banking group active in the investment banking and asset management sectors, from HSBC. Euromobiliare was merged with the Issuer in 1997 and since the October of the same year, the Issuer has been listed on the Italian Stock Exchange.

As at 30 June 2014 the CREDEM Group had 543 branches operating across 19 regions and 91 provinces of Italy. The Issuer has had a branch in Luxembourg since 1996, that following the acquisition of Banco di Napoli International Lux S.A. in 1999, became CREDEM International Lux S.A. (“**CREDEMLux**”)

Principal Markets

The core business of the CREDEM Group focuses on the retail market, the small and medium-sized enterprise market and the wealth management business. The Issuer is active in all areas of domestic retail and commercial banking and also operates, through its subsidiaries, in mutual fund management, leasing, factoring and insurance.

Business Overview

At 30 June 2014, the CREDEM Group reported net interest and other banking income equal to €566.9 million (it was equal to €984.0 million as at 31 December 2013).

The Issuer’s business focuses on the following two main areas: commercial banking and wealth management.

Commercial Banking

Commercial banking activities are conducted by the Issuer and certain other subsidiaries within the CREDEM Group: Credemleasing S.p.A. (“**Credemleasing**”), Credemfactor S.p.A. (“**Credemfactor**”), Banca Euromobiliare S.p.A. (“**Banca Euromobiliare**”), as well as the Issuer’s subsidiary in Luxembourg. As at 30 June 2014, the Issuer contributed €62.7million (or 63.4 per cent.) to the CREDEM Group’s net profit, compared to €40.2million as at 30 June 2013 (or 56.7 per cent.). For the same period, Credemleasing contributed €5.0 million (or 5.0 per cent.) to the CREDEM Group’s net profit, compared to €4.5 million (or 63 per cent.) in the same period last year.

Wealth Management

As at 30 June 2014, the CREDEM Group had over €19.5 billion in customer assets under management. Asset management activities of the CREDEM Group are organised through Euromobiliare Asset Management SGR S.p.A. (“**Euromobiliare Asset Management**”), Credem Private Equity SGR S.p.A. (“**Credem Private Equity**”) and Euromobiliare Fiduciaria S.p.A. (“**Euromobiliare Fiduciaria**”). Moreover, as at 30 June 2014, the CREDEM Group had also €3.9 billion in Insurance Reserves, managed through Credemvita S.p.A. (“**Credemvita**”).

Financial Highlights of the CREDEM Group

The following table shows selected financial highlights (consolidated) at 31 December 2013 and 2012 and at 30 June 2014 and 2013:

<i>€ millions</i>	31 December,		30 June,	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2012	2013	2013	2014
Total assets	30,748.7	31,530.8	31,200.1	33,319.0
Total liabilities and minority interests	28,764.0	29,375.4	29,178.6	31,015.4
Group shareholders' Equity	1,984.7	2,155.4	2,021.5	2,303.5
Profit (loss) attributable to the Parent Company	121.2	115.9	71.0	99.0

Ownership and Capital Structure of the Issuer

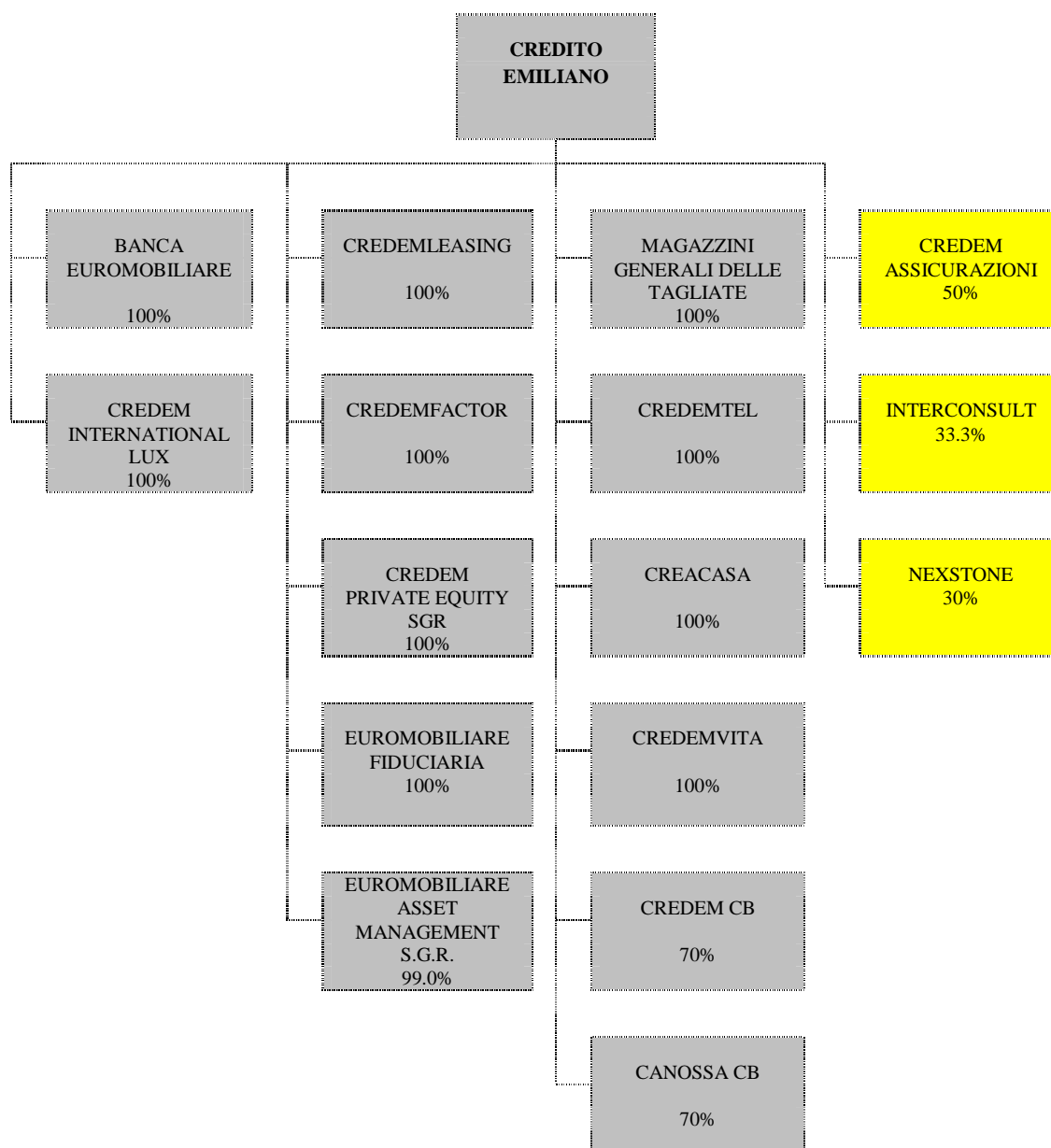
As at 30 June 2014, the authorised share capital of the Issuer was €332,392,107 and the issued share capital was €332,392,107, divided into 332,392,107 ordinary shares of €1.00 each. As at the same date, the share capital was fully paid-up, no convertible debt existed and the Issuer own 1,106,875 own shares, corresponding to 0.33 per cent. of the share capital.

The Issuer is controlled by Credito Emiliano Holding S.p.A. (“**CredemHolding**”). The major shareholders of CredemHolding are Cofimar S.r.l. (which, as at 30 June 2014, owned 19.97 per cent.), Max Mara Fashion Group S.r.l. (8.10 per cent.), Max Mara Finance S.r.l. (8.3 per cent.), Pictet & Cie S.A. (4.99 per cent.), Fincorrad S.r.l. (3.35 per cent.), Eredi Savioli S.r.l. (3.15 per cent.) and Padana Tubi e Profilati Acciaio S.p.A. (2.14 per cent). This group, together with various local families most of whom were amongst the original founders of the bank at the beginning of the century, have formed a shareholders' pact controlling 75.2 per cent. of the shares in CredemHolding. The remaining 24.8 per cent. of the shares in CredemHolding are owned by approximately 2,800 other shareholders.

As at 30 June 2014, CredemHolding held 76.87 per cent. of the Issuer's share capital. The remaining 23.13 per cent. of the shares in the Issuer are quoted on the Italian Stock Exchange and are widely held.

Structure of the CREDEM Group

The following diagram shows the organisation of the CREDEM Group as at 30 June 2014.



Notes:

- The percentages refer to directly or indirectly exercisable voting rights.
- The highlighted equity investments are valued under the equity method.

The following table provides certain information relating to the significant consolidated subsidiaries of the Issuer as at 30 June 2014.

Company	Registered	Type of	Shareholding Relationship
---------	------------	---------	---------------------------

	<u>office</u>	<u>Relationship</u>	<u>Shareholder</u>	<u>Share %</u>
Consolidated line-by-line:				
CREDEM International (Lux) S.A.	Luxembourg	1	Credito Emiliano	99.99
			Banca Euromobiliare	0.01
Credemleasing S.p.A.	Reggio Emilia	1	Credito Emiliano	99.90
			Magazzini Generali delle Tagliate	0.10
Credemfactor S.p.A.	Reggio Emilia	1	Credito Emiliano	99.00
			Credemleasing	1.00
Credem Private Equity SGR S.p.A.	Reggio Emilia	1	Credito Emiliano	87.50
			Banca Euromobiliare	12.50
Euromobiliare Asset Management SGR S.p.A.	Milan	1	Credito Emiliano	99.03
Credemtel S.p.A.	Reggio Emilia	1	Credito Emiliano	100.00
Creacasa S.r.l.	Reggio Emilia	1	Credito Emiliano	100.00
Magazzini Generali delle Tagliate S.p.A.	Reggio Emilia	1	Credito Emiliano	100.00
Banca Euromobiliare S.p.A.	Milan	1	Credito Emiliano	100.00
Euromobiliare Fiduciaria S.p.A.	Milan	1	Credito Emiliano	100.00
Credemvita S.p.A.	Reggio Emilia	1	Credito Emiliano	100.00
Credem CB S.r.l.	Conegliano	1	Credito Emiliano	70.00
Canossa CB S.r.l.	Conegliano	1	Credito Emiliano	70.00
Consolidated using the equity method:				
Credemassicurazioni S.p.A.	Reggio Emilia	2	Credito Emiliano	50.00
Interconsult	Luxembourg	3	CREDEM International (Lux) S.A.	33.33
Nextone S.r.l.	Milan	3	Credito Emiliano	30.00

Type of relationship:

1 = majority of the voting rights of ordinary Shareholders' Meeting

2 = joint control

3 = associated companies

Strategy of the CREDEM Group

The CREDEM Group's strategy focuses on value creation, and has been developed over time through different phases, beginning in 1990, as discussed further below.

- *1990–1999: External growth* - through the acquisition of more than 30 small banks and Euromobiliare Group from Midland Bank.
- *2000–2003: Internal growth* - through divisionalisation, the opening of new branches and the creation of corporate centres, achieving sizeable market share increases.
- *2004–2006: Focus on profitability* - by capitalising on the recent expansion of the CREDEM Group and continuing to develop market shares.
- *2006–2008: Focus on profitability* - strengthening the role of the core businesses and maintaining volume increases above market average.
- *2009–2012: Facing the global crisis* – lowering the Group's risk profile both in term of market and credit risks while increasing the Group's focus on commercial banking business, capital ratios soundness and organisation efficiency.
- *2013: Taking advantage from a restructuring banking system* – achieving a sizeable market shares increase both on lending and on direct and indirect deposits, investing in new technologies and commercial network while banking system has still to face the consequences of a five years economic recession.

In order to pursue a strategy aimed at expanding Issuer's core commercial banking business, CREDEM Group has:

- Started back to increase the number of employees, in order to sustain both commercial salesforce and IT department (plus 102 employees as at 30 June 2014 more than 2012 year-end figure), as well as the Financial Advisors network (plus 38 financial advisors as at 30 June 2014 more than 2012 year-end figure).
- Set up a “developing salesforce”, aim only at acquired new corporate and retail customers, which account for more than 6% of total employees, as at 30 June 2014.
- Developed a new business line with 114 agents (as of the end of June 2014) with a mandate for “salary backed loans”.
- Increase significantly investments on new technologies/ products, as confirmed by the evolution of amortisation & depreciation (which, in the first six months of 2014, were higher by 21% in comparison with the first six months of 2012).

The Group is currently undergoing the approval procedure of its rating system in compliance with Basel II IRB Advanced methodology, either for corporate and retail loan portfolios.

DISTRIBUTION CHANNELS AND RESOURCES

As at 30 June 2014, the CREDEM Group's distribution network consisted of 543 branches, 43 corporate centres and 51 financial stores, with 788 financial advisors, 264 agents of Creacasa and 114 agents with Credem exclusive mandate for “salary backed loans”. The following table shows the distribution network of the CREDEM Group as at the dates indicated.

	31 December	31 December	30 June	
Distribution Structure	2012	2013	2013	2014
Credito Emiliano and others	538	525	529	524
Banca Euromobiliare	19	19	18	19
Branches	557	544	547	543

Corporate Centres 42 42 42 43

Financial Outlets 45 47 46 51

Branch Network

The following table shows the geographical distribution of the CREDEM Group branch network as at 30 June 2014.

Region	Number	%
Trentino Alto Adige	4	0.7
Piemonte	19	3.5
Liguria	8	1.5
Lombardia	72	13.3
Veneto	28	5.2
Friuli-Venezia Giulia	7	1.3
Emilia Romagna	127	23.4
Marche	8	1.5
Abruzzo	3	0.6
Toscana	39	7.2
Umbria	5	0.9
Lazio	27	5.0

Region	Number	%
Molise	1	0.2
Campania	44	8.1
Puglia	50	9.2
Basilicata	2	0.4
Calabria	32	5.9
Sicilia	62	11.4
Sardegna	5	0.9
Total	543	100.0

Employees

The CREDEM Group had 5,711 employees as at 30 June, 2014, compared to 5,609 employees as at 31 December 2013 and 5,651 employees as at 30 June 2013.

COMMERCIAL BANKING

Funding Activities

The CREDEM Group's total funding activities amounted to €26,415 million as at 30 June 2014.

The table below shows the composition of the consolidated funding activities as at 31 December 2012 and 2013 and 30 June 2013 and 2014:

	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
<i>€ millions</i>	<i>2012</i>	<i>2013</i>	<i>2013</i>	<i>2014</i>
Deposits from banks	5,669	5,287	5,984	5,752
Due to customers	14,457	15,112	14,360	15,025
Debt securities issued	4,075	4,135	3,937	4,308

Financial liabilities held for trading	233	107	132	103
Financial liabilities valued at fair value	921	1,104	930	1,227
Total funding activities	25,355	25,745	25,343	26,415

Interbank Deposits

As at 30 June 2014, 21.8 per cent. of the CREDEM Group's funding activities was represented by deposits from Italian and foreign banks. Total interbank deposits totalled €5,751,681 thousands as at 30 June 2014 (compared to €5,286,863 thousands as at 31 December 2013 and 5,983,657 thousands as at 30 June 2013).

A breakdown of interbank deposits as at 31 December 2012 and 2013 and 30 June 2013 and 2014 is provided in the table below:

€ thousands	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2012	2013	2013	2014
Deposits from central banks	5,041,215	3,039,661	5,058,229	2,378,207
Deposits from banks	627,334	2,247,202	925,428	3,373,470
- current accounts and demand deposits	136,814	123,312	121,401	139,226
- term deposits and loans	489,832	2,123,253	802,493	3,233,432
- amount due for repurchase agreements on own equity investments	-	-	-	-
- other amounts due	688	637	1,534	812
Total	5,668,549	5,286,863	5,983,657	5,751,677

Customer Deposits

The CREDEM Group offers its retail and corporate customers a wide range of deposit products, including savings accounts, current accounts, bonds and term deposits. As at 30 June 2014, banking direct deposits (including repurchase agreements) amounted to €18,343 million (an increase of 4.3 per cent. compared to €17,592 million as at 30 June 2013 and of 1.5 per cent. compared to €18,072 million as at 31 December 2013). At the same date, 74.6 per cent. of banking direct deposits were represented by current and savings accounts. Customer deposits are brought in through the CREDEM Group's branch network (see "*Distribution Channels and Resources*") and through relationship management with corporate clients.

A breakdown of customer deposits as at 31 December 2013 and 2012 and 30 June 2014 and 2013 is provided in the table below:

€ millions	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2012	2013	2013	2014
Current & savings accounts	13,066	13,625	13,300	13,687
Certificates of deposit	3	2	2	1
Other	253	258	286	306
Deposits	13,322	13,885	13,588	13,994
Bonds and subordinated debt	4,149	4,187	4,004	4,349
Direct deposits excluding repurchase agreements	17,471	18,072	17,592	18,343
Repurchase agreements	-	-	-	-
Banking direct deposits	17,471	18,072	17,592	18,343
Insurance reserves	2,617	3,236	2,834	3,921
Indirect deposits at countervalue	32,007	34,061	31,819	37,628
Grand Total	52,095	55,369	52,245	59,892

As at 30 June 2014, total customer deposits totalled €59,892 million, and approximately 62.8 per cent. (€37,628 millions) of total customer deposits consisted of indirect deposits.

A breakdown of indirect deposits as at 31 December, 2013 and 2012 and 30 June, 2014 and 2013 is provided in the table below:

€ millions	31 December		30 June	
	2012	2013	2013	2014
Indirect deposits at countervalue	32,007	34,061	31,819	37,628
- of which assets under management	16,215	17,687	16,812	19,522
- of which assets under custody	15,792	16,374	15,007	18,106

Subordinated Notes

As at 30 June 2014, subordinated notes of the CREDEM Group totalled €478,993 thousands (a 22.2 per cent. decrease compared to €615,592 thousands as at 31 December 2013 and a 33.7 per cent. decrease compared to €722,145 thousands as at 30 June 2013), as set out in the table below:

31 December	30 June
<i>(audited)</i>	<i>(unaudited)</i>

<i>€ thousands</i>	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
Subordinated Notes	765,065	615,952	722,145	478,993

Bonds and Securities Portfolio

As at 30 June 2014, the value of the Issuer's bond and securities portfolio was €10,101,307 thousands (a 16.0 per cent. increase compared to €8,709,184 thousands as at 30 June 2013).

The following table provides a breakdown of the Issuer's bond and securities portfolio by book value as at the dates indicated:

<i>€ thousands</i>	<u>31 December</u>		<u>30 June</u>	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2012	2013	2013	2014
Debt securities	5,822,897	7,409,966	7,389,959	8,247,323
Equities securities	20,111	15,729	26,264	13,302
Units of UCITS	1,131,806	1,601,415	1,136,263	1,730,672
Derivatives instruments	236,016	121,414	156,698	110,011
Total bond and securities portfolio	7,210,830	9,148,524	8,709,184	10,101,308

As at 31 December 2013, securities portfolio contained the following categories of securities, compared with the portfolio as at 31 December 2012.

<i>€ thousands</i>	<u>31 December 2012</u>	<u>31 December 2013</u>
	<i>(audited)</i>	<i>(audited)</i>
Debt securities	5,822,897	7,409,966
• Level 1	5,536,121	6,584,881
• Level 2	223,770	816,094
• Level 3	63,006	8,991
Equity securities	20,111	15,729
• Level 1	6,306	2,306
• Level 2	780	-
• Level 3	13,025	13,423
Units of UCITS	1,131,806	1,601,415

• Level 1	1,076,555	1,562,116
• Level 2	4,285	888
• Level 3	50,966	38,411
Derivatives instruments	236,016	121,414
• Level 1	448	81
• Level 2	235,394	121,332
• Level 3	174	1
Total bond and securities portfolio	7,210,830	9,148,524

IFRS 7 calls for classifying instruments being measured at fair value as a function of the ability to observe the inputs used for pricing. To be specific, three levels are specified:

- Level 1: the fair value of instruments classified in this level is based on quotation prices observed in active markets;
- Level 2: the fair value of instruments classified in this level is based on valuation models that use inputs that can be observed in the market;
- Level 3: the fair value of instruments classified in this level is based on valuation models that primarily use inputs that cannot be observed in the market.

Lending Activities

The CREDEM Group, through the Issuer and its banking subsidiaries, conducts activities in the corporate and retail lending sectors in Italy. As at 30 June 2014, consolidated total loans were €21,292 million, of which €20,372 million represented net bans to customers and €920 million represented loans to banks.

The following table shows the consolidated value of loans to non-bank customers for the periods indicated:

	<u>31 December</u>		<u>30 June</u>	
	<i>(audited)</i>		<i>(unaudited)</i>	
<i>€ millions</i>	2012	2013	2013	2014
Loans to customers				
• Net of repurchase agreements	19,949	19,938	19,814	20,372
• Repurchase agreements	694	-	-	-
Total	20,643	19,938	19,814	20,372

The most significant sector of the CREDEM Group's business was lending to households and small businesses. A breakdown of loans to customers by type of borrower (according to Bank of Italy classifications) as at 31 December 2012 and 2013 and 30 June 2013 and 2014 is provided below:

	31 December				30 June			
	<i>(audited)</i>				<i>(unaudited)</i>			
	2012		2013		2013		2014	
	<i>€ millions</i>	<i>%</i>	<i>€ millions</i>	<i>%</i>	<i>€ millions</i>	<i>%</i>	<i>€ millions</i>	<i>%</i>
Governments and other public entities	240	1.2	203	1.0	209	1.1	218	1.1
Financial institutions	998	4.8	337	1.7	330	1.7	701	3.4
Non financial institutions	10,365	50.2	10,392	52.1	10,283	51.9	10,671	52.4
Others	9,040	43.8	9,006	45.2	8,992	45.4	8,783	43.1
Total	20,643	100.0	19,938	100.0	19,814	100.0	20,372	100.0

A breakdown of customer loans by instrument, as at 31 December 2013 and 2012 and 30 June 2014 and 2013 is provided below:

	31 December				30 June			
	<i>(audited)</i>				<i>(unaudited)</i>			
	2012		2013		2013		2014	
	<i>€ millions</i>	<i>%</i>	<i>€ millions</i>	<i>%</i>	<i>€ millions</i>	<i>%</i>	<i>€ millions</i>	<i>%</i>
Current accounts	3,880	18.8	3,070	15.4	3,405	17.2	3,110	15.3
Repurchase agreements	694	3.4	-	-	-	-	93	0.5
Mortgages	9,352	45.3	8,854	44.4	9,104	45.9	8,888	43.6
Credit cards, personal loans and salary-backed loans	646	3.1	777	3.9	694	3.5	848	4.2
Finance lease	1,767	8.6	1,757	8.8	1,763	8.9	1,816	8.9
Factoring	526	2.5	549	2.8	462	2.3	504	2.5
Other transactions	3,063	14.8	4,143	20.8	3,614	18.2	4,313	21.2
Debt securities	-	-	-	-	-	-	-	-
Impaired assets	715	3.5	788	4.0	772	3.9	799	3.9

Total	20,643	100.0	19,938	100.0	19,814	100.0	20,372	100.0
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Impaired Loans

The following table shows a breakdown of loans to customers and provisions for the period ended 31 December 2013 (*audited*):

<i>€/millions</i>	<u>Gross exposure</u>	<u>Specific value adjustments</u>	<u>Net exposure</u>
Impaired loans:			
Doubtful loans	740.8	430.8	310.0
Substandard loans	408.4	58.3	350.2
Restructured loans	25.1	2.0	23.1
Past-due loans	111.0	5.9	105.1
Total impaired loans	1,285.3	497.0	788.4

Doubtful loans represent exposure towards customers in a state of insolvency, where legal or other action has been implemented to recover funds outstanding. Substandard loans are due from customers facing temporary difficulties. Restructured loans represent amounts covered by applications for consolidation presented to multiple banks, and are those where, on agreeing a moratorium for the original repayment plan, the new rate of interest is below the market rate. Unsecured loans to nations at risk are loans granted to residents of countries that have difficulty in servicing debt.

The relative trend of impaired loans relating to the CREDEM Group is illustrated in the following table:

	<u>31 December</u>		<u>30 June</u>	
	<i>(audited)</i>		<i>(unaudited)</i>	
<i>€ millions (except percentages)</i>	2012	2013	2013	2014
Doubtful loans/net loans and receivables with customers (%)				
CREDEM Group	1.3	1.6	1.5	1.6
Industry*	3.7	4.7	4.1	4.8
Provisions for losses on Doubtful (%)				
CREDEM Group	55.4	58.2	55.9	59.3
Gross exposures				
Doubtful loans	601.1	740.8	660.1	804.2

	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
Substandard loans	360.2	408.4	398.9	420.2
Restructured loans	23.0	25.1	25.1	26.2
Past-due loans	115.7	111.0	119.7	87.5
Total impaired loans	1,100.0	1,285.3	1,203.8	1,338.1
Specific write-downs	385.3	497.0	432.1	539.4
Net exposures				
Doubtful loans	268.4	310.0	290.9	327.1
Substandard loans	315.6	350.2	344.3	366.2
Restructured loans	21.0	23.1	23.2	22.4
Past-due loans	109.7	105.1	113.2	83.1
Total net exposures	714.6	788.4	771.7	798.7

* Industry figures are taken from the following source: *Economic Bulletin - Bank of Italy*.

The CREDEM Group's percentage of provisions for losses on Doubtful loans is 59.3 per cent as at 30 June 2014.

Second Covered Bond Programme

In 2012 the Issuer has established a second Covered Bond programme selling credits to a new "special purpose vehicle", Canossa CB S.r.l., with the aim to issue retained-covered bond. The rating agency is Fitch. On that programme, as at 30 June 2014, the Issuer has issued three retained-covered bonds on August and November 2012 and on May 2013 for an amount respectively of €140 million (maturity date: 13 February 2015), €650 million (maturity date: 19 May 2015) and €500 million (maturity date: 29 May 2015). These retained-covered bonds have been used under refinancing operations with ECB.

Loans to banks

Loans and placings with banks totalled €920,5 million as at 30 June 2014 (compared to €633,6 million as at 31 December 2013, representing an increase of 45.3 per cent. and compared to €833,2 million as at 30 June 2013, representing an increase of 10.5 per cent.) broken down by facility type as follows:

€ thousands	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2012	2013	2013	2014
Loans to central banks	149,147	132,314	226,461	187,612
Term deposits	-	-	-	-
Compulsory reserves	149,147	132,314	226,461	187,612
Repurchase agreements	-	-	-	-
Others	-	-	-	-
Loans to banks	797,552	501,322	606,752	732,868
Current accounts and demand deposits	323,195	218,333	231,227	355,917
Term deposits	346,659	244,493	256,379	337,528
Others	6,596	1,602	7,234	3,190
Debt securities	121,102	36,894	111,912	36,233
Impaired Assets	-	-	-	-
Total	946,669	633,636	833,213	920,480

LEASING AND FACTORING

Credemleasing has been operating in the leasing market since 1980. The company operates through branches located in Emilia Romagna, Campania, Lazio, Lombardia, Piemonte, Sicilia, Toscana, Puglia, Calabria and Veneto, and has set-up a series of sub-branches in certain offices of the Issuer and the other banks in the CREDEM Group throughout other regions of Italy. It is active in all areas of financial leasing: vehicles, plant and machinery, real estate and shipping. Today, it is among the leading twenty leasing companies operating in Italy (*Source: ASSILEA- Associazione Italiana Leasing*, of which Credemleasing is one of the founding partners).

As at 30 June 2014, Credemleasing signed 1,455 contracts with customers (compared to 1,404 as at 30 June 2013) for a total value of €247.4 million (compared to €155.2 million as at 30 June 2013), of which €137.1 million was represented by real estateleasing (compared to €98.4 million as at 30 June 2014). Total leasing receivables as at 30 June 2014 amounted to €2,052 million, compared to €2,012 million as at 30 June 2013.

Factoring activities within the CREDEM Group are organised through Credemfactor. Credemfactor was established in 1986 and is based in Reggio Emilia, with branches in Bologna, Bari/Bisceglie, Catania, Milano, Napoli, Padova, Palermo, Prato, Reggio Emilia, Roma, Torino and trading points at offices of other banks of the CREDEM Group throughout Italy. As at 30 June 2014 the company's net profit amounted to €4.0 million, compared to €4.0 million for the same period of 2013.

WEALTH MANAGEMENT

As at 30 June 2014, total asset under management amounted to €19,522 million of which mutual funds and SICAVs amounted to €9,214 million.

The business is operated through Euromobiliare Asset Management, Credem Private Equity and Euromobiliare Fiduciaria.

Other CREDEM Group companies active within the asset management division include the insurance company Credemvita S.p.A.

OTHER SERVICES

Credemtel S.p.A. offers technical support to the interbank corporate banking services division. The company's net profit as at 30 June, 2014 amounted to €913 thousands, an increase to net profit of €767 thousands in the first six months of 2013.

Magazzini Generali delle Tagliate S.p.A. is based in Reggio Emilia and offers cheese warehousing and maturing services. Net profit as at 30 June 2014 amounted to €366 thousands, compared to €215 thousand for the first six months of 2013.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

Risk management for the CREDEM Group is performed by means of an integrated department which processes information regarding customers and the market. The Issuer's risk management policy is based on a stringent control of financial risks. Risk management procedures are developed and monitored by a department which is external to the Finance Area. The rules relating to the Group's financial risks require regular reporting and supply of other information to the Issuer's senior management, committees and board of directors. Risk management and monitoring activity is undertaken by screen-based and electronic systems (such as MID, MTS, Dealing 2000, fiches, position keeping), which allow a real-time updating of the Group's positions. The risk management system is based on gap, duration and convexity analysis. An asset and liability committee, which meets on a quarterly basis, monitors the Group's overall trend and exposure to financial risks. Derivative products are used principally for hedging purposes, or for trading with the customer base.

In relation to the control of market risks, the Group's risk management policy focuses principally on the Issuer, by means of a system that allows both individual and joint monitoring. Overall average risk (banking book and trading book), calculated using VAR methodology (using confidence intervals of 99 per cent., 10-day intervals and multiplying coefficient equal to 3 in accordance with the Bank of Italy's most recent requirements) stood at the following values as at the dates indicated:

<i>€ millions</i>	<u>31 December 2012</u>		<u>31 December 2013</u>		<u>30 June 2014</u>	
	<u>Avg.</u>	<u>Max.</u>	<u>Avg.</u>	<u>Max.</u>	<u>Avg.</u>	<u>Max.</u>
CREDEM	57.3	99.2	64.8	121.1	40.1	58.1
Credemleasing	2.9	4.3	2.2	3.2	1.9	3.1
Banca Euromobiliare	0.4	0.5	0.3	0.5	0.3	0.5

Credit Procedures

The main objectives of the Issuer's credit policy is to increase customer loans whilst maintaining a high credit quality and avoiding impaired loans.

The Issuer targets small-to medium-sized companies, offering itself as a strategic and not merely a financial partner. The main basis for granting credit lines is the borrowing companies' ability to generate income and cash flow.

The Issuer's credit risk management remains centralised, and is based on a separation of the roles of the credit proposer/customer relations officer and that of the credit approval officer.

A Central Credit Analysis Department, created to ensure separation of roles, approves the majority of the Issuer's loans. Thus the branches to whom the role of proposing and managing the loans is delegated decide only on a limited portion of the Issuer's loans.

The customer relationship officer is responsible for gathering all necessary information regarding the customer to enable an analysis of its current and prospective credit-worthiness. The responsibility of the deliberating officer or body is to evaluate customer's credit-worthiness and thus to establish the appropriateness of the proposal. Particular care is taken in the analysis of credit requests relating to the construction and property sector and aimed at financing companies in general, as well as medium-long-term financing and participations in syndicated loans.

The decision making process is as follows:

- (a) information gathering;
- (b) analysis of the information (balance sheet, budget, statistic data and sector analysis);
- (c) granting of an internal rating (this is a synthetic indicator of the client's risk level); and
- (d) definition of the amount and of the structure of credit lines and securities.

Credits are then regularly reviewed in a six- to 24-month period.

The number of officers involved in the credit decision process depends on the size of the credit being extended, according to an internal procedure that appoints increasing powers of approval to officers at different levels of management.

Maximum potential credit limits for each customer are defined by Bank of Italy regulations.

The Issuer has moved to the internal ratings based (“**IRB**”) foundation approach under Basel 2, at least for its corporate portfolio. Its model was validated by the Bank of Italy in June 2008. The Group is also undergoing the approval procedure of its rating system in compliance with Basel II IRB Advanced methodology, either for corporate and retail loan portfolios.

As part of its credit policy the Issuer accepts both personal guarantees and pledged assets as collateral.

CAPITAL ADEQUACY

The Bank of Italy has adopted risk-based capital ratios (“**Capital Ratios**”) pursuant to European Community (“**EC**”) capital adequacy directives. Italy’s current capital requirements are, in many respects, similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices. The Capital Ratios, revised after numerous innovations introduced by new Basel 3 regulations in force from 1 January 2014, compare capital requirements to face bank’s assets and certain off-balance sheet items, weighted according to risks (Risk-Weighted Assets).

The Issuer calculates and reports its Capital Ratios on a consolidated basis. In accordance with Bank of Italy regulations, the Issuer is required to maintain a total Capital Ratio of at least 8 per cent.

The following table shows the CREDEM Group’s Common Equity Tier I and Tier II capital levels and relative ratios as at 31 December 2011 and 2012 and 30 June 2011 and 2012.

Capital Resources

€ millions	31 December			30 June	
	<i>(audited)</i>			<i>(unaudited)</i>	
	2012	2013	2013 (under Basel 3)	2013	2014 (under Basel 3)
Regulatory Capital	2,276.3	2,207.8	2,288.6	2,212.5	2,273.1
<i>of which Tier I capital (Common Equity Tier I capital under Basel 3 regulation)</i>	1,572.2	1,643.2	1,768.9	1,600.1	1,850.8

The following table illustrates capital adequacy according to Bank of Italy parameters:

(<i>€ millions</i>)	31 December			30 June	
	<i>(audited)</i>			<i>(unaudited)</i>	
	2012	2013	2013 (under Basel 3)	2013	2014

Capital absorption relative to the following risks:

• <i>Credit and counterparty risk</i>	1,195.7	1,185.8	1,149.8	1,192.3	1,184.4
• <i>Market risk</i>	22.0	18.0	24.2	28.5	24.4
• <i>Operational risk</i>	117.5	118.2	118.2	117.5	118.2
Total capital requirement	1,335.2	1,322.0	1,292.2	1,338.3	1,327.0
Tier 3 Capital	-	-	-	-	-
Regulatory Capital including Tier 3 Capital	2,276.3	2,207.8	2,288.6	2,212.5	2,273.1
Surplus capital	941.1	885.8	996.4	874.2	946.1
TIER 1 capital ratio (*) (%)	9.4	9.9	11.0	9.6	11.2
COMMON EQUITY TIER 1 capital ratio (*) (%)					
Total capital ratio (**) (%)	13.6	13.4	14.2	13.2	13.7
Minimum supervisory requirement	8.0	8.0	8.0	8.0	8.0

* TIER 1 (or COMMON EQUITY TIER 1) Capital / Risk-weighted assets

** Regulatory capital including Tier 3 Capital /Risk-weighted assets

MANAGEMENT

Board of Directors

The Board of Directors of the Issuer is responsible for the administration of its affairs. It oversees the overall performance of the CREDEM Group and approves significant transactions carried out by the Issuer and its subsidiaries.

The current Board of Directors of the Issuer, and the respective positions of the individual Directors, is set out below:

<u>Name</u>	<u>Position</u>	<u>Principal activities performed by the Directors outside the Issuer</u>
Giorgio Ferrari	Chairman of the Board of Directors	CPA
Ignazio Maramotti *	Vice Chairman	Entrepreneur

Lucio Zanon di Valgiurata *	Vice Chairman	Manager
Romano Alfieri	Director	Manager
Enrico Corradi *	Director	CPA
Giorgia Fontanesi	Director	Insurance agent
Ugo Medici*	Director	Manager
Ernestina Morstofolini**	Director***	Lawyer
Benedetto Renda	Director	Entrepreneur
Paola Schwizer**	Director	Professor
Corrado Spaggiari**	Director***	Lawyer
Giovanni Viani	Director	Manager

* Members of the Executive Committee

** Independent board members pursuant to Article 148, paragraph 3, of Legislative Decree No. 58 of 24 February, 1998, as amended

*** Directors elected on 19 December 2013, with a mandate duration is equal to other Directors

Pursuant to the Issuer's By-laws, the Board of Directors must at all times be composed of between 9 and 16 members, such number to be determined by the shareholders' general meeting. According to the By-laws, a *voto di lista* system is applied to elect the Board of Directors. In accordance with the By-laws, the Board of Directors is invested with complete powers of ordinary and extraordinary administration other than those reserved by applicable law or by the By-laws to the meeting of the shareholders. Pursuant to the By-laws, the Board of Directors is entitled to appoint and define the powers of an Executive Committee. Pursuant to applicable Italian law, directors may be elected for a term of up to three financial years and may be re-elected. The current Board of Directors was elected for a three-year term commencing 27 April 2012.

The business address of the Directors is Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy.

There are no conflicts of interest between any of the Board of Directors' duties to the Issuer and their private interests or other duties, except for those concerning deals approved by the Board of Directors in accordance with regulations in force (art. 2391 and 2391-*bis* of the Italian Civil Code, art. 136 of the Legislative Decree No. 385 of 1 September, 1993 as subsequently amended from time to time (*Codice di Autodisciplina*)).

Board of Statutory Auditors

Pursuant to Italian law, in addition to electing the Board of Directors, the Issuer's shareholders also elect a *Collegio Sindacale* (Board of Statutory Auditors) composed of three independent experts in accounting matters, plus two alternate auditors to replace statutory auditors who resign or are otherwise unable to serve. According to the By-laws, a *voto di lista* system is applied to elect the statutory auditors. The current Board of Statutory Auditors was elected for a three-year term commencing 30 April 2013.

The following table sets forth the names of the current members of the Board of Statutory Auditors as at the date of this Offering Circular.

<u>Name</u>	<u>Position</u>	<u>Principal activities</u>
Morandi Giulio	Chairman	CPA
Bergomi Maurizio	Auditor	CPA
Paglia Maria	Auditor	CPA
Tanturli Gianni	Alternate Auditor	CPA
Scalabrini Tiziano	Alternate Auditor	CPA

The business address of the Statutory Auditors is Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy.

There are no conflicts of interest between any of the Statutory Auditors' duties to the Issuer and their private interests or other duties, except for those concerning deals approved by the Board of Directors in accordance with regulations in force (art. 2392 and 2391-*bis* of the Italian Civil Code, art. 136 of the Legislative Decree No. 385 of 1 September, 1993 as subsequently amended from time to time (*Codice di Autodisciplina*)).

OVERVIEW OF THE FINANCIAL INFORMATION RELATING TO THE CREDEM GROUP

The financial statements set out below have been extracted without material adjustment from the most recently published audited annual accounts of the CREDEM Group as at and for the years ending 31 December 2013 and 2012 and from the unaudited half year condensed consolidated Financial Statements as at 30 June 2014 and 30 June 2013. The annual accounts have been audited by Deloitte & Touche S.p.A. The accounts have been prepared in accordance with International Accounting Standards.

The half-year condensed consolidated Financial Statements as at 30 June 2013 and the half year condensed consolidated Financial Statements as at 30 June 2014 have been reviewed, respectively by Deloitte & Touche S.p.A. and Reconta Ernst & Young S.p.A. in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. The review consisted mainly of obtaining information on the accounts included in the half-year condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in half-year condensed consolidated Financial Statements. The review excluded the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, no audit opinion is expressed on the half-year condensed consolidated financial statements.

We confirm that neither the 31 December 2013 nor the 31 December 2012 accounts have been refused nor do they contain any qualifications or disclaimers.

The following is a summary of the audited consolidated financial statements of the CREDEM Group as at, and for the years ended, 31 December 2013 and 2012, and a summary of the unaudited condensed consolidated financial statements of the CREDEM Group as at, and for the six months ended, 30 June 2014 and 2013.

Balance Sheet (in €/thousands)

	31 December 2012	31 December 2013	30 June 2013	30 June 2014
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash and cash equivalents	165,458	154,130	123,645	108,401
Financial assets held for trading	312,437	185,701	240,231	169,965
Financial assets valued at fair value	828,980	1,040,416	842,301	1,181,662
Financial assets available-for-sale	6,069,413	7,922,407	7,626,652	8,749,680
Financial assets held to maturity			-	
Loans to banks	946,699	633,636	833,213	920,480
Loans to customers	20,643,301	19,937,917	19,814,194	20,371,990
Hedging derivatives	174,872	102,357	117,604	155,326
Changes in value of macro-hedged financial assets (+/-)	79,640	33,885	63,108	57,503
Investments in associates and joint ventures	23,637	24,635	24,086	25,444
Insurance reserves attributable to reinsurers	1,949	2,283	2,173	2,291
Tangible assets	315,638	312,375	308,950	308,345

	31 December 2012	31 December 2013	30 June 2013	30 June 2014
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Intangible assets	370,387	374,308	366,370	367,796
<i>of which: goodwill</i>	287,295	287,295	287,295	287,295
Tax assets	253,764	264,290	228,066	225,293
<i>a) current</i>	63,679	79,444	51,989	58,945
<i>b) prepaid</i>	190,085	184,846	176,077	166,348
<i>b1) prepaid – of which for purpose of L.214/2011*</i>	37,343	70,346	42,139 ,,	73,140 ,
Non-current assets and groups of assets being disposed	-	-	-	-
Other assets	562,528	542,454	609,487	674,789
Total assets	30,748,703	31,530,795	31,200,080	33,318,965
Deposit from banks	5,668,549	5,286,865	5,983,657	5,751,681
Due to customers	14,456,923	15,111,576	14,360,195	15,024,740
Debt securities issued	4,075,089	4,135,051	3,937,376	4,308,458
Financial liabilities held for trading	232,682	107,486	131,924	103,493
Financial liabilities valued at fair value	920,865	1,103,694	929,631	1,226,542
Hedging derivatives	431,120	303,892	341,687	228,670
Changes in value of macro-hedged financial liabilities (+/-)	77,559	43,719	54,102	33,851
Tax liabilities	155,117	164,252	119,283	165,005
<i>a) current</i>	43,728	45,210	19,369	22,202
<i>b) deferred</i>	111,389	119,042	99,914	142,803
Liabilities related to assets being disposed	-	-	-	-
Other liabilities	727,939	734,657	1,121,334	1,240,114
Staff termination indemnity	92,055	91,544	92,405	97,328
Provisions for risks and charges:	151,795	105,537	132,943	98,522
<i>a) pensions and similar</i>	2,188	2,144	2,351	2,321
<i>b) other provisions</i>	149,607	103,393	130,592	96,201
Insurance reserves	1,773,925	2,186,698	1,973,715	2,736,654
Valuation reserves	-79,693	13,255	-74,952	101,201
Reserves	1,331,113	1,414,242	1,413,339	1,490,995
Share premium reserve	283,052	283,052	283,052	283,052
Share capital	332,392	332,392	332,392	332,392
Own shares	-3,388	-3,349	-3,349	-3,075
Minority interests (+/-)	367	381	340	386
Profit (loss) for the period (+/-)	121,242	115,851	71,006	98,956
Total liabilities and shareholders' equity	30,748,703	31,530,795	31,200,080	33,318,965

Income Statement (in €/thousands)

	31 December 2012	31 December 2013	30 June 2013	30 June 2014
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income and similar revenues	858,759	804,696	399,045	393,393
Interest expense and similar charges	-325,150	-278,697	-141,336	-116,415
Interest margin	533,609	525,999	257,709	276,978
Fee and commission income	505,266	487,970	234,230	252,207
Fee and commission expenses	-119,276	-115,010	-55,522	-58,283
Net Fee and commission income	385,990	372,960	178,708	193,924
Dividends and similar revenues	670	1,521	852	1,737
Net result from trading activities	19,783	13,339	5,836	2,992
Net result from hedging activities	-1,028	4,262	3,475	-1,836
Profits (losses) on disposal or repurchase of:	51,171	63,489	62,723	85,032
<i>a) loans</i>	270	-	-	-
<i>b) financial assets available for sale</i>	50,570	63,604	62,663	86,396
<i>c) financial assets held to maturity</i>	-	-	-	-
<i>d) financial liabilities</i>	331	-115	60	-1,364
Net result from financial assets and liabilities valued at fair value	-4,806	2,424	6,657	8,046
Operating Income	985,389	983,994	515,960	566,873
Net value adjustments/write-backs due to impairment of:	-89,445	-125,737	-47,869	-31,129
<i>a) loans</i>	-88,527	-120,276	-47,754	-32,883
<i>b) available for sale financial assets</i>	-344	-111	-2	-
<i>c) financial assets held to maturity</i>	-	-	-	-
<i>d) other financial transactions</i>	-574	-5,350	-113	1,754
Net Income from banking activities	895,944	858,257	468,091	535,744
Net premiums	281,303	503,428	274,339	525,207
Other income/expenses from insurance activities	-320,583	-546,526	-314,894	-573,506
Net income from banking and insurance activities	856,664	815,159	427,536	487,445
Administrative costs:	-653,264	-682,236	-342,436	-370,574
<i>a) personnel costs</i>	-415,011	-422,831	-214,320	-225,159
<i>b) other administrative costs</i>	-238,253	-259,405	-128,116	-145,415
Net provisions for risks and charges	-63,101	-6,134	-2,899	-3,904
Net adjustments to (recoveries on) property, plant and equipment	-15,733	-16,076	-7,894	-7,872
Net adjustments to (recoveries on) intangible assets	-16,907	-19,161	-9,023	-11,123
Other operating income/charges	53,566	118,545	55,549	60,805
Operating costs	-695,439	-605,062	-306,703	-332,668
Profit (Loss) from equity investments	23,884	527	373	626
Profit (Loss) from disposal of investments	43,177	423	-106	2,757
Profit (Loss) before tax from continuing operations	228,286	211,047	121,100	158,160

	31 December 2012	31 December 2013	30 June 2013	30 June 2014
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Taxes on income from continuing operations	-106,917	-95,134	-50,072	-59,184
Profit (Loss) after-tax from continuing operations	121,369	115,913	71,028	98,976
Profit (Loss) on assets groups being disposed	-	-	-	-
Profit (Loss) for the period	121,369	115,913	71,028	98,976
Profit (Loss) attributable to minority interests	-127	-62	-22	-20
Parent company's net profit (loss) for the period	121,242	115,851	71,006	98,956

THE GUARANTOR

Introduction

The Guarantor was incorporated in the Republic of Italy on 22 September 2009 pursuant to Law 130 as a limited liability company (*società a responsabilità limitata*) under the name "Caracalla Finance S.r.l." and changed its name to "CREDEM CB S.r.l." by a resolution of the meeting of the Quotaholder held on 27 October 2010. The Guarantor is registered at the Companies' Registry of Treviso under registration number 04326290261. The registered office of the Guarantor is at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy, and its telephone number is +39 0438 360900. The Guarantor is registered under registration number 41747 on the register (*albo*) held by the Bank of Italy pursuant to Article 106 of the Consolidated Banking Law. The Guarantor has no employees and no subsidiaries. The Guarantor's by-laws provides for the termination of the same in 31 December 2100 subject to one or more extensions to be resolved, in accordance with the by-laws, by the Quotaholders' resolution. The Guarantor is subject to the activity of management and coordination ("*attività di direzione e coordinamento*") of CREDEM S.p.A.

Principal Activities

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

Share Capital

The outstanding capital of the Guarantor is €10,000 divided into quotas as described below. The quotaholders of the Guarantor are as follows:

<u>Quotaholders</u>	<u>Quota</u>
Credito Emiliano	70%
SVM Securitisation Vehicles Management S.r.l.	30%

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

Management

Board of Directors

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

<u>Name</u>	<u>Position</u>	<u>Principal activities performed outside the Guarantor</u>
Riccardo Igne (from 16 April	Chairman of the	Director at Finanziaria Internazionale

Name	Position	Principal activities performed outside the Guarantor
2014)	Boards of Directors	Securitisation Group S.p.A.
Rossella Manfredi	Director	Head of Finance of Credito Emiliano S.p.A.
Gabriele Minotti	Director	Head of Funding & ALM of Credito Emiliano S.p.A.

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

Board of Statutory Auditors

Under the Quotaholders' Agreement the Quotaholders have undertaken that, if, at any time, a Board of Statutory Auditors shall be appointed, it shall be composed of three members which shall appointed as follows: one by SVM Securitisation Vehicles Management S.r.l. and two by Credito Emiliano. No Board of Statutory Auditors has been appointed as of the date of this Prospectus.

Conflict of Interest

There are no potential conflicts of interest between any of the Board of Directors' duties to the Guarantor and their private interests or other duties.

The Quotaholders' Agreement

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

Financial Statements

The financial year of the Guarantor ends on 31 December of each calendar year. The first Financial Statement ended 31 December 2009.

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

The statutory Financial Statements of the Guarantor as at and for the years ended 31 December 2012 and 31 December 2013, prepared in accordance with International Accounting Standards, are incorporated by reference into this Base Prospectus. See section headed "Documents incorporated by reference". Copies of the Financial Statements of the Guarantor for each financial year may be inspected and obtained free of charge during usual business hours at the specified offices of the Principal Paying Agent and of the Representative of the Bondholders.

Deloitte & Touche S.p.A has been appointed to perform the audit of the Financial Statements of the Guarantor for the year ended on 31 December 2012 and 31 December 2013. The reports provided by Deloitte & Touche S.p.A. are incorporated by reference into this Base Prospectus. See section headed "Documents incorporated by reference".

The following is a summary of the audited Financial Statements of CREDEM CB S.r.l. as at, and for the years ended on 31 December 2013 and 31 December 2012:

Balance Sheet (in€/thousands)

	31 December 2013	31 December 2012
Assets		
Receivables	16,684	28,250
Tax assets:	2,338	1,383
<i>Current</i>	2,338	1,383
Other assets	19,784	18,296
Total Assets	38,806	47,929
Liabilities and Quotaholders' Equity	2013	2012
Tax Liabilities:	1,773	1,809
<i>current</i>	1,773	1,809
Other liabilities	24,901	33,988
Share capital	10,000	10,000
Share premium reserve	2,000	2,000
Reserves	132	132
Profit (loss) for the period	0	0
Total Liabilities and Quotaholders' Equity	38,806	47,929

Income Statement (in €/thousands)

	31 December 2013	31 December 2012
Costs and revenues		
Interest income and similar revenues	1	49
Interest Margin	1	49
Fee and Commission expenses	(271)	(332)
Net Fee and Commission Incomes	(271)	(332)
Operating Income	(270)	(283)
Administrative costs:	(100,516)	(99,231)
<i>personnel costs</i>	(20,333)	(20,200)
<i>other administrative costs</i>	(80,183)	(79,031)
Other operating income/charges	102,549	101,323
Operating Profit (Loss)	1,763	1,809
Profit (Loss) before tax from continuing operations	1,763	1,809
Taxes on income from continuing operations	(1,763)	(1,809)
Profit (Loss) after tax from continuing operations	0	0
Profit (Loss) for the period	0	0

*In compliance with the provisions established by Order of the Bank of Italy of 21 January 2014, on 31 December 2012, recharges to the separated assets of the operating costs recorded on SPV's Financial Statements were reclassified under item 160 "Other operating income/charges", whether on 31 December 2012, they were posted under item 30 "Commission Income".

DESCRIPTION OF THE PROGRAMME DOCUMENTS

GUARANTEE

On or about the First Issue Date, the Issuer, the Guarantor and the Representative of the Bondholders entered into the Guarantee pursuant to which the Guarantor issued, for the benefit of the Bondholders, a first demand, unconditional, irrevocable and independent guarantee to support payments of interest and principal under the Covered Bonds issued by CREDEM under the Programme. Under the Guarantee the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Guarantee constitute direct and (following the occurrence of an Issuer Event of Default and the service of an Issuer Event of Default Notice on the Issuer and the Guarantor) unconditional, unsubordinated and limited recourse obligations of the Guarantor, backed by the Cover Pool as provided under Law 130, Decree No. 310 and the Bank of Italy Regulations. Pursuant to the terms of the Guarantee, the recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments.

Under the Guarantee the parties thereof have agreed that as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer, the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall exercise, on an exclusive basis and in compliance with the provisions of article 4 of the Decree No. 310, the rights of the Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds.

Upon enforcement of the Guarantee following the service of an Issuer Event of Default Notice (but prior to the service of a Guarantor Event of Default Notice), the Guarantor shall procure the payment of the Guaranteed Amounts when they are Due for Payment in accordance with the Conditions, the Final Terms applicable to each Series of Covered Bonds and the Post-Issuer Default Priority of Payments, **provided that**, in case the service of the Issuer Event of Default Notice is a consequence of an Issuer Event of Default consisting of an Article 74 Event, the Guarantee will be applied in the payment of the Guaranteed Amounts as long as the Representative of the Bondholders has not delivered an Article 74 Event Cure Notice.

Following the service of a Guarantor Event of Default Notice, the right of the Bondholders to receive payment of the Guaranteed Amounts will be accelerated and the Representative of the Bondholders will therefore demand the immediate satisfaction of the Guaranteed Obligations in accordance with Post-Enforcement Priority of Payments.

All payments of Guaranteed Amounts by or on behalf of the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor shall pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Guarantor shall not be obliged to pay any amount to any Bondholder in respect of the amount of such withholding or deduction.

To the extent that the Guarantor makes, or there is made on its behalf, a payment of any amount under the Guarantee, the Guarantor will be fully and automatically subrogated to the Bondholders' rights against the Issuer for the payment of an amount corresponding to the payments made by the Guarantor with respect to the relevant Series of Covered Bonds under the Guarantee, to the fullest extent permitted by applicable law.

Governing law

The Guarantee and any non-contractual obligations arising out or connected with it is governed by Italian law.

SUBORDINATED LOAN AGREEMENT

On 29 October 2010, CREDEM and the Guarantor entered into the Subordinated Loan Agreement, as further amended, pursuant to article 7-bis of Law 130 under which CREDEM agrees to make available to the Guarantor, during the Availability Period, amounts in aggregate equal to the Total Commitment to be advanced from time to time in different drawdowns. The Subordinated Loan will be utilised for the purposes of funding the payments as described below. Any drawdown under the Subordinated Loan will be repaid on each Guarantor Payment Date prior to the occurrence of a Segregation Event and the delivery of an Issuer Event of Default Notice according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, **provided that** such repayment does not result in a breach of any of the Tests. Unless previously repaid in full in accordance with Clause 6.2 (*Rimborso Anticipato*) the Subordinated Loan shall be due for repayment on the Maturity Date or, if applicable, the Extended Maturity Date, of the last maturing Series of Covered Bonds issued under the Programme except in case of occurrence of an Issuer Event of Default, where the Subordinated Loan is due for final repayment on the date falling at least 6 months after the Maturity Date (or, as applicable, Extended Maturity Date). Amounts owed to the Seller by the Guarantor under the Subordinated Loan Agreement will be subordinated to amounts owed by the Guarantor under the Covered Bond Guarantee.

Following the service of an Issuer Event of Default Notice, the repayment of the Subordinated Loan shall be subject to repayment in full (or, prior to service of a Guarantor Event of Default Notice, the accumulation of funds sufficient for the purpose of such repayment) of all Covered Bonds, in any case within the limits of the Guarantor Available Funds. Any amounts that have been repaid pursuant to the terms of the Subordinated Loan Agreement will be available for redrawing during the Availability Period within the limits of the Total Commitment and the terms of the Subordinated Loan Agreement.

The Guarantor will use the proceeds of any Drawdown under the Subordinated Loan Agreement (a) to fund the payment of the purchase price of the Eligible Assets included in the Initial Cover Pool and/or (b) to purchase Top-Up Assets and/or additional Eligible Assets and/or (c) to fund any amounts necessary for the adjustment of the Purchase Price, in each case in accordance with the terms of the Master Assets Purchase Agreement and the Cover Pool Management Agreement.

Governing law

The Subordinated Loan Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

MASTER ASSETS PURCHASE AGREEMENT

On 29 October 2010, CREDEM and the Guarantor entered into the Master Assets Purchase Agreement, as further amended, in accordance with the combined provisions of articles 4 and 7-bis of Law 130, pursuant to which CREDEM assigned and transferred from time to time, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), the Eligible Assets comprised in the Initial Portfolio.

The Master Assets Purchase Agreement also provides that CREDEM shall transfer, upon satisfaction of certain conditions set out therein, Subsequent Portfolios to the Guarantor (i) in order to supplement the Cover Pool in connection with the issuance by CREDEM of further Series of Covered Bonds under the Programme; and (ii) in order to ensure the compliance of the Cover Pool with the Tests and with the Limit of 15%.

In any case Subsequent Portfolios may only be offered or purchased if the following conditions are satisfied:

- (a) the First Series of Covered Bonds has been issued and fully subscribed; and
- (b) a Guarantor Event of Default Notice has not been served on the Guarantor.

The Master Assets Purchase Agreement also specifies that the assignment of Subsequent Portfolios and the related issuance by CREDEM of further Series of Covered Bonds pursuant to paragraph (i) above may not occur if an Issuer Event of Default Notice or a Breach of Test Notice has been served to the Issuer and **provided that** the assignment of Subsequent Portfolios pursuant to paragraph (ii) above may not occur if an Issuer Event of Default Notice, as a result of an Insolvency Event of the Issuer, has been served to the Issuer.

The Parties further undertook that Subsequent Portfolios may also be offered if the Guarantor has sufficient Principal Available Funds to pay the relevant Purchase Price, **provided that** no Breach of Test Notice (unless it is cured using Guarantor Available Funds), no Issuer Event of Default Notice and no Guarantor Event of Default Notice has been served.

Mortgage Receivables and Public Assets comprised in any Subsequent Portfolio to be transferred under the Master Assets Purchase Agreement shall meet, in addition to the Common Criteria (described in detail in the section headed "*Description of the Cover Pool*"), the relevant Specific Criteria for the Subsequent Portfolios and (if necessary) any Further Criteria (both as defined below).

As consideration for the transfer of any Subsequent Portfolios, pursuant to the Master Assets Purchase Agreement, the Guarantor will pay to CREDEM an amount equal to the aggregate of the Purchase Price of all the relevant Mortgage Receivables comprising the relevant Subsequent Portfolio as at the relevant Valuation Date. The Purchase Price for each Receivable included in each Subsequent Portfolio will be equal to the aggregate of the Individual Purchase Price of all the Mortgage Receivables included in the relevant Subsequent Portfolio, **provided that** the Seller and the Guarantor may agree to use different criteria for the calculation of the purchase price of any Subsequent Portfolio in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

Pursuant to the Master Assets Purchase Agreement, prior to the service of an Issuer Event of Default Notice, CREDEM will have the right to repurchase Mortgage Receivables, in accordance with articles 1260 and following of the Civil Code or in accordance with article 58 of the Consolidated Banking Act, as the case may be, transferred to the Guarantor under the Master Assets Purchase Agreement if so directed by the relevant board of directors of CREDEM.

The Guarantor has granted a pre-emption right in favour of the Issuer for the purchase of the Selected Assets which it may be required to sell, following the service of an Issuer Event of Default Notice consisting of a breach of the Tests (but prior to service of a Guarantor Event of Default Notice) in order to effect timely payments under the Covered Bonds.

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

Governing law

The Master Assets Purchase Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

WARRANTY AND INDEMNITY AGREEMENT

On 29 October 2010, CREDEM and the Guarantor entered into the Warranty and Indemnity Agreement, as further amended, pursuant to which CREDEM has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself, the Mortgage Receivables, the Real Estate Assets and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the Mortgage Receivables.

The Warranty and Indemnity Agreement contains representations and warranties given by CREDEM as to matters of law and fact affecting CREDEM including, without limitation, that CREDEM validly exists as a legal entity, has the corporate authority and power to enter into the Programme Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

Pursuant to the Warranty and Indemnity Agreement, CREDEM has agreed to indemnify and hold harmless the Guarantor against any and all damages, losses, claims, costs and expenses awarded against, or incurred by it and / or any of its permitted assigns which arise out of or result from, *inter alia*, any representation and warranty given by CREDEM under or pursuant to the relevant Warranty and Indemnity Agreement being false, incomplete or incorrect.

Governing law

The Warranty and Indemnity Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

SERVICING AGREEMENT

On 29 October 2010, CREDEM and the Guarantor entered into the Servicing Agreement, as further amended, pursuant to which the Guarantor has appointed CREDEM as Servicer of the Cover Pool. The receipt of the Collections is the responsibility of the Servicer acting as agent (*mandatario*) of the Guarantor. The Servicer will also act as the *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento* pursuant to Law 130. In such capacity, the Servicer shall also be responsible for ensuring that such operations comply with the provisions of articles 2.3, letter (c), and 2.6 of Law 130.

The Servicer will also be responsible for carrying out, on behalf of the Guarantor, in accordance with the Servicing Agreement and the Credit and Collection Policy, any activities related to the management, enforcement and recovery of the Defaulted Mortgage Receivables. The Servicer may sub-delegate to one or more persons the management, administration, collection and recovery of the Mortgage Receivables, subject to the limitations set out in the supervisory regulations and with the prior written notice of the Representative of the Bondholders and the Rating Agencies, **provided that** such sub-delegation does not prejudice the compliance by the Servicer with its obligations under the Servicing Agreement. The Servicer shall remain fully liable *vis-à-vis* the Guarantor for the performance of any activity so delegated.

The Servicer has been authorised to renegotiate the terms of the Mortgage Loan Agreements by reaching with the Debtors, *inter alia*, settlement agreements, payment extensions, moratorium or similar arrangements (including any renegotiation in relation to the margin), in accordance with the provisions of the Credit and Collection Policy, however, following breach of any of the Tests (and as long as such breach is continuing), service of a Breach of Test Notice and/or service of an Issuer Event of Default Notice, the Servicer will not be authorised, with respect to any of the Mortgage Receivables, to reach with any Debtors thereof any of the renegotiations, other than expressly authorised under the applicable legislation.

The Guarantor, in its capacity as autonomous holder (*titolare autonomo del trattamento dei dati personali*) in relation to its servicing activities pursuant to the Servicing Agreement, has confirmed its willingness to appoint the Servicer as responsible (*responsabile del trattamento dei dati personali*), for the processing of personal data in relation to the Mortgage Receivables, in accordance with the Privacy Law.

The Servicer has represented to the Guarantor that it has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Servicing Agreement.

The Servicer has undertaken to prepare and deliver, on a quarterly basis (or on a monthly basis in case (i) a breach of Tests has occurred and as long as such breach has not been cured and (ii) following a Guarantor Event of Default) to, *inter alios*, the Account Bank, the Guarantor, the Calculation Agent, the Swap Providers, the Representative of the Bondholders, the Principal Paying Agent, the Guarantor Corporate Servicer and the Servicer's Report, including details in relation to the composition of the Cover Pool, interest accrued thereon and relevant collections.

Under the Servicing Agreement, the Servicer shall credit to the Collection Accounts any amounts collected from the Mortgage Receivables within the second Business Day upon receipt.

In the event the long-term unsecured and unsubordinated debt obligations of the Servicer falls below the Minimum Servicing Rating, the Servicer shall immediately communicate such event to the Representative of the Bondholders, the Rating Agencies, the Calculation Agent and the Guarantor and shall within 30 calendar days, alternatively: (i) instruct the Debtors to make payments in respect of the Receivables directly to the Collection Accounts; or (ii) procure and maintain a first demand guarantee issued by an Eligible Institution, so to guarantee the obligations of the Servicer pursuant to the Servicing Agreement or (iii) deposit and maintain with an Eligible Institution an amount equal to the Potential Commingling Amount; or (iv) sell to the Guarantor sufficient Eligible Assets or Top-Up Assets so that the aggregate of the principal amounts due and payable before the Maturity Date of the first maturing Series of Covered Bonds is at least equal to the Potential Commingling Amount.

The Servicer has acknowledged that the Representative of the Bondholders, in accordance with the Intercreditor Agreement, shall direct the Guarantor to appoint a Back-up Servicer (subject to consultation with the Representative of the Bondholders and prior notice to the Rating Agencies) within 30 calendar days from the date on which the Servicer's long term rating has been downgraded below "BBB-" from Fitch or "Baa3" from Moody's.

The Guarantor may terminate the Servicer's appointment and appoint a successor servicer (the "**Substitute Servicer**") if certain events occur (each a "**Servicer Termination Event**"). The Servicer Termination Events include the following events:

- (a) an Insolvency Event occurs with respect to the Servicer;
- (b) failure on the part of the Servicer to observe certain provisions of the Servicing Agreement and the continuation of such failure for a period of 15 Business Days following receipt by the Servicer of written notice from the Guarantor requiring the performance of the relevant obligations;
- (c) any of the representation and warranties made by the Servicer pursuant to the Servicing Agreement is false and/or misleading in any material respect and it may be prejudicial to the interest of the Guarantor and the Bondholders and (whether remediable) is not remedied for a period of 15 Business Days following receipt by the Servicer of written notice from the Guarantor requiring the relevant remedy to be implemented;

- (d) failure (not attributable to force majeure) on the part of the Servicer to deposit or pay any amount required to be paid or deposited pursuant to the Servicing Agreement (other than the Collections) which failure continues for a period of 10 Business Days from the date on which the relevant payment or deposit was required to be done;
- (e) it becomes unlawful for the Servicer to perform or comply with any of its obligations under the Servicing Agreement or the other Programme Documents to which it is a party; or
- (f) the Servicer is or will be unable to meet the current or future legal requirements and the Bank of Italy's regulations for entities acting as servicers in the context of a covered bonds transaction.

Notice of any termination of the Servicer's appointment shall be given in writing, in accordance with the provisions of the Servicing Agreement, by the Guarantor to the Servicer with the prior agreement of the Representative of the Bondholders and shall be effective from the date of such termination or, if later, when the appointment of a Substitute Servicer becomes effective. The Servicer must continue to act as Servicer and meet its obligations until the Substitute Servicer is appointed.

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

- (a) who meets the requirements of Law 130 and the Bank of Italy to act as Servicer;
- (b) who has at least three years of experience (whether directly or through subsidiaries) in the administration of mortgage loans in Italy;
- (c) who has available and is able to use software for the administration of mortgages compatible with that of the Servicer;
- (d) who is able to ensure, directly or indirectly, the efficient and professional maintenance of a computerised archive system (*Archivio Unico Informatico*) as required by Italian money-laundering legislation and, if such legislation requires, the production of such information as is necessary to meet the information requirements of the Bank of Italy; and
- (e) has sufficient assets to ensure the continuous and effective performance of its duties.
- (f) Within 30 days following its termination the Servicer shall give notice to the Debtors of the appointment of the Substitute Servicer and instruct them to pay directly on the Collection Accounts.

In case the Guarantor has appointed a Back-Up Servicer, such Back-Up Servicer will act as Substitute Servicer.

Governing law

The Servicing Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

CASH ALLOCATION, MANAGEMENT AND PAYMENTS AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Servicer, the Seller, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Calculation Agent, the Test Calculation Agent, the Principal Paying Agent and the Representative of the Bondholders entered into the Cash Allocation, Management and Payments Agreement as further amended.

Under the terms of the Cash Allocation, Management and Payments Agreement:

- (i) the Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the Collection Accounts, the Eligible Investments Account, the Payments Account, the Reserve Account and the Securities Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the Account Bank has agreed to provide the Guarantor with certain payment services;
- (ii) The Guarantor Corporate Servicer has agreed to operate the Expenses Account held with the Account Bank in order to make certain payments as set out in the Cash Allocation, Management and Payments Agreement;
- (iii) The Principal Paying Agent has agreed to provide the Issuer, prior to the occurrence of an Issuer Event of Default and the Guarantor, following the occurrence of an Issuer Event of Default, with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payments Agreement;
- (iv) The Calculation Agent has agreed to provide the Guarantor with calculation services with respect to the Accounts and the Guarantor Available Funds and reporting services;
- (v) The Test Calculation Agent to perform the Tests in accordance with the provisions of the Cover Pool Management Agreement.
- (vi) The Account Bank has agreed to invest, on behalf of the Guarantor and upon instruction of the Investment Manager, any funds standing to the credit of the Eligible Investment Account in Eligible Investments. Furthermore the Investment Manager has agreed to deliver to the Account Bank, the Guarantor, the Guarantor Corporate Servicer, the Representative of the Bondholders, the Servicer and the Calculation Agent, a copy of the Investment Manager Report, which shall include details of all investments made.
- (vii) The Account Bank, the Cash Reserve Commingling Account Bank, the Swap Collateral Account Bank and the Principal Paying Agent shall at all times be an Eligible Institution. If the Account Bank, the Cash Reserve Commingling Account Bank, the Swap Collateral Account Bank or the Principal Paying Agent, as the case may be, ceases to be an Eligible Institution, it shall promptly give notice of such event to the other Parties and the Guarantor shall, within 30 calendar days, or 30 calendar days with sole reference to the Principal Paying Agent, of the loss of such status, select and appoint, with the prior written consent of the Issuer (and following the occurrence of an Issuer Event of Default also of the Representative of the Bondholders) and prior notice to the Rating Agencies, another bank, being an Eligible Institution, which shall assume the role of Account Bank Cash Reserve Commingling Account Bank, Swap Collateral Account Bank or Principal Paying Agent, as the case may be, and upon the terms of the Cash Allocation, Management and Payments Agreement, agree to become a party to the Intercreditor Agreement and any other relevant Programme Documents and to perform any of the duties of the Account Bank, the Cash Reserve Commingling Account Bank, the Swap Collateral Account Bank or the Principal Paying Agent, as the case may be, pursuant the Cash Allocation, Management and Payments Agreement.

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke the appointment of any Agent (including the Calculation Agent) by giving not less than three months' (or less, in the event of a breach of warranties and covenants) written notice to the relevant Agent (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. Prior to the delivery of an Issuer Event of Default Notice, the Issuer may revoke its appointment of the Principal Paying Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Principal

Paying Agent (with a copy to the Representative of the Bondholders). Any Agent (including the Calculation Agent) may resign from its appointment under the Cash Allocation, Management and Payments Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Bondholders subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payments Agreement, provided that a valid substitute has been appointed. The Guarantor shall (with the prior approval of the Representative of the Bondholders and prior notification to the Rating Agencies) appoint a successor Calculation Agent following any termination or resignation pursuant to the provisions of the Cash Allocation, Management and Payments Agreement and shall give notice of such appointment to the other Parties.

Governing law

The Cash Allocation, Management and Payments Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

THE SWAP AGREEMENTS

Covered Bond Swap Agreement

The Guarantor may enter into one or more Covered Bond Swap Agreements with the Covered Bond Swap Provider(s) on or about the Issue Date of any Series of Covered Bonds to hedge certain interest rate, currency and other risks, as the case may be, in respect of the Series of Covered Bonds issued on such Issue Date. The aggregate notional amount of the Covered Bond Swap Agreements entered into on each Issue Date shall be linked to the Outstanding Principal Amount of the relevant Series of Covered Bonds.

Under the Covered Bond Swap Agreements, on each quarterly Guarantor Payment Date, it is expected that the Guarantor will pay to the Covered Bond Swap Provider an amount calculated by reference to the notional amount of the relevant Series of Covered Bonds multiplied by either a fixed rate or Euribor, possibly increased by a margin. In return, it is anticipated that a Covered Bond Swap Provider will pay to the Guarantor, on each Covered Bond Swap Payment Date, an amount calculated by reference to the notional amount multiplied by a rate linked to the interest rate applicable to the relevant Series of Covered Bonds.

Each Covered Bond Swap Agreement is scheduled to terminate on the date corresponding to the Maturity Date of the Covered Bonds of the relevant Series and may or may not take account of any extension of the Maturity Date under the terms of such Covered Bonds as specified in the relevant Covered Bond Swap Agreement.

Asset Swap Agreement(s)

The Guarantor may enter into one or more Asset Swap Agreements with one or more Asset Swap Providers to mitigate variations between the rate of interest payable on Mortgage Loans in the Cover Pool and Euribor with a certain designated maturity and ensure sufficient funding of the payment obligations of the Guarantor.

Rating Downgrade Event

Under the terms of each Swap Agreement, in the event that the rating(s) of a Swap Provider or its credit support provider are downgraded by a Rating Agency below the rating(s) specified in the relevant Swap Agreement (in accordance with the criteria of the Rating Agencies), then such Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures which may include:

- (a) providing collateral for its obligations under the Swap Agreement, or
- (b) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency in order to maintain the rating of the Covered Bonds, or
- (c) procuring another entity, with the ratings meeting the relevant Rating Agency's criteria in order to maintain the rating of the Covered Bonds, to become a guarantor in respect of such Swap Provider's obligations under the Swap Agreement.

A failure by the relevant Swap Provider to take such steps within the time periods specified in the Swap Agreement may allow the Guarantor to terminate the relevant Swap Agreement(s).

Any Swap Provider that does not, on the day of entry into a Swap Agreement, have the adequate rating shall have its obligations to the Guarantor under such Swap Agreement guaranteed by an appropriately rated entity.

Event of Default/Additional Termination Events

A Swap Agreement may also be terminated early in certain other circumstances, including:

- (a) at the option of either party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement;
- (b) upon the occurrence of an insolvency of either party to the Swap Agreement, or its credit support provider (if any), or the merger of one of the parties without an assumption of the obligations under the relevant Swap Agreement;
- (c) there is a change of law or change in application of any relevant law which results in the Guarantor or the Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under the Swap Agreement and the Swap Provider thereby being required under the terms of the Swap Agreement to gross up payments made to the Guarantor, or to receive net payments from the Guarantor (which is not required under the terms of the Swap Agreement to gross up payments made to the Swap Provider); and
- (d) it becomes unlawful under any applicable law for either party to perform its obligations under the Swap Agreements.
- (e) The following are also typically to constitute additional termination events with respect to the Guarantor in the Swap Agreements:
 - (i) amendment to the Programme Documents without consent of the relevant Swap Provider when such Swap Provider is of the reasonable opinion that it is adversely affected as a result of such amendment;
 - (ii) in respect of any Asset Swap Agreement, sale of the Mortgage Loans in the Portfolio following delivery of an Issuer Event of Default Notice.
 - (iii) in respect of any Covered Bond Swap Agreement, redemption (in whole or in part) of any relevant Series of Covered Bonds at the option of the Issuer;
 - (iv) in respect of any Covered Bond Swap Agreement, redemption in whole of any relevant Series of Covered Bonds for tax reasons; and

- (v) the Representative of Bondholders serves a Guarantor Event of Default Notice.

Upon the termination of a Swap Agreement, the Guarantor or the Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this termination payment will be calculated and will be made in Euro.

Swap Agreement Credit Support Document

Each Swap Agreement will be supplemented and complemented by a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer English Law) to the ISDA Master Agreement (a "**Swap Agreement Credit Support Document**"). The Swap Agreement Credit Support Document will provide that the relevant Swap Provider, if required to do so following its downgrade or the downgrade of its credit support provider and subject to the conditions specified in such Swap Agreement Credit Support Document, will transfer Swap Collateral, and the Guarantor will be obliged to return equivalent collateral in accordance with the terms of the Swap Agreement.

Cash and securities (and all income in respect thereof) transferred as collateral will only be available to be applied in returning collateral (and income thereon) or in satisfaction of amounts owing by the relevant Swap Provider in accordance with the terms and within the limits of the Swap Agreement .

Any Swap Collateral will be returned by the Guarantor to the relevant Swap Provider directly in accordance with the terms of the Swap Agreement and not under the Priorities of Payments.

Governing law

The Swap Agreements and any non-contractual obligations arising out or connected with them are governed by English Law.

MANDATE AGREEMENT

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Mandate Agreement under which, subject to a Guarantor Event of Default Notice being served or upon failure by the Guarantor to exercise its rights under the Programme Documents and fulfilment of certain conditions, the Representative of the Bondholders, acting in such capacity, shall be authorised to exercise, in the name and on behalf of the Guarantor, all the Guarantor's rights arising out of the Programme Documents to which the Guarantor is a party.

Governing law

The Mandate Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

INTERCREDITOR AGREEMENT

On or about the First Issue Date, the Guarantor and the Other Guarantor Creditors entered into the Intercreditor Agreement, as further amended. Under the Intercreditor Agreement provision is made as to the application of the proceeds from Collections in respect of the Cover Pool and as to the circumstances in which the Representative of the Bondholders will be entitled, in the interest of the Bondholders, to exercise certain of the Guarantor's rights in respect of the Cover Pool and the Programme Documents.

In the Intercreditor Agreement the Other Guarantor Creditors have agreed, *inter alia*: to the order of priority of payments to be made out of the Guarantor Available Funds; that the obligations owed by the Guarantor to the Bondholders and, in general, to the Other Guarantor Creditors are limited

recourse obligations of the Guarantor; and that the Bondholders and the Other Guarantor Creditors have a claim against the Guarantor only to the extent of the Guarantor Available Funds.

Under the terms of the Intercreditor Agreement, the Guarantor has undertaken, following the service of a Guarantor Event of Default Notice, to comply with all directions of the Representative of the Bondholders, acting pursuant to the Conditions, in relation to the management and administration of the Cover Pool.

Each of the Other Guarantor Creditors has agreed in the Intercreditor Agreement that in the exercise of its powers, authorities, duties and discretions the Representative of the Bondholders shall have regard to the interests of both the Bondholders and the Other Guarantor Creditors but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interests of the Bondholders. The actions of the Representative of the Bondholders will be binding on each of the Other Guarantor Creditors.

Under the Intercreditor Agreement, each of the Other Guarantor Creditors has appointed the Representative of the Bondholders, as its agent (*mandatario con rappresentanza*), so that the Representative of the Bondholders may, in its name and behalf and also in the interests of and for the benefit of the Bondholders (who make a similar appointment pursuant to the Programme Agreement and the Conditions), *inter alia*, enter into the Deed of Pledge and the Deed of Charge. In such capacity, the Representative of the Bondholders, with effect from the date when the Covered Bonds have become due and payable (following a claim to the Guarantor or a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or the enforcement of the Guarantee if so instructed by the Bondholders or the exercise any other rights of enforcement conferred to the Representative of the Bondholders), may exercise all of the Bondholders and Other Guarantor Creditors' right, title and interest in and to and in respect of the assets charged under the Deed of Pledge and the Deed of Charge and do any act, matter or thing which the Representative of the Bondholders considers necessary for the protection of the Bondholders and Other Guarantor Creditors' rights under any of the Programme Documents including the power to receive from the Issuer or the Guarantor any and all moneys payable by the Issuer or the Guarantor to any Bondholder or Other Guarantor Creditors. In any event, the Representative of the Bondholders shall not be bound to take any of the above steps unless it has been indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

Governing law

The Intercreditor Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

GUARANTOR CORPORATE SERVICES AGREEMENT

Under the Guarantor Corporate Services Agreement entered into on or about the First Issue Date, as further amended, between the Guarantor Corporate Servicer and the Guarantor, the Guarantor Corporate Servicer has agreed to provide certain corporate and administrative services to the Guarantor.

Governing law

The Guarantor Corporate Services Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

PROGRAMME AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s), entered into the Programme Agreement, as further amended, pursuant to which the parties thereof have recorded the arrangements agreed between them in relation to the issue by the Issuer and the subscription by the Dealer(s) from time to time of Covered Bonds issued under the Programme.

Under the Programme Agreement, the Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series.

Pursuant to the Programme Agreement, before the Issuer reaches its first agreement with any Dealer for the issue and purchase of the First Series of Covered Bonds under the Programme, each Dealer shall have received, and found satisfactory (in its reasonable opinion), all of the documents and confirmations described in schedule 1 (*Initial Documentary Conditions Precedent*) of the Programme Agreement constituting the initial conditions precedent and the conditions precedent set out under Clause 3.2 (*Conditions precedent to the issue of any Series of Covered Bonds*) of the Programme Agreement, as applicable to the first Series, shall have been satisfied.

According to the terms of the Programme Agreement, the Issuer may nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular Series of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

In addition, under the Programme Agreement, the parties thereof have agreed to certain terms regulating, *inter alia*, the performance of any stabilisation action which may be carried out in connection with the issue of any Series of Covered Bonds.

Governing law

The Programme Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

COVER POOL MANAGEMENT AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Test Calculation Agent and the Representative of the Bondholders entered into the Cover Pool Management Agreement, as further amended, pursuant to which they have agreed certain terms regulating, *inter alia*, the performance of the Tests and the purchase and sale by the Guarantor of the Eligible Assets and Top-Up Assets included in the Cover Pool.

Under the Cover Pool Management Agreement the Issuer (also in its capacity as Seller) has undertaken to procure that each of the Mandatory Tests (as described in detail in section entitled "*Credit structure - Tests*" below) is met with respect to the Cover Pool on any Calculation Date (and,

to the extent that on any such Calculation Date any Mandatory Tests was breached, on any following Test Calculation Date until the end of the relevant Test Remedy Period). In addition, following the service of an Issuer Event of Default Notice (but prior to the service of a Guarantor Event of Default Notice), on any Calculation Date, the Test Calculation Agent shall verify that the Amortisation Test is met (as described in details in section entitled "*Credit Structure – Amortisation Test*").

The Test Calculation Agent has agreed to prepare and deliver to the Issuer, the Guarantor, the Servicer, the Representative of the Bondholders, the Calculation Agent, the Asset Monitor and the Rating Agencies a report setting out the calculations carried out by it with respect of the Tests (the "**Test Performance Report**"). Such report shall specify the occurrence of a breach of any Tests.

Following the notification by the Test Calculation Agent in the relevant Test Performance Report, of a breach of any Test, the Guarantor will purchase Subsequent Portfolios from the Seller in accordance with the Master Assets Purchase Agreement and/or purchase, or invest in, Top-Up Assets or other Eligible Assets in order to ensure that, within the relevant Test Grace Period, all Tests are satisfied. Such purchase will be (i) prior to the delivery of a Breach of Test Notice, for the portion of the relevant purchase price not payable by the Guarantor applying the Guarantor Available Funds available for such purpose in accordance with the Pre-Issuer Default Principal Priority of Payments, partially funded with the proceeds of appropriate drawdowns advanced by the Issuer and (ii) following the delivery of a Breach of Test Notice (which has not been revoked) entirely funded with the proceeds of appropriate drawdowns advanced by the Issuer, except where the breach referred to in the Breach of Test Notice may be cured by using the Guarantor Available Funds.

If the relevant breach has not been remedied prior to the end of the applicable Test Grace Period, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders shall deliver a Breach of Test Notice to the Issuer and the Guarantor as a consequence of which a Segregation Event will occur.

Following the delivery of a Breach of Test Notice, but prior to the delivery of an Issuer Event of Default Notice, if on or prior to the expiry of the Test Remedy Period the Tests are subsequently met (unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to deliver a subsequent Breach of Test Notice), the Representative of the Bondholders will promptly deliver to the Issuer, the Guarantor, the Test Calculation Agent, the Calculation Agent and the Asset Monitor a Breach of Test Cure Notice informing such parties that the Breach of Test Notice then outstanding has been revoked. No revocation of a Breach of Test Notice will be possible following the service of an Issuer Event of Default Notice or Guarantor Event of Default Notice.

Under the Cover Pool Management Agreement the parties thereof have also agreed the conditions that the Guarantor shall comply with in the selection of the assets to be purchased. For such purpose the Guarantor will:

- (i) purchase Eligible Assets or Top-Up Assets from the Issuer; and
- (ii) to the extent the Top-Up Assets purchased in accordance with item (i) above are insufficient, purchase Top-Up Assets from other entities, having previously obtained to that purpose any relevant solvency certificate or bankruptcy certificate or any other document as the Representative of the Bondholders may deem necessary;

provided however that (prior to the delivery of an Issuer Event of Default Notice) the aggregate amount of Top-Up Assets included in the Cover Pool following such purchase may not be in excess of 15% of the aggregate outstanding principal amount of the Cover Pool or any other limit set out in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

After the service of an Issuer Event of Default Notice (other than in respect of an Issuer Event of Default consisting of an Article 74 Event whose suspension of payments is in force prior to an Extension Determination Date where the payments of the unpaid amounts due by the Guarantor in respect of a Series of Covered Bonds have been postponed to the relevant Extension Maturity Date) on the Issuer and the Guarantor or a Guarantor Event of Default Notice, the Guarantor shall, if necessary in order to effect timely payments under the Covered Bonds, upon instructions of the Portfolio Manager and **provided that** the Representative of the Bondholders has been duly informed, sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to (in case of Issuer Event of Default due to a breach of the Mandatory Tests not cured within the relevant Test Remedy Period) the rights of pre-emption in favour of the Issuer to buy such Eligible Assets and Top-Up Assets pursuant to the Master Assets Purchase Agreement.

The Eligible Assets and Top-Up Assets to be sold will be selected from the Cover Pool on a random basis by the Servicer on behalf of the Guarantor (any such Eligible Assets and Top-Up Assets, the "**Selected Assets**") and the proceeds from any sale of Selected Assets shall be credited to the Collection Account and applied as set out in the applicable Priority of Payments.

Under the terms of the Cover Pool Management Agreement, before offering Selected Assets for sale, the Guarantor shall ensure that the Selected Assets have an aggregate Outstanding Principal Balance in an amount (the "**Adjusted Required Outstanding Principal Balance Amount**") which is as close as possible to:

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

excluding, with respect to items (b) and (c) above all amounts estimated to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the applicable Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the Earliest Maturing Covered Bonds (such amounts, to be referred to as the "**Adjusted Required Redemption Amount**").

The Guarantor will offer the Selected Assets for sale for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount. If the Selected Assets have not been sold in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to the Maturity Date or, as applicable, the Extended Maturity Date of the Earliest Maturing Covered Bonds, and the Guarantor does not have sufficient other funds standing to the credit of the Accounts available to repay the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the Guarantor will offer the Selected Assets for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

In addition, after the delivery of an Issuer Event of Default Notice, the Guarantor may, upon the evaluation carried out by the Portfolio Manager taking into account the then relevant market conditions, sell Selected Assets for an amount equal to the Adjusted Required Outstanding Principal

Balance Amount calculated in respect of any other Series of Covered Bonds then outstanding, rather than in respect of the Earliest Maturing Covered Bonds only.

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

With respect to any sale to be carried out in accordance with the Cover Pool Management Agreement, the Guarantor shall instruct a recognised portfolio manager (which shall be appointed through a tender process) (the "**Portfolio Manager**") to endeavour - to the extent possible taking into account the time left before the Maturity Date or Extended Maturity Date (if applicable) of the Earliest Maturing Covered Bonds - to sell or liquidate the Selected Assets included in the Cover Pool. To incentivise the Portfolio Manager to achieve the best price for the sale of Eligible Assets and Top-Up Assets the fees of the Portfolio Manager will be determined on the basis of its performance.

Following the delivery of a Breach of Test Cure Notice and following the delivery of an Article 74 Event Cure Notice, the right of the Guarantor to sell Selected Assets and Eligible Assets, as described above, shall cease to apply.

Under the Cover Pool Management Agreement, following the delivery by the Representative of the Bondholders of a Guarantor Event of Default Notice, the Guarantor shall immediately sell all Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the procedures described above and set out in the Cover Pool Management Agreement, **provided that** the Guarantor will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

Pursuant to the Cover Pool Management Agreement, prior to the occurrence of a Segregation Event, or, if earlier, an Issuer Event of Default, the Seller have the right to repurchase any Excess Assets transferred to the Guarantor **provided that**, (a) the Seller shall repurchase any Top-Up Assets before any other Excess Assets and (b) any such purchase may occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

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

Governing law

The Cover Pool Management Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

DEED OF PLEDGE

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Deed of Pledge, as further amended, under which, without prejudice and in addition to any security, guarantee and other right provided by Law 130 and the Deed of Charge securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor has pledged in favour of the Bondholders and the Other Guarantor Creditors (i) all existing and future monetary claims and rights (other than the Cover Pool) and all the amount (including payment for claims, indemnities, damages, penalties, credits and guarantees) owing to the Pledgor and arising from and in accordance with the certain Programme Documents, (ii) the Eligible Investments, from time to time deposited in Italy with the Account Bank in accordance with the Cash Allocation, Management and Payments Agreement, (iii) the sums from time to time deposited with the Swap Collateral Account Bank and (iv) the sums from time to time deposited with the Cash Reserve

Commingling Account Bank. The security created pursuant to the Deed of Pledge will become enforceable upon the service of a Guarantor Event of Default Notice.

Governing law

The Deed of Pledge and any non-contractual obligations arising out or connected with it is governed by Italian law.

DEED OF CHARGE

On or about the First Issue Date, the Guarantor will enter into the Deed of Charge with the Representative of the Bondholders pursuant to which, without prejudice and in addition to any security, guarantees and other rights provided by Law 130 and the Deed of Pledge securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor will assign in favour of the Representative of the Bondholders as trustee for the Bondholders and the Other Guarantor Creditors all of its rights, benefits and interest under the Swap Agreements, including the benefit of any Swap Guarantees thereunder. The security created pursuant to the Deed of Charge will become enforceable upon the service of a Guarantor Event of Default Notice.

Governing law

The Deed of Charge and any non-contractual obligations arising out or connected with it is governed by English law.

ASSET MONITOR AGREEMENT

Pursuant to the Asset Monitor Agreement entered into on or about the First Issue Date between the Issuer, the Guarantor, the Asset Monitor and the Representative of the Bondholders and subject to due receipt of the information to be provided by the Test Calculation Agent to the Asset Monitor, the Asset Monitor, in addition to the activities carried out by it in favour of the Issuer pursuant to the Bank of Italy Regulations and as set out in an engagement letter entered into on or about the date of this Prospectus, will (i) prior to the delivery of an Issuer Event of Default Notice, verify the arithmetic accuracy of the calculations performed by the Test Calculation Agent pursuant to the Cover Pool Management Agreement with respect to the Mandatory Tests; and (ii) following the delivery of an Issuer Event of Default Notice (and, in case the Issuer Event of Default consists of an Article 74 Event, to the extent that no Article 74 Event Cure Notice has been served), verify the arithmetic accuracy of the calculations performed by the Test Calculation Agent pursuant to the Cover Pool Management Agreement with respect to the Mandatory Tests and the Amortisation Test.

In addition, on or prior to each Asset Monitor Report Date, the Asset Monitor shall deliver to the Guarantor, the Test Calculation Agent, the Representative of the Bondholders and the Issuer a report containing the results of its activities of verification, in the form set out in the Asset Monitor Agreement.

The Asset Monitor Agreement provides for certain matters such as the payment of fees and expenses to the Asset Monitor, the limited recourse nature of the payment obligation of the Guarantor *vis-à-vis* the Asset Monitor, the resignation of the Asset Monitor and the replacement by the Guarantor of the Asset Monitor.

The Asset Monitor Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

QUOTAHOLDERS' AGREEMENT

Please see section entitled "*Guarantor – The Quotaholders' Agreement*".

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts under the Guarantee until the service by the Representative of the Bondholders on the Issuer and on the Guarantor of an Issuer Event of Default Notice. The Issuer will not be relying on payments by the Guarantor in respect of the Subordinated Loan or receipt of Interest Available Funds or Principal Available Funds from the Cover Pool in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Bondholders, as follows:

- (i) the Guarantee provides credit support for the benefit of the Bondholders;
- (ii) the Mandatory Tests and, following the delivery of an Issuer Event of Default Notice, the Amortisation Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;
- (iii) the Swap Agreements are intended to mitigate certain interest rate, currency or other risks in respect of amounts received and amounts payable by the Guarantor;
- (iv) a Reserve Account is opened for the deposit of the Reserve Amount intended to be used on each Guarantor Payment Date, together with the other Guarantor Available Funds to make the payments required under certain items of the Pre-Issuer Interest Priority of Payments, to the extent that the Guarantor Available Funds are not sufficient to make the relevant payments on such Guarantor Payment Date; and
- (v) under the terms of the Cash Allocation, Management and Payments Agreement, the Account Bank, on the basis of the instruction of the Investment Manager, has agreed to invest the moneys standing to the credit of the Collection Accounts and the Reserve Account as transferred to the Eligible Investment Account in purchasing Eligible Investments.

Certain of these factors are considered more fully in the remainder of this section.

Guarantee

The Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment (other than to the Bondholders) become due as a consequence of the delivery of an Issuer Event of Default Notice. In this circumstance (and until a Guarantor Event of Default occurs and a Guarantor Event of Default Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment. Payments to be made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

See section entitled "*Description of the Programme Documents - Guarantee*", as regards the terms of the Guarantee. See section entitled "*Cashflows - Post-Issuer Default Priority of Payments*", as regards the payment of amounts payable by the Guarantor to Bondholders and other creditors following the occurrence of an Issuer Event of Default.

Tests

Under the terms of the Cover Pool Management Agreement, the Issuer must ensure that on each Calculation Date the Cover Pool is in compliance with the Tests described below. If on any

Calculation Date the Cover Pool is not in compliance with the Tests, then the Guarantor may require the Issuer to advance a drawdown under the Subordinated Loan for the purposes of funding the purchase of Subsequent Portfolios or investments in Top-Up Assets representing an amount sufficient to allow the Tests to be met on the next following Test Calculation Date falling on the expiry of the Test Grace Period, in accordance with, as appropriate, the Master Assets Purchase Agreement and the Cover Pool Management Agreement. If the Cover Pool is not in compliance with the Tests on the next following Test Calculation Date falling on the expiry of the Test Grace Period, the Representative of the Bondholders will serve a Breach of Test Notice on the Issuer and the Guarantor. The Representative of the Bondholders shall revoke the Breach of Test Notice if on or prior to the expiry of the Test Remedy Period the Tests are subsequently satisfied unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to serve a subsequent Breach of Test Notice. If following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the expiry of the Test Remedy Period, the Representative of the Bondholders will serve an Issuer Event of Default Notice on the Issuer and the Guarantor.

Mandatory Tests

The Mandatory Tests are intended to ensure that the Guarantor can meet its obligations under the Guarantee. In order to ensure that the Mandatory Tests provided for under Article 3 of Decree No. 310 (the "**Mandatory Tests**") are satisfied and that the Cover Pool is at all times sufficient to repay the Covered Bonds, the Issuer must always ensure that the three tests set out below are satisfied on each Calculation Date (and on any Test Calculation Date thereafter if on the immediately preceding Calculation Date any of the Mandatory Tests was breached and as long as such breach has not been cured in accordance with clause 3.5 of the Cover Pool Management Agreement).

(A) *Nominal Value Test*

The Issuer and the Seller must ensure and the Test Calculation Agent shall verify that on each Calculation Date (or Test Calculation Date, as the case may be) prior to the occurrence of an Issuer Event of Default, the aggregate Outstanding Principal Balance of the Cover Pool shall be higher than or equal to the Outstanding Principal Amount of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Final Terms and outstanding on the relevant Calculation Date (or Test Calculation Date, as the case may be).

For the purpose of the above, the Test Calculation Agent shall consider the Outstanding Principal Balance of the Cover Pool as an amount equal to the "**Nominal Value**", which will be calculated on each Calculation Date (or Test Calculation Date, as the case may be), by applying the following formula (without double-counting):

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

where,

"A" stands for the "**Adjusted Outstanding Principal Balance**" of each Mortgage Loan, which shall be as calculated as follows at each relevant Calculation Date (or Test Calculation Date, as the case may be);

the lower of:

- (i) the Outstanding Principal Balance of the relevant Mortgage Loan as calculated on the relevant Calculation Date (or Test Calculation Date, as the case may be); and

(ii) the Latest Valuation relating to that Mortgage Loan multiplied by M,

where

- (a) for all Residential Mortgage Loans that are neither Defaulted Loans nor Delinquent Loans, $M = 0.80$;
- (b) for all Residential Mortgage Loans that are Delinquent Loans, $M = 0.60$;
- (c) for all Commercial Mortgage Loans that are neither Defaulted Loans nor Delinquent Loans, $M = 0.60$;
- (d) for all Commercial Mortgage Loans that are Delinquent Loans, $M = 0.45$; and
- (e) for all Mortgage Loans that are Defaulted Loans $M = 0$;

minus

the aggregate sum of the following deemed reductions to the aggregate Adjusted Outstanding Principal Balance of the Mortgage Loans in the Cover Pool, if any of the following occurred during the previous Collection Period:

- (1) a Mortgage Loan (or any security granted in relation thereto, the "**Related Security**") was, in the immediately preceding Collection Period, in breach of the representations and warranties contained in the relevant Warranty and Indemnity Agreement or was subject to any other obligation of the Seller to repurchase the relevant Mortgage Loan and its Related Security and, in each case, the Seller has not repurchased the Mortgage Loan or Mortgage Loans (each an "**Affected Loan**") of the relevant Debtor to the extent required by the terms of the Master Asset Purchase Agreement or indemnified the Guarantor to the extent required by the terms of the Warranty and Indemnity Agreement. In this event, the aggregate Adjusted Outstanding Principal Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date or any following Test Calculation Date as the case may be) will be deemed to be reduced by an amount equal to the Adjusted Outstanding Principal Balance of the relevant Affected Loan or Affected Loans (as calculated on the relevant Calculation Date or Test Calculation Date, as the case may be); and/or
- (2) the Seller, in the preceding Collection Period, was in breach of any other material warranty under the relevant Master Asset Purchase Agreement and/or the Servicer was, in the preceding Collection Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Adjusted Outstanding Principal Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date, or any following Test Calculation Date as the case may be) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Collection Period (such financial loss to be calculated by the Test Calculation Agent without double counting and to be reduced by any amount paid (in cash or in kind) to the Guarantor by the Issuer, the Seller and/or the Servicer to indemnify the Guarantor for such financial loss);

the amount resulting from the calculations above, *multiplied* by the Asset Percentage;

"B" stands for the aggregate of, without double counting, (i) the amount standing to the credit of the Principal Collection Account, (ii) the Principal Balance standing to the credit of the Eligible Investment Account or invested in Eligible Investments and (iii) the principal amount of any Top-Up Assets qualifying as Eligible Investment;

- "C" stands for the aggregate Outstanding Principal Balance of any Eligible Assets other than Mortgage Loans, *provided that* any such amount may be given limited credit from time to time;
- "Y" is equal to (i) nil, if the Issuer's long term and short term ratings are at least "A2" and "P-1" by Moody's and the Issuer's long term and short term rating are at least "A" and "F1" by Fitch, or (ii) otherwise, the Potential Set-Off Amount, **provided that**, any reference to a rating by Fitch shall be deemed to be a reference to the "*Issuer Default Rating*" given by such Rating Agency;
- "W" is equal to (i) nil, if (a) the Issuer's long term and short term ratings are at least "A2" and "P-1" by Moody's and the Issuer's long term and short term rating are at least "A" and "F1" by Fitch, or (b) any of the remedies under Clause 4.2 of the Servicing Agreement have been implemented; or (ii) otherwise, the Potential Commingling Amount, **provided that**, any reference to a rating by Fitch shall be deemed to be a reference to the "*Issuer Default Rating*" given by such Rating Agency;
- "Z" stands for the Weighted Average Remaining Maturity of all Covered Bonds (expressed in years) then outstanding multiplied by the aggregate Principal Amount of the Covered Bonds then outstanding multiplied by the Negative Carry Factor; and
- "H" stands for the aggregate amount of the principal instalments of each Mortgage Loan which have been deferred in accordance with a Payment Holiday.

provided that,

- (i) items A, B, C, and H above will be computed with reference to the Collection Period End Date immediately preceding the relevant Calculation Date (or Test Calculation Date, as applicable);
- (ii) for the purpose of the computation of the item A above, the Outstanding Principal Balance of the Mortgage Loans shall include the Outstanding Principal Balance with reference to the relevant Valuation Date (excluded) of any Subsequent Portfolio sold after the Collection Period End Date and prior to the relevant Calculation Date (or Test Calculation Date, as the case may be), to the extent that a Series of Covered Bonds has been issued or is to be issued during the same period of time and all the steps required under the Master Assets Purchase Agreement for the purposes of the purchase of the Subsequent Portfolio by the Guarantor having been taken and the relevant notice of assignment having been published in the Official Gazette and registered in the companies' register before the relevant Issue Date.

Asset Percentage: means the lower of (i) 93.00 per cent and (ii) such other percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agencies (after procuring the required level of overcollateralization in line with target rating). Notwithstanding that, in the event the Issuer chooses not to apply such other percentage figure (item (ii) above) of the Asset Percentage, this will not result in a breach of the Nominal Value Test.

"Payment Holiday" means in respect of a Mortgage Loan, the deferral of the payment of its interest and/or principal instalments in accordance with the application of moratoria provisions from time to time granted to Debtors by any laws, agreements between Italian banking associations and national consumer associations, the Bank of Italy or other regulatory bodies regulations.

Principal Balance: means (a) with reference to the Eligible Investment Account, the portion of the balance standing to the credit of the Eligible Investment Account made up by cash transferred from the Principal Collection Account and not invested in Eligible Investments; (b) with reference to the Eligible Investments, the principal amount credited into the Eligible Investment Account from the Principal Collection Account and invested into Eligible Investments.

Potential Set-Off Amount: means an amount calculated by the Issuer as a percentage of the Cover Pool that the Issuer determines as potentially subject to set-off by the Debtors.

Potential Commingling Amount means an amount calculated by the Issuer (or the Servicer, as the case may be) equal to the expected aggregate amount of monthly collections and recoveries calculated in respect of the next following 2 months and considering a 5% constant prepayment ratio p.a., or any other higher amount designated as such by the Issuer (or the Servicer, as the case may be) and notified to the Rating Agencies.

Weighted Average Remaining Maturity: means the aggregate of the residual term (expressed as a fraction of year) of any Series of Covered Bonds issued under the Programme, weighted by the Outstanding Principal Amount of the relevant Series of Covered Bonds.

(B) ***Net Present Value Test***

The Issuer and the Seller must ensure, and the Test Calculation Agent shall verify, that on each Calculation Date (or Test Calculation Date, as the case may be) prior to the occurrence of an Issuer Event of Default, the Net Present Value of the Cover Pool (including the payments of any nature expected to be paid or received by the Guarantor with respect to any Swap Agreement), net of the transaction costs to be borne by the Guarantor shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with the Conditions and their Final Terms and outstanding on the relevant Calculation Date (or Test Calculation Date, as the case may be).

The "**Net Present Value of the Cover Pool**" is an amount, calculated on each Calculation Date (or Test Calculation Date, as the case may be), applying the following formula:

$$A + B$$

where:

"**A**" stands for the net present value of all Eligible Assets and Top-Up Assets comprised in the Cover Pool;

"**B**" stands for the net present value of each Asset Swap Agreement and Liability Swap Agreement.

The ***Net Present Value*** Test will:

(i) be met if $A+B - C \geq D$; or

(ii) not be met if $A+B- C < D$.

where,

"**C**" stands for the aggregate of the Senior Payments (exclusive of any amounts credited to the Reserve Account and payments made or to be made under the Swap Agreements)

expected to be borne by the Guarantor during the period starting from the relevant Calculation Date or Test Calculation Date, as the case may be, and ending on the Maturity Date (or, as applicable, Extended Maturity Date) of the last maturing Series of Covered Bonds outstanding;

"D" stands for net present value of all Series of Covered Bonds issued under the Programme and outstanding on the relevant Calculation Date (or Test calculation Date, as the case may be).

provided that,

- (i) items A, B and D above will be computed with reference to the Collection Period End Date immediately preceding the relevant Calculation Date (or Test Calculation Date, as applicable);
- (ii) for the purpose of the computation of the item A above, the net present value of the Mortgage Loans shall include the net present value with reference to the relevant Valuation Date (excluded) of any Subsequent Portfolio sold after the Collection Period End Date and prior to the relevant Calculation Date (or Test Calculation Date, as the case may be), to the extent that a Series of Covered Bonds has been issued or is to be issued during the same period of time and all the steps required under the Master Assets Purchase Agreement for the purposes of the purchase of the Subsequent Portfolio by the Guarantor having been taken and the relevant notice of assignment having been published in the Official Gazette and registered in the companies' register before the relevant Issue Date;
- (iii) for the purpose of the computation of the item B above, the net present value of the Asset Swap Agreement and Liability Swap Agreement shall include the net present value of any new swap transaction executed by the Guarantor to hedge, respectively, (a) any Subsequent Portfolio taken into account in the computation of the item A above; and (b) any Series of Covered Bonds, issued between the Collection Period End Date and the relevant Calculation Date (or Test Calculation Date, as the case may be), taken into account in the computation of item D above;
- (iv) for the purpose of the computation of the item D above, the net present value of the Series of Covered Bonds shall include the net present value, with reference to the relevant Issue Date, of the Covered Bonds issued after the Collection Period End Date and prior to the relevant Calculation Date (or Test Calculation Date, as the case may be).

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

The Issuer and the Seller must ensure, and the Test Calculation Agent shall verify, that on each Calculation Date (or Test Calculation Date, as the case may be) prior to the occurrence of an Issuer Event of Default, the amount of interest and other revenues generated by the assets included in the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the costs borne by the Guarantor (including the payments of any nature expected to be paid or due with respect to any Swap Agreement), shall be higher than the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Final Terms and the Conditions and outstanding on the relevant Calculation Date (or Test Calculation Date, as the case may be), taking into account the Swap Agreements entered into in connection with the Programme.

The Interest Coverage Test will be considered met if, on the relevant Calculation Date or any following Test Calculation Date, as the case may be, the Expected Revenue Income (as defined below) is in an amount equal to or greater than the Expected Revenue Liability (as defined below), both as calculated on the relevant Calculation Date (or Test Calculation Date, as the case may be).

The "**Expected Revenue Income**" is an amount calculated on each Calculation Date (or Test Calculation Date, as the case may be) by applying the following formula:

$$A+B+C$$

where,

"**A**" stands for the aggregate of, without double counting, (i) the amount standing to the credit of the Interest Collection Account (ii) the Interest Balance standing to the credit of the Eligible Investment Account or invested in Eligible Investments, and (iii) any Eligible Investment Revenues;

"**B**" stands for any payments that the Guarantor is expected to receive under any Swap Agreement during the relevant ICT Period; and

"**C**" stands for the aggregate of Interest Instalments falling due during the relevant ICT Period (such interest payments to be calculated with respect to the applicable interest rates as of the relevant Calculation Date, or Test Calculation Date, as the case may be).

The "**Expected Revenue Liability**" will be an amount calculated on each Calculation Date, (or Test Calculation Date, as the case may be) by applying the following formula:

$$D+E+F$$

where,

"**D**" stands for the aggregate amount of all interest payments due under all outstanding Series of Covered Bonds on the Interest Payment Dates falling in the relevant ICT Period (such interest payments to be calculated with respect to the applicable interest rates as of the relevant Calculation Date (or Test Calculation Date, as the case may be));

"**E**" stands for any Senior Payments (exclusive of any amounts credited to the Reserve Account and payments made or to be made under the Swap Agreements) expected to be borne by the Guarantor during the relevant ICT Period; and

"**F**" stands for any payments expected to be borne or due by the Guarantor under any Swap Agreement during the relevant ICT Period.

provided that:

- (i) items A will be computed with reference to the Collection Period End Date immediately preceding the relevant Calculation Date (or Test Calculation Date, as applicable);
- (ii) for the purpose of the computation of the item C above, the Interest Instalments shall include any interest component of the instalments related to any Subsequent Portfolio sold after the Collection Period End Date and prior to the relevant Calculation Date (or Test Calculation Date, as the case may be), to the extent that a Series of Covered Bonds has been issued or is to be issued during the same period of time and all the

steps required under the Master Assets Purchase Agreement for the purposes of the purchase of the Subsequent Portfolio by the Guarantor having been taken and the relevant notice of assignment having been published in the Official Gazette and registered in the companies' register before the relevant Issue Date;

- (iii) for the purpose of the computation of the items B and F above, payments expected to be, respectively, received or borne by the Guarantor shall include any payments in relation to any new swap transaction executed by the Guarantor to hedge, as applicable, (a) any Subsequent Portfolio, sold after the Collection Period End Date, taken into account in the computation of the item C above; and (b) any Series of Covered Bonds, issued between the Collection Period End Date and the relevant Calculation Date (or Test Calculation Date, as the case maybe), taken into account in the computation of item D above.

The Interest Coverage Test will:

- (i) be met if $A+B+C \geq D+E+F$; or
- (ii) not be met if $A+B+C < D+E+F$.

"ICT Period" means the period from a Calculation Date (or Test Calculation Date, as the case may be) to the date falling 12 months thereafter, or any longer period as from time to time determined in compliance with any further regulations or interpretations thereof.

Interest Balance: means (a) with reference to the Eligible Investment Account, the portion of the balance standing to the credit of the Eligible Investment Account made up by cash transferred from the Interest Collection Account and not invested in Eligible Investments; (b) with reference to the Eligible Investments, the interest amount credited into the Eligible Investment Account from the Interest Collection Account and invested into Eligible Investments.

Eligible Investment Revenues: means all interest amounts received from the Eligible Investments.

Amortisation Test

For so long as any of the Covered Bonds remain outstanding, following the occurrence of an Issuer Event of Default, and the service of an Issuer Event of Default Notice (but prior to the service of a Guarantor Event of Default Notice following the occurrence of a Guarantor Event of Default) the Guarantor will ensure that on each Calculation Date the Amortisation Test Aggregate Loan Amount is equal to or higher than the Principal Amount Outstanding of the Covered Bonds.

The Amortisation Test is intended to ensure that, following an Issuer Event of Default and the service of an Issuer Event of Default Notice on the Issuer and on the Guarantor (but prior to service on the Guarantor of a Guarantor Event of Default Notice), the Cover Pool contains sufficient assets to enable the Guarantor to meet its obligations under the Guarantee. If the Amortisation Test Aggregate Loan Amount is less than the Outstanding Principal Amount of the issued Covered Bonds, then the Amortisation Test will be deemed to be breached and a Guarantor Event of Default Notice will be served by the Representative of the Bondholders on the Guarantor causing the acceleration of the Covered Bonds and a demand for enforcement of the Covered Bond Guarantee. The Test Calculation Agent, whilst Covered Bonds are outstanding, will immediately notify the Representative of the Bondholders of any breach of the Amortisation Test. Following a Guarantor Event of Default Notice, the

Guarantor will be required to make payments in accordance with the Post-Enforcement Priority of Payments.

The "**Amortisation Test Aggregate Loan Amount**" will be calculated on each Calculation Date as follows:

$$A + B + C - Z - H$$

where,

"A" stands for the aggregate "**Amortisation Test Outstanding Principal Balance**" of each Mortgage Loan, which shall be the lower of:

- (i) the Outstanding Principal Balance of the relevant Mortgage Loan as calculated on the relevant Calculation Date; and
- (ii) the Latest Valuation relating to that Mortgage Loan multiplied by M,

where

- (a) for all Residential Mortgage Loans that are neither Defaulted Loans nor Delinquent Loans, $M = 0.80$;
- (b) for all Residential Mortgage Loans that are Delinquent Loans, $M = 0.60$;
- (c) for all Commercial Mortgage Loans that are neither Defaulted Loans nor Delinquent Loans, $M = 0.60$;
- (d) for all Commercial Mortgage Loans that are Delinquent Loans, $M = 0.45$; and
- (e) for all Mortgage Loans that are Defaulted Loans $M = 0$;

"B" stands for the aggregate, without duplication, of (i) the amount standing to the credit of the Principal Collection Account (ii) the Principal Balance standing to the credit of the Eligible Investment Account or invested in Eligible Investments and (iii) the principal amount of any Top-Up Assets qualifying as Eligible Investment;

"C" stands for the aggregate Outstanding Principal Balance of any Eligible Assets other than Mortgage Loans *provided that* any such amount may be given limited weight from time to time;

"Z" stands for the Weighted Average Remaining Maturity of all Covered Bonds (expressed in years) then outstanding multiplied by the aggregate Outstanding Principal Amount of the Covered Bonds then outstanding multiplied by the Negative Carry Factor; and

"H" stands for the aggregate amount of the principal instalments of each Mortgage Loan which have been deferred in accordance with a Payment Holiday.

provided that, item A, B, C, and H above will be computed with reference to the Collection Period End Date immediately preceding the relevant Calculation Date.

Breach of Tests

If the Test Calculation Agent determines that any of the Tests is not met according to the respective formulas, then such event shall constitute a breach of the relevant Tests.

During the period starting on the date on which the breach of any of the Mandatory Tests is notified by the Test Calculation Agent and the following Test Calculation Date (the "**Test Grace Period**") the Guarantor would have to:

- (a) purchase Subsequent Portfolios from the Issuer in accordance with the Master Assets Purchase Agreement (or the relevant transfer agreement); and/or
- (b) purchase, or invest in, Top-Up Assets or other Eligible Assets,

in each case in an amount sufficient to ensure, also taking into account the information provided by the Test Calculation Agent in its Test Performance Report, that as of the subsequent Calculation Date, all Mandatory Tests are satisfied with respect to the Cover Pool.

Failure to remedy Tests

If the relevant breach of Mandatory Tests has not been remedied on or prior to the end of the applicable Test Grace Period and if the Amortisation Test is breached, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders, shall deliver, as the case may be:

- (a) a Breach of Test Notice to the Issuer and the Guarantor; or
- (b) an Issuer Event of Default Notice, if a Breach of Test Notice has already been served and the breach has not been cured within the relevant Test Remedy Period; or
- (c) a Guarantor Event of Default Notice, if an Issuer Event of Default Notice has already been served.

Upon receipt of a Guarantor Event of Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool, in accordance with the Cover Pool Management Agreement.

Swap Agreements

Covered Bond Swap Agreements

To mitigate against interest rate, basis risk, currency and/or other risks in respect of each Series of Covered Bonds issued under the Programme, the Guarantor may enter into one or more Covered Bond Swap Agreements with one or more Covered Bond Swap Providers in respect of each Series of Covered Bonds. In the event that the rating(s) of the Covered Bond Swap Provider fall below a specified ratings level, each Covered Bond Swap Provider(s) will be required to take certain remedial action.

For further details, see section "*Description of the Programme Documents - Covered Bond Swap Agreements*" above.

Asset Swap Agreements

Some of the Mortgage Loans in the Cover Pool purchased by the Guarantor from time to time will pay a variable rate of interest, either capped or not capped, and other Mortgage Loans will pay a fixed rate of interest. The Guarantor may enter into one or more Asset Swap Agreements with one or more Asset Swap Providers to mitigate variations between the rate of interest it receives on Mortgage Loans in the Cover Pool and Euribor with a certain designated maturity. In the event that the rating(s) of an Asset Swap Provider fall below a specified ratings level, each Asset Swap Provider(s) will be required to take certain remedial action.

For further details, see section "*Description of the Programme Documents - Asset Swap Agreements*" above.

Reserve Account and Reserve Amount

The Reserve Account is held in the name of the Guarantor for the deposit of the Reserve Amount which will be built up by the Issuer on the first Guarantor Payment Date by crediting any Reserve Amount up to the Required Reserve Amount. If the Reserve Amount has been used, the Reserve Account shall be replenished up to the Required Reserve Amount on each Guarantor Payment Date in accordance with the Priority of Payments.

The Reserve Amount will be used on each Guarantor Payment Date, together with the other Guarantor Available Funds to make the payments required up to item (*Fifth*) under the Pre-Issuer Default Priority of Payments, to the extent that the Guarantor Available Funds are not sufficient to make the relevant payments on such Guarantor Payment Date.

Cash Reserve Commingling Account and Potential Commingling Amount

In accordance with the provisions set forth under the Programme Documents, upon loss by the Servicer of the Servicer Minimum Rating, the Servicer has deposited the Potential Commingling Amount on the Cash Reserve Commingling Account, held in the name of the Guarantor with the Cash Reserve Commingling Account Bank. The Potential Commingling Amount shall not be withdrawn save that it will be used only in case of failure by the Servicer to transfer the Collections pursuant to the Servicing Agreement.

The Guarantor has created in favour of the Representative of the Bondholders a Security Interest in respect of the amount standing to the credit of the Cash Reserve Commingling Account.

CASHFLOWS

As described above under section entitled "*Credit Structure*", until an Issuer Event of Default Notice is served on the Issuer and the Guarantor, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the Guarantor.

This section summarises the cashflows of the Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Accounts and their order of priority (all such orders of priority, the "**Priority of Payments**") (a) prior to an Issuer Event of Default and a Guarantor Event of Default, (b) following an Issuer Event of Default (but prior to a Guarantor Event of Default) and (c) following a Guarantor Event of Default.

Definitions

For the purposes hereof the Guarantor Available Funds are constituted by the Interest Available Funds and the Principal Available Funds, which will be calculated by Calculation Agent on each Calculation Date.

"**Interest Available Funds**" means in respect of any Calculation Date, the aggregate of:

- (i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Interest Collection Account in respect of the immediately preceding Collection Period;
- (ii) all recoveries in the nature of interest received by the Servicer and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (iii) all amounts of interest accrued (net of any withholding or expenses, if due) and credited into the Accounts in respect of the immediately preceding Collection Period;
- (iv) any amounts credited to the Reserve Account as at the immediately preceding Guarantor Payment Date;
- (v) all Eligible Investment Revenues in respect of the Eligible Investments made with reference to the immediately preceding Collection Period;
- (vi) any amounts (excluding any principal payment) received or to be received under the Asset Swap Agreement(s) other than any Swap Collateral Excluded Amounts with reference to the immediately following Asset Swap Payment Date;
- (vii) any amounts (excluding any principal payment) received or to be received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts with reference to the immediately following Covered Bond Swap Payment Date;
- (viii) any swap termination payments (excluding any principal payment) received or to be received from a replacement Swap Provider under a Swap Agreement in the event of a termination of a Swap Agreement between the Guarantor and the relevant Swap Provider with reference to the immediately following Guarantor Payment Date;
- (ix) all interest amounts received from the Seller by the Guarantor pursuant to the Master Assets Purchase Agreement and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;

- (x) any amounts to be paid as Interest Shortfall Amount out of item (First) of the Pre-Issuer Default Principal Priority of Payments on the immediately succeeding Guarantor Payment Date;
- (xi) any revenue amounts (other than the amounts already allocated under other items of the Interest Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period; and
- (xii) interest amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

"Principal Available Funds" means in respect of any Calculation Date, the aggregate of:

- (i) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Principal Collection Account of the Guarantor in respect of the immediately preceding Collection Period;
- (ii) all other recoveries in respect of principal received by the Servicer and credited to the Principal Collection Account of the Guarantor in respect of the immediately preceding Collection Period;
- (iii) all principal amounts received by the Guarantor from the Seller pursuant to the Master Assets Purchase Agreement and credited to the Principal Collection Account in respect of the immediately preceding Collection Period;
- (iv) the principal proceeds of any disposal of Assets and any disinvestment of Assets or Eligible Investments made in respect of the immediately preceding Collection Period;
- (v) all amounts in respect of principal (if any) received or to be received under any Asset Swap Agreements (other than any Swap Collateral Excluded Amounts) with reference to the immediately following Asset Swap Payment Date;
- (vi) all amounts in respect of principal (if any) received or to be received under any Covered Bond Swap Agreements (other than any Swap Collateral Excluded Amounts) with reference to the immediately following Covered Bond Swap Payment Date;
- (vii) any swap termination payments (excluding any interest payment) received or to be received from a replacement Swap Provider under a Swap Agreement in the event of a termination of a Swap Agreement between the Guarantor and the relevant Swap Provider with reference to the immediately following Guarantor Payment Date;
- (viii) any amounts to be paid out of item *Seventh* of the Pre-Issuer Default Interest Priority of Payments on the immediately succeeding Guarantor Payment Date;
- (ix) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Period End Date;
- (x) any principal amounts (other than the amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period; and
- (xi) principal amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

Pre-Issuer Default Interest Priority of Payments

Prior to service of an Issuer Event of Default Notice on the Guarantor and the Issuer and service of a Guarantor Event of Default Notice on the Guarantor, the Interest Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *(First)*, (a) to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses of the Guarantor (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;
- (ii) *(Second)*, to pay any amount due and payable to the Representative of the Bondholders;
- (iii) *(Third)*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable to the Servicer, the Back-up Servicer (if any), the Account Bank, the Test Calculation Agent, the Investment Manager, the Calculation Agent, the Guarantor Corporate Servicer and the Cash Reserve Commingling Account Bank;
- (iv) *(Fourth)*, to pay, *pari passu* and *pro rata* any interest amounts due to the relevant Asset Swap Provider (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts);
- (v) *(Fifth)*, to pay, *pari passu* and *pro rata* any interest amounts due to the Covered Bond Swap Provider(s) (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts);
- (vi) *(Sixth)*, to credit to the Reserve Account an amount required to ensure that the Reserve Amount is funded up to the Required Reserve Amount, as calculated on the immediately preceding Calculation Date;
- (vii) *(Seventh)*, to apply to the Principal Available Funds an amount equal to the Interest Shortfall Amount, if any, allocated on any preceding Guarantor Payment Date under item (First) of the Pre-Issuer Default Principal Priority of Payments and not already repaid;
- (viii) *(Eighth)*, to pay any Base Interest due and payable to the Subordinated Loan Provider pursuant to the terms of the Subordinated Loan Agreement, **provided that** no Segregation Event has occurred and is continuing;
- (ix) *(Ninth)*, to pay *pari passu* and *pro rata* in accordance with the respective amounts thereof any Excluded Swap Termination Amounts;
- (x) *(Tenth)*, to pay to the Issuer any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Pre-Issuer Default Interest Priority of Payments;
- (xi) *(Eleventh)*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any Premium on the Subordinated Loan, **provided that** no Segregation Event has occurred and is continuing.

Pre-Issuer Default Principal Priority of Payments

Prior to the service of an Issuer Event of Default Notice on the Issuer and the Guarantor and service of a Guarantor Event of Default Notice on the Guarantor, all the Principal Available Funds shall be applied or on behalf of the Guarantor on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) (*First*), to pay any amount payable as Interest Shortfall Amount on the same Guarantor Payment Date;
- (ii) (*Second*), unless a Segregation Event has occurred and is continuing, to pay the purchase price of any Subsequent Portfolios and/or Top-Up Assets and/or other Eligible Assets (other than those funded through the proceeds of a Subordinated Loan);
- (iii) (*Third*), to pay any principal amounts due or to become due and payable to the relevant Asset Swap Provider *pari passu* and *pro rata* in respect of each relevant Swap Agreement;
- (iv) (*Fourth*), to pay any principal amounts due or to become due and payable to the relevant Covered Bond Swap Provider *pari passu* and *pro rata* in respect of each relevant Swap Agreement;
- (v) (*Fifth*), to credit into the Payments Account any amounts necessary in order to ensure compliance with the Tests;
- (vi) (*Sixth*) unless a Segregation Event has occurred and is continuing, to pay to the Subordinated Loan Provider any principal amount outstanding under the Subordinated Loan Agreement.

Post-Issuer Default Priority of Payments

Following the delivery of an Issuer Event of Default Notice upon occurrence of an Issuer Event of Default, the Guarantor Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) (*First*), (a) to pay, *pari passu* and *pro rata*, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;
- (ii) (*Second*), to pay any amount due and payable to the Representative of the Bondholders;
- (iii) (*Third*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable to the Servicer, the Back-up Servicer(if any), the Account Bank, the Test Calculation Agent, the Calculation Agent, the Investment Manager, the Guarantor Corporate Servicer, the Asset Monitor, the Principal Paying Agent, the Listing Agent(s) (if any), the Portfolio Manager, the Cash Reserve Commingling Account Bank and any other paying agent (if any);
- (iv) (*Fourth*), to pay (or to provision, as the case may be), *pari passu* and *pro rata* according to the respective amounts thereof (A) any interest amount due to the Asset Swap Providers, *pari passu* and *pro rata* in respect of each relevant Asset Swap Agreement (including any termination payment due and payable by the Guarantor other than any Excluded Swap Termination Amounts); (B) any interest amounts due to the Covered Bond Swap Providers, *pari passu* and *pro rata* in respect of each relevant Covered Bond Swap Agreement

(including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (C) any interest due and payable on such Guarantor Payment Date (or that will become due and payable during the period to the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds *pari passu* and *pro rata* in respect of each Series of Covered Bonds;

- (v) (*Fifth*), to pay, (or to provision, as the case may be) *pari passu* and *pro rata* according to the respective amounts thereof (A) any amounts in respect of principal due or to become due and payable to the relevant Swap Provider *pari passu* and *pro rata* in respect of each relevant Swap Agreement (including any termination payment due and payable by the Guarantor under the relevant Swap Agreement, other than any Excluded Swap Termination Amount) and (B) any principal amounts due and payable on such Guarantor Payment Date (or that will become due and payable during the period to the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds, *pari passu* and *pro rata* in respect of each Series of Covered Bonds;
- (vi) (*Sixth*), until each Series of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), to credit, or make provision for, any remaining amounts to the Payments Account;
- (vii) (*Seventh*), to pay *pari passu* and *pro rata*, any Excluded Swap Termination Amount due and payable by the Guarantor;
- (viii) (*Eighth*), to pay to the Issuer any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Post-Issuer Default Priority of Payments;
- (ix) (*Ninth*), to pay the purchase price of any Subsequent Portfolios and/or Top-Up Assets and/or other Eligible Assets (other than those funded through the proceeds of a Subordinated Loan);
- (x) (*Tenth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Base Interest due to the Subordinated Loan Provider under the relevant Subordinated Loan;
- (xi) (*Eleventh*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any principal amount to the Subordinated Loan Provider under the relevant Subordinated Loan;
- (xii) (*Twelfth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Premium on the Subordinated Loan.

Post-Enforcement Priority of Payment

Following the delivery of a Guarantor Event of Default Notice upon occurrence of a Guarantor Event of Default, the Guarantor Available Funds shall be applied, on each Guarantor Payment Date, in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) (*First*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);
- (ii) (*Second*), to pay any amount due and payable to the Representative of the Bondholders;
- (iii) (*Third*), to pay, (or to provision, as the case may be) *pari passu* and *pro rata* according to the relevant amounts thereof, (i) any amounts due and payable to the Servicer, the Back-up

Servicer (if any), the Account Bank, the Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the Investment Manager, the Principal Paying Agent, the Listing Agent(s) (if any), the Portfolio Manager, the Test Calculation Agent, the Cash Reserve Commingling Account Bank and any other paying agent (if any); (ii) any amounts due to the Covered Bond Swap Providers and the Asset Swap Providers and any other Swap Provider(s) (if any) (other than any Excluded Swap Termination Amount); and (iii) any amounts due (or that will become due and payable during the period to the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds;

- (iv) (*Fourth*), to pay *pari passu* and *pro rata*, any Excluded Swap Termination Amount due and payable by the Guarantor;
- (v) (*Fifth*), to pay to the Issuer any other amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Post-enforcement Priority of Payments;
- (vi) (*Sixth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Base Interest due to the Subordinated Loan Provider under the relevant Subordinated Loan;
- (vii) (*Seventh*), to pay *pari passu* and *pro rata* according to the respective amounts thereof, any principal amount to the Subordinated Loan Provider under the relevant Subordinated Loan;
- (viii) (*Eighth*) to pay *pari passu* and *pro rata* according to the respective amounts thereof, any Premium on the Subordinated Loan.

DESCRIPTION OF THE COVER POOL

The Cover Pool is and will be comprised of (i) Mortgage Receivables transferred pursuant to the Master Assets Purchase Agreement, (ii) any other Eligible Assets, in accordance with Law 130, the Decree No. 310 and the Bank of Italy Regulations; and (iii) any other Top-Up Assets.

As at the date of this Prospectus, the Portfolio consists of Mortgage Loans transferred by the Seller to the Guarantor in accordance with the terms of the Master Assets Purchase Agreement, as more fully described under section entitled “*Overview Of The Transaction Documents - Master Loans Purchase Agreements*”.

The statistical data referred to the Portfolio compiled with information provided by each Seller in connection with the acquisition of the Receivables by the Guarantor are included in the following table.

Statistical information Portfolio (as at 30/06/2014)

Outstanding Principal Balance	€ 3,026,524,626.52
Original Principal Balance	€ 4,814,030,841.39
Average Outstanding Principal Balance	€ 72,206.24
Maximum Outstanding Principal Balance	€ 1,890,171.69
Average Original Principal Balance	€ 114,852.22
Maximum Original Principal Balance	€ 2,200,000.00
Number of Mortgage Loans	41,915
Weighted average seasoning (years) ¹	5.9
Weighted average residual term (years) ²	14.3
Weighted average original loan to value ³	61.56
Weighted average current loan to value ⁴	51.79
Weighted average current interest rate	2.464

1. number of years elapsed since the origination date of each Mortgage Loan, weighted by the Outstanding Principal Balance of the relevant Mortgage Loan

2. number of years remaining till the last instalment date of each Mortgage Loan, weighted by the Outstanding Principal Balance of the relevant Mortgage Loan

3. ratio between the Original Principal Balance and the Original Valuation of the relevant Real Estate Asset for each Mortgage Loan, weighted by the Original Principal Balance of the relevant Mortgage Loan

4. ratio between the Outstanding Principal Balance and the Latest Valuation of the relevant Real Estate Asset for each Mortgage Loan, weighted by the Outstanding Principal Balance of the relevant Mortgage Loan

Eligibility Criteria

The sale of Mortgage Loans and their related Security Interest and the transfer of any other Eligible Assets and Top-Up Asset to the Guarantor will be subject to various conditions (the "**Eligibility**

Criteria") being satisfied on the relevant Cut-off Date (except as otherwise indicated). The Eligibility Criteria with respect to each asset type will vary from time to time but will at all times include criteria so that both Italian law and Rating Agencies requirements are met. Under the Master Assets Purchase Agreement the Seller and the Guarantor have agreed that each Subsequent Portfolio will be selected on the basis of the common criteria (the "**Common Criteria**") for the Mortgage Receivables and/or the Common Criteria for the Public Entities Securities and of any of the specific criteria for the Subsequent Portfolios ("**Specific Criteria for the Subsequent Portfolios**") which may from time to time be selected as applicable by the Seller in relation to each Subsequent Portfolio and, where necessary, on the basis of any further criteria which may be indicated by the Seller **provided that** it is not conflicting with the Common Criteria and the Specific Criteria for the Subsequent Portfolios (the "**Further Criteria**").

Common Criteria for the Mortgage Receivables

Receivables arising from Mortgage Loans:

- (1) which are residential mortgage receivables (i) with a risk weight not higher than 35% and in respect of which the relevant amount outstanding added to the principal amount outstanding of any preceding higher ranking mortgage loans secured by the same property, does not exceed 80 per cent of the value of the property, in accordance with Decree No. 310; or which are commercial mortgage receivables (ii) with a risk weight not higher than 50% and in respect of which the relevant amount outstanding added to the principal amount outstanding of any preceding higher ranking mortgage loans secured by the same property, does not exceed 60 of the value of the property, in accordance with Decree No. 310;
- (2) that do not benefit from any form of financial subsidy (*agevolazione*), or that have not been entered into pursuant to any law or legislation providing for financial subsidies (*mutui agevolati*), public contributions of any kind, law rebates, maximum contractual limits to interest rate and / or other provisions granting subsidies or reductions to the relevant debtors, third party mortgage guarantors or other guarantors with respect to capital and / or interest;
- (3) in respect of which the relevant Debtor agreed a fixed rate interest, a floating rate interest, a mixed interest rate or an optional interest rate;
- (4) that are not consumer loans (*crediti al consumo*);
- (5) that are not a *mutuo agrario* pursuant to Articles 43, 44 and 45 of the Consolidated Banking Act;
- (6) that are secured by a mortgage created over real estate assets in accordance with applicable laws and regulations and are located in the Republic of Italy;
- (7) the payment of which is secured by a first ranking mortgage (*ipoteca di primo grado economico*);
- (8) in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of Article 39, fourth paragraph of the Consolidated Banking Act;
- (9) that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;
- (10) for which at least an instalment of principal and/or interest has been paid before the Cut-off Date;

- (11) which provide for payment by wire to the bank account, payment against notice ("**MAV**") or payment by other directly bank account transfers ("**RID**");
- (12) that, as of the Cut-off Date, did not have any Instalment pending for more than the relevant "exemption period" (*periodo di franchigia*), and in respect of which all other previous Instalments falling due before the Valuation Date have been fully paid;
- (13) that are governed by Italian law;
- (14) denominated in Euro which do not contain any provision allowing the conversion thereof in a different currency;
- (15) in respect of which the net income of the relevant Mortgage Loan Agreements has been granted in whole or in part for the purpose of purchasing, restructuring or constructing a Real Estate Asset, or for the purpose of refinancing an existing loan granted by other banks;
- (16) which are loans granted or acquired solely by the Seller;
- (17) which do not include any clauses limiting the possibility for the Seller to assign the receivables arising thereunder or where providing the Debtor's consent for such assignment and the Seller has obtained such consent;
- (18) which provide for the payment by the Debtor of instalments on a monthly, quarterly or semi-annual basis;
- (19) which are not classified as "default" ("*sofferenze*") in accordance with the Bank of Italy Supervisory Regulations issued by the Bank of Italy with Circular No. 229 of 21 April 1999;
- (20) which are not classified as "subjective impairment" ("*incaglio soggettivo*") in accordance with the general principles of prudential management of the receivables applied by CREDEM and reflected in CREDEM credit and collection policies;
- (21) that have not been granted individually or in co-heading to directors and/or employees (including, without limitation, officers or directors) of CREDEM or any other company of the CREDEM Group;
- (22) which do not arise from Mortgage Loan Agreements that, on the relevant Cut-off Date, are subject to suspension of payments provided under the convention executed on 18 December 2009 between the Italian Banking Association ("*Associazione Bancaria Italiana*") and the major consumer associations (the "*Piano Famiglie*"), the Decree No. 39 of 28 April 2009 converted into the Law No. 77 of 24 June 2009 (the "*Abruzzo Decree*"), the Law Decree 27 May 2008, No. 93 (the "**Tremonti Decree**") and / or any other applicable law or regulation;
- (23) which do not arise from Mortgage Loan Agreements granted to Public Entities, public consortia (*consorzi pubblici*) or ecclesiastical bodies (*enti ecclesiastici*).

Common Criteria for Public Entities Securities

Public Entities Securities having the following characteristics:

- (1) securities issued by Public Entities, including ministerial bodies and local or regional bodies, located within the European Economic Area or Switzerland for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and

- (2) securities issued by Public Entities, located outside the European Economic Area or Switzerland, for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach - or regional or local public entities or non-economic administrative entities, located outside the European Economic Area or Switzerland, for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach.

Specific Criteria for the Subsequent Portfolios

The Specific Criteria for the Subsequent Portfolios will be selected by the Seller on or about the relevant Cut-Off Date and will be identified among the Specific Criteria whereby only dates and economical features may be adjusted on the basis of the composition of the relevant Subsequent Portfolio. Such Specific Criteria for the Subsequent Portfolios will be listed in the relevant Transfer Agreement and be available at the registered office of the Issuer (in this respect please refer to section "*General Information – Documents Available*" below).

THE ASSET MONITOR

The Bank of Italy Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Guarantee and, following the latest amendments to the Bank of Italy Regulations introduced by way of inclusion of the new Part III, Chapter 3 (*Obbligazioni Bancarie Garantite*) in Bank of Italy's Circular No. 285 of 17 December 2013, the information to be provided to investors.

Pursuant to the Bank of Italy Regulations, the asset monitor must be an independent auditor, enrolled with the Register of Certified Auditors held by the Ministry for Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and the Ministerial Decree No. 145 of 20 June 2012 and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer and the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed also to the Statutory Auditors of the Issuer.

Pursuant to an engagement letter dated on or about the First Issue Date, the Issuer has appointed Mazars S.p.A., a company incorporated under the laws of the Republic of Italy, having its registered office at Corso di Porta Vigentina, 35, 20122, Milan, Italy, fiscal code No. 03099110177 and enrolment with the companies register of Milan No. 2027292; Mazars S.p.A. is included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at No. 41306, as initial asset monitor (the "**Asset Monitor**") in order to perform, with reference to the period prior to the occurrence of an Issuer Event of Default and subject to receipt of the relevant information from the Issuer, specific agreed upon procedures concerning, *inter alia*, (i) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the calculations performed by the Issuer in respect of the Mandatory Tests; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

The engagement letter is in line with the provisions of the Bank of Italy Regulations in relation to the reports to be prepared and submitted by the Asset Monitor also to the Statutory Auditors Board of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

For a description of the Asset Monitor Agreement, see Section "*Description of the Programme Documents*" above.

DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

The following is a general description of the Law 130 and other legislation that may be relevant to investors in assessing the Covered Bonds, including recent legislation affecting the rights of mortgage borrowers. It does not purport to be a complete analysis of the legislation described below or of the other considerations relating to the Covered Bonds arising from Italian laws and regulations. Furthermore, this summary is based on Italian legislation as in effect on the date of this Prospectus, which may be subject to change, potentially with retroactive effect. This description will not be updated to reflect changes in laws. Accordingly, prospective Bondholders should consult their own advisers as to the risks arising from Italian legislation that may affect any assessment by them of the Covered Bonds.

LAW 130

Introduction

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- (i) Article 7-*bis* and article 7-*ter* of the Law No. 130 of 30 April 1999 (as further amended and supplemented, the "**Law 130**");
- (ii) the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under Decree No. 310 (the "**Decree No. 310**");
- (iii) the C.I.C.R. Decree dated 12 April 2007; and
- (iv) Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (*Circolare* No. 285 of 17 December 2013), as amended and supplemented from time to time (the "**Bank of Italy Regulations**").

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the Law 130 by adding two new articles, Articles 7-*bis* and 7-*ter*, which enable banks to issue covered bonds. Articles 7-*bis* and 7-*ter*, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

The Italian Securitisation and Covered Bond Law was further amended by Law Decree no. 145 of 23 December 2013 (the "**Destinazione Italia Decree**") as converted with amendments into Law n. 9 of 21 February 2014 and by Law Decree no. 91 of 24 June 2014 (the "**Decree Competitività**") as converted into Law no. 116 of 11 August 2014.

Following the issue of Decree No. 310, the Bank of Italy Instructions were published on 17 May 2007, as subsequently amended and then supplemented by the new supervisory regulations on banks published by the Bank of Italy in December 2013 (*Circolare* of the Bank of Italy No. 285 of 17 December 2013) which came into force on 1 January 2014, implementing CRD IV Package and setting out additional local prudential rules concerning matters not harmonised on EU level. In particular, following the publication on 24 June 2014 of the 5th update to Circular of the Bank of Italy No. 285 of 17 December 2013, which added a new Chapter 3 ("*Obbligazioni bancarie garantite*") in Part III contained therein, the provisions set forth under Title V, Chapter 3 of *Circolare* No. 263 of 27 December 2006 have been abrogated.

The Bank of Italy Regulations introduced provisions, *inter alia*, setting out:

- (i) the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;

- (ii) limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;
- (iii) criteria to be adopted in the integration of the assets constituting the cover pools;
- (iv) the identification of the cases in which the integration is permitted and its limits; and
- (v) monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

Basic structure of a covered bond issue

The structure provided under Article 7-*bis* with respect to the issue of covered bonds may be summarised as follows:

- (i) a bank transfers a pool of eligible assets (i.e. the cover pool) to an Article 7-*bis* special purpose vehicle (the "**Law 130 SPV**");
- (ii) the bank (or a different bank) grants the Law 130 SPV a subordinated loan in order to fund the payment by the Law 130 SPV of the purchase price due for the cover pool;
- (iii) the bank (or a different bank) issues the covered bonds which are supported by a first demand, unconditional and irrevocable guarantee issued by the Law 130 SPV for the exclusive benefit of the holders of the covered bonds;
- (iv) the guarantee is backed by the entire cover pool held by the Law 130 SPV and the receivables and securities comprised in the cover pool are segregated in favour of the bondholders, the hedging counterparties and the other secured creditors and to the payment of the transaction costs in priority to the subordinated loans granted to the Law 130 SPV to fund the purchase thereof.

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

The Law 130 SPV

The Italian legislator chose to implement the new legislation on covered bonds by supplementing the Law 130, thus basing the new structure on a well-established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the Law 130 SPV is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchase of assets eligible for cover pools and the person giving guarantees in the context of covered bond transactions.

The guarantee

The Decree No. 310 provides that the guarantee issued by the Law 130 SPV for the benefit of the bondholders must be irrevocable, first-demand, unconditional and independent from the obligations of the issuer of the covered bonds. Furthermore, upon the occurrence of a default by the issuer in respect of its payment obligations under the covered bonds, the Law 130 SPV must provide for the payment of the amounts due under the covered bonds, in accordance with their original terms and with limited recourse to the amounts available to the Law 130 SPV from the cover pool. The acceleration of the issuer's payment obligations under the covered bonds will not therefore result in a corresponding acceleration of the Law 130 SPV's payment obligations under the guarantee (thereby preserving the maturity profile of the covered bonds).

Upon an insolvency of the issuer, solely the Law 130 SPV will be responsible for the payment obligations of the issuer owed to the Bondholders, in accordance with their original terms and with limited recourse to the amounts available to the Law 130 SPV from the cover pool. To the extent that the Guarantor makes, or is made on its behalf, a payment of any amount under the Guarantee, nothing shall prevent or limit the right of the Guarantor to be fully and automatically subrogated to the Bondholders' rights against the Issuer for the payment of an amount corresponding to the payments made by the Guarantor with respect to the relevant Guaranteed Amounts under the Guarantee in accordance with article 4 of Decree No. 310 and any applicable provision of the Italian Civil Code, to the fullest extent permitted by applicable laws.

If a resolution pursuant to Article 74 of the Consolidated Banking Act is passed in respect of the Issuer, the Law 130 SPV, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the entire period in which the suspension continues at their relevant due date, **provided that** it shall be entitled to claim any such amounts from the Issuer. For further details see section "*Description of the Programme Documents - Guarantee*".

Finally, if a moratorium is imposed on the issuer's payments, the Law 130 SPV will fulfil the issuer's payment obligations, with respect to amounts which are due and payable and with limited recourse to the cover pool. The Law 130 SPV will then have recourse against the issuer for any such payments.

Segregation and subordination

Article 7-bis provides that the assets comprised in the cover pool and the amounts paid by the debtors with respect to the receivables and/or debt securities included in the cover pool are exclusively designated and segregated by law for the benefit of the holders of the covered bonds, the hedging counterparties involved in the transaction, any ancillary documents thereto and to the payment of the other transaction costs.

In addition, Article 7-bis expressly provides that the claim for reimbursement of the loan granted to the Law 130 SPV to fund the purchase of assets in the cover pool is subordinated to the rights of the Bondholders and of the hedging counterparties involved in the transaction to any ancillary documents thereto and to the payment of the other transaction costs.

Exemption from claw-back

Article 7-bis provides that the guarantee and the subordinated loan granted to fund the payment by the Law 130 SPV of the purchase price due for the cover pool are exempt from the bankruptcy claw-back provisions set out in Article 67 of the Italian Bankruptcy Law (Royal Decree No. 267 of 16 March 1942).

In addition to the above, any payments made by an assigned debtor to the SPV may not be subject to any claw-back action according to Article 65 of the Italian Bankruptcy Law.

The Issuing Bank

The Bank of Italy Regulations provide that covered bonds may only be issued by banks which individually satisfy, or which belong to banking groups which, on a consolidated basis:

- have own funds of at least €250,000,000; and
- have a minimum total capital ratio of not less than 9%.

The Bank of Italy Instructions specify that the requirements above also apply to the bank acting as cover pool provider (in the case of structures in which separate entities act respectively as issuing bank and as cover pool provider).

The Bank of Italy Instructions furthermore provide that the total amount of eligible assets that a bank may transfer to cover pools in the context of covered bond transactions is subject to limitations linked to the tier 1 ratio and common equity tier 1 ratio of the individual bank (or of the relevant banking group, if applicable) as follows:

	Ratios	Transfer Limitations
"A" range	- Tier 1 ratio \geq 9% - Common Equity Tier 1 Ratio \geq 8%	No limitation
"B" range	- Tier 1 ratio \geq 8% - Common Equity Tier 1 ratio \geq 7%	Up to 60% of eligible assets may be transferred
"C" range	- Tier 1 ratio \geq 7% - Common Equity Tier 1 ratio \geq 6%	Up to 25% of eligible assets may be transferred

The Bank of Italy Instructions clarify that the ratios provided with respect to each range above must be satisfied jointly: if a bank does not satisfy both ratios with respect to a specific range, the range applicable to it will be the following, more restrictive, range. Accordingly, if a bank (or the relevant banking group) satisfies the "b" range tier 1 ratio but falls within the "c" range with respect to its common equity tier 1 ratio, the relevant bank will be subject to the transfer limitations applicable to the "c" range.

In addition to the above, certain further amendments have been introduced in respect of the monitoring activities to be performed by the asset monitor.

The Cover Pool

For a description of the assets which are considered eligible for inclusion in a cover pool under Article 7-bis, see "*Description of the Cover Pool - Eligibility Criteria*".

Ratio between cover pool value and covered bond outstanding amount

The Decree No. 310 provides that the cover pool provider and the issuer must continually ensure that, throughout the transaction:

- (i) the aggregate nominal value of the cover pool is at least equal to the nominal amount of the relevant outstanding covered bonds;
- (ii) the net present value of the cover pool (net of all the transaction costs borne by the Law 130 SPV, including in relation to hedging arrangements) is at least equal to the net present value of the relevant outstanding covered bonds;

- (iii) the interest and other revenues deriving from the cover pool (net of all the transaction costs borne by the Law 130 SPV) are sufficient to cover interest and costs due by the issuer with respect to the relevant outstanding covered bonds, taking into account any hedging agreements entered into in connection with the transaction.

In respect of the above, under the Bank of Italy Regulations, strict monitoring procedures are imposed on banks for the monitoring of the transaction and of the adequacy of the guarantee on the cover pool. Such activities must be carried out both by the relevant bank and by an asset monitor, to be appointed by the bank, which is an independent accounting firm. The asset monitor must prepare and deliver to the issuing bank's Board of Statutory Auditors (*Collegio Sindacale*), on an annual basis, pursuant to the relevant engagement letter and under the agreed upon procedure, a report detailing its monitoring activity and the relevant findings. Pursuant to the Bank of Italy Regulation, as amended on 24 March 2010 the asset monitor will have to (i) carry out its activities following proportionality criteria, (ii) extend the range and frequency of such activities in the light of market situations or situations regarding the Issuer that may affect the regularity of the transaction or the investors' protection and (iii) perform specific verification ("*a campione*") and proportional to the transaction and the relevant risks.

The Bank of Italy Regulations require banks to carry out certain monitoring activities at least every 6 months with respect to each covered bond transaction. Furthermore, the internal auditors of banks must comprehensively review every 12 months the monitoring activity carried out with respect to each covered bond transaction, basing such review, *inter alia*, on the evaluations supplied by the asset monitor.

In addition to the above, pursuant to the Bank of Italy Instructions provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013.

In order to ensure that the monitoring activities above may be appropriately implemented, the Bank of Italy Regulations require that the entities participating in covered bond transactions be bound by appropriate contractual undertakings to communicate to the issuing bank, the cover pool provider and the entity acting as servicer in relation to the cover pool assets all the necessary information with respect to the cover pool assets and their performance.

Substitution of assets

The Decree No. 310 and the Bank of Italy Instructions provide that, following the initial transfer to the cover pool, the eligible assets comprised in the cover pool may only be substituted or supplemented in order to ensure that the requirements described under "*Ratio between cover pool value and covered bond outstanding amount*", or the higher over-collateralization provided for under the relevant covered bond programme documents, are satisfied at all times during the transaction.

The eligible assets comprised in the cover pool may only be substituted or supplemented by means of:

- (i) the transfer of further assets (eligible to be included in the cover pool in accordance with the criteria described above);
- (ii) the establishment of deposits held with banks ("**Qualified Banks**") which have their registered office in a member state of the European Economic Area or in Switzerland or in a state for which a 0% risk weight is applicable in accordance with the prudential regulations' standardised approach; and

- (iii) the transfer of debt securities, having a residual life of less than one year, issued by the Qualified Banks.

The Bank of Italy has clarified that the eligible assets included in the cover pool may be substituted with other eligible assets originated by the Seller, **provided that** such substitution is expressly provided for and regulated under the relevant programme documentation and appropriate disclosure is given to the investors in the prospectus.

The Decree No. 310 and the Bank of Italy Instructions, however, provide that the assets described in the last two paragraphs above (together with the liquidity deriving from the management of the cash-flows of the cover pool), cannot exceed 15% of the aggregate nominal value of the cover pool. This 15% limitation must be satisfied throughout the transaction and, accordingly, the substitution of cover pool assets may also be carried out in order to ensure that the composition of the assets comprised in the cover pool continues to comply with the relevant threshold. However the Bank of Italy has clarified that such 15% limitation may be exceeded upon occurrence of an Insolvency Event in respect of the Issuer, whereby supplementing the cover pool is no longer possible and the accumulation of liquidity over the 15% limit may be conducive to the benefit of the Bondholders.

The Bank of Italy Instructions clarify that the limitations to the overall amount of eligible assets that may be transferred to cover pools described under "*The Issuing Bank*" above do not apply to the subsequent transfer of supplemental assets for the purposes described under this paragraph.

Taxation

Article 7-*bis*, sub-paragraph 7, provides that any tax is due as if the granting of the subordinated loan and the transfer of the cover pool had not taken place and as if the assets constituting the cover pool were registered as on-balance sheet assets of the cover pool provider, **provided that**:

- (i) the purchase price paid for the transfer of the cover pool is equal to the most recent book value of the assets constituting the cover pool; and
- (ii) the subordinated loan is granted by the same bank acting as cover pool provider.

It is likely that the provision described above would imply, as a main consequence, that banks issuing covered bonds will be entitled to include the receivables transferred to the cover pool as on-balance receivables for the purpose of tax deductions applicable to reserves for the depreciation on receivables in accordance with Article 106 of Presidential Decree No. 917 of 22 December 1986.

Aspects of Italian Law relevant to Mortgage Loans

The Bersani Decree aims at, *inter alia*, increasing competitiveness in a number of sectors, including the banking sector. In particular, in the banking sector, the Bersani Decree aims at reducing the costs associated with prepayment of mortgage loans with a view allowing borrowers to refinance their mortgage loans more easily. The Bersani Decree also provides that any provision imposing a prepayment penalty in case of early redemption of mortgage loans is void with respect to mortgage loan agreements entered into, with an individual as borrower, on or after 2 February 2007 (being the date on which the Bersani Decree entered into force) for the purpose of purchasing or refurbishing real estate properties destined to residential purposes or to carry out the borrower's own professional and economic activity.

With respect to loan agreements entered into prior to the enactment of the Bersani Decree (i.e. prior to 2 February 2007), article 7, paragraph 5 of the Bersani Decree **provided that** the Italian banking association (*Associazione bancaria italiana*) ("**ABI**") and the main national consumer associations were entitled to reach, within three months from 2 February 2007, an agreement regarding the equitable renegotiation of prepayment penalties within certain maximum limits calculated on the

residual amount of the loans (in each instance, the "**Substitutive Prepayment Penalty**"). Had ABI and the relevant consumer associations failed to reach an agreement, the Bank of Italy would have determined the Substitutive Prepayment Penalty by 2 June 2007.

The agreement reached on 2 May 2007 between ABI and national consumer associations (the "**Prepayment Penalty Agreement**") contains the following main provisions (as described in an ABI press release dated May 2007):

- (i) with respect to variable rate loan agreements - the Substitutive Prepayment Penalty should not exceed 0.50 per cent, and should be further reduced to: (a) 0.20 per cent, in case of early redemption of the loan carried out within the third year from the final maturity date; and (b) zero, in case of early redemption of the loan carried out within two years from the final maturity date;
- (ii) with respect to fixed rate loan agreements entered into before 1 January 2001 - the Substitutive Prepayment Penalty should not exceed 0.50 per cent, and should be further reduced to: (a) 0.20 per cent, in case of early redemption of the loan carried out within the third year from the final maturity date; and (b) zero, in case of early redemption of the loan carried out within two years from the final maturity date;
- (iii) with respect to fixed rate loan agreements entered into after 31 December 2000 - the Substitutive Prepayment Penalty should be equal to: (a) 1.90 per cent if the relevant early redemption is carried out in the first half of loan's agreed duration; (b) 1.50 per cent if the relevant early redemption is carried out following the first half of loan's agreed duration, **provided however that** the Substitutive Prepayment Penalty should be further reduced to: (x) 0.20 per cent, in case of early redemption of the loan carried out within three years from the final maturity date; and (y) zero, in case of early redemption of the loan carried out within two years from the final maturity date.

The Prepayment Penalty Agreement introduces a further protection for borrowers under a "safeguard" equitable clause (the "**Clausola di Salvaguardia**") in relation to those loan agreements which already provide for a prepayment penalty in an amount which is compliant with the thresholds described above. In respect of such loans, the Clausola di Salvaguardia provides that:

- (i) if the relevant loan is either: (x) a variable rate loan agreement; or (y) a fixed rate loan agreement entered into before 1 January 2001; the amount of the relevant prepayment penalty shall be reduced by 0.20 per cent;
- (ii) if the relevant loan is a fixed rate loan agreement entered into after 31 December 2000, the amount of the relevant prepayment penalty shall be reduced by (x) 0.25 per cent if the agreed amount of the prepayment penalty was equal or higher than 1.25 per cent; or (y) 0.15 per cent, if the agreed amount of the prepayment penalty was lower than 1.25 per cent.

Finally the Prepayment Penalty Agreement sets out specific solutions with respect to hybrid rate loans which are meant to apply to the hybrid rates the provisions, as more appropriate, relating respectively to fixed rate and variable rate loans.

The Bersani Decree moreover includes other miscellaneous provisions relating to mortgage loans which include, *inter alia*, simplified procedures meant to allow a more prompt cancellation of mortgages securing loans granted by banks or financial intermediaries in the event of a documented repayment in full by the debtors of the amounts due under the loans. While such provisions do not impact on the monetary rights of the lenders under the loans (lenders retain the right to oppose the cancellation of a mortgage), the impact on the servicing procedures in relation to the applicable loan agreements cannot be entirely assessed at this time.

The 2008 Budget Law provides for certain new measures for the protection of consumers' rights and the promotion of the competition in, *inter alia*, the Italian mortgage loan market. The new provisions of law facilitate the exercise by the Debtors of their right to the substitution (*portabilità*) of a mortgage loan with another mortgage loan and/or the subrogation of a new bank into the rights of their creditors in accordance with article 1202 (*surrogazione per volontà del debitore*) of the Civil Code, by eliminating the limits and costs previously borne by the Debtors for the exercise of such right. The recent Law Decree number 78 of 1 July 2009 (as converted into law by the Italian Law number 102 of 3 August 2009) provides, *inter alia*, that if the subrogation has not been executed within 30 days from the date of the assignee bank's request of the interbank collaboration procedures, the original bank shall indemnify the mortgage debtor an amount equal to 1 per cent. of the mortgage value for each month or part of a month of delay. In the event the delay is due to circumstances ascribed to the assignee bank, the original bank shall be entitled to recover from the assignee bank an amount equal to the indemnity paid to the mortgage debtor.

In addition, the 2008 Budget Law provided for the right of borrowers, under mortgage loans related to the purchase of the first house ("*prima casa*") and unable to pay the relevant instalments, to request the suspension of payments of instalments due under the relevant mortgage loans for a maximum of two times and for a maximum aggregate period of 18 months. The 2008 Budget Law also provided for the establishment of a fund (so called "*Fondo di solidarietà*", the "**Fund**") created for the purpose of bearing certain costs deriving from the suspension of payments and refers to implementing regulation to be issued for the determination of: (i) the requirements that the borrowers must comply with in order to have the right to the aforementioned suspension and the subsequent aid of the Fund; and (ii) the formalities and operating procedures of the Fund.

Further, Law Decree No. 93 of 27 May 2008 came into force on 29 May 2008 (as amended and converted into law by Law number 126 of 24 July 2008), providing new legislation on the renegotiation of mortgage loan repayment plans for principal residence homeowners. Under the provisions of the Convention in order to regulate the renegotiation of floating rate/floating instalments mortgage loans executed before 29 May 2008 for the purpose of the purchase, building or maintenance of the debtors' principal residence. The Convention is open to the adhesion of banks and financial intermediaries enrolled in the general register held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act (such as CREDEM which has adhered), including special purpose companies incorporated under the Securitisation and Covered Bond Law. The banks and financial intermediaries who adhere to the Convention shall, within 29 August 2008, propose to their clients meeting the requirements set out therein the renegotiation of the relevant mortgage loans. Pursuant to the new legislation, the instalments payable by the relevant debtors are recalculated by reference to the average of the floating interest rates applied under the relevant loan during 2006 (or, in case of loans executed after 31 December 2006, by reference to the parameters used to calculate the first amortisation instalment), rendered fixed instalments starting from 1 January 2009 and thereafter applied on the outstanding debt for the entire duration of the loan. The difference between the amount of the instalments payable in accordance with the original amortisation plan and the amount of the fixed instalments so calculated will then be debited to an ancillary loan account accruing interest at the rate of IRS for 10 years plus a margin of 0.50 per cent per annum and repayable after the repayment of the renegotiated loan with the same fixed instalments.

Furthermore, the Abruzzo Decree provides, *inter alia*, for the establishment of a fund entitled "*Fondo antisismico*" and suspension of payments of instalments due under the relevant mortgage loans in favour of individuals, companies and institutions, as the case may be, resident, incorporated or located in the municipalities affected by the earthquake events as of 6 April 2009. In addition, the Abruzzo Decree provides that the Italian state will subrogate the relevant Debtor, and make payments on his behalf, (i) in case of destruction or collapse of the relevant real estate properties securing mortgage loan agreements granted by banks and financial intermediaries enrolled in the general and special registers held by the Bank of Italy pursuant to articles 106 and 107 of the Italian Legislative Decree No. 385 of 1993, and (ii) **provided that** the amount disbursed by the Italian state will not exceed the sums necessary for the rebuilding or repairing of such real estate properties.

Further to the above, the Law Decree number 74 of 6 June 2012 "*Interventi urgenti in favore delle popolazioni colpite dagli eventi sismici che hanno interessato il territorio delle province di Bologna, Modena, Ferrara, Mantova, Reggio Emilia e Rovigo il 20 maggio e il 29 maggio 2012*" provides, *inter alia*, for the suspension of all terms provided under contractual obligations starting from 20 May 2012 and ending on 31 July 2012 in favour of individuals, companies and institutions, as the case may be, resident, incorporated or located in the province affected by the earthquake events as of 20 May and 29 May 2012.

The PMI Moratorium provides, *inter alia*, for a suspension of payments of instalments in respect of the principal of mortgage loans granted to small and medium enterprises ("**PMI**") for a period of 12 months. The suspension applies on the condition that the instalments (i) are timely paid or in case of late payments, the relevant instalment has not been outstanding for more than 180 days from the date of request of the suspension. As further requirements, (i) the PMI must bear positive economic perspectives and be able to guarantee a business continuity or, in any case, be under "temporary" financial difficulties; (ii) that, on 30 September 2008, their positions were classified by the bank as performing; and (iii) that, at the time of the request of the suspension, they had no positions which could be classified as suffering and defaulting and no enforcement procedures were commenced. The ABI communication dated 15 June 2010 clarified that such suspension can be requested up to 31 January 2011.

ABI communication dated 14 January 2010 "*Integrazione all'Avviso Comune per la Sospensione dei Debiti delle PMI verso il settore creditizio*" and ABI communication of 12 February 2010 provide for certain further integrations and clarifications of the PMI Moratorium and, in particular, extended the applicability of the objective to mortgage loans assisted by public benefits, where expressly resolved upon by the lender.

The Piano Famiglie, stipulated on 18 December 2009, provides for a 12 month period suspension of payment of instalments relating to mortgage loans, where requested by the relevant Debtor during the period from 1 February 2010 to 31 January 2011. The suspension is allowed only where the following events have occurred: (i) termination of employment relationship; (ii) termination of employment relationships regulated under article 409 n. 3 of the Italian Civil Procedure Code; (iii) death or the occurrence of conditions pertaining to non-self-sufficiency; and/or (iv) suspension from work or reduced working hours for a period of at least 30 days. The relevant events satisfying the subjective requirements must have occurred in respect of the relevant Debtor during the period from 1 January 2009 to 31 December 2010. The suspension can be requested on one occasion only and applies to the following categories of mortgage loans: (i) which are granted in an amounts not exceeding 150,000 Euro, (ii) which are granted for the purpose of purchasing, constructing or renovating of a primary residence (*mutui prima casa*); (iii) which have been assigned under securitisation or covered bond transactions pursuant to Law 130, or (iv) which have been renegotiated pursuant to the Convention or whose lender was subrogated pursuant to the Bersani Decree. Finally, in order to obtain such suspension of payments, the Debtor shall have an income not exceeding 40,000 Euro per year. The document clarifies that in the context of a securitisation or covered bond transaction, the special purpose vehicle, or the Bank acting on its behalf, can adhere to the Piano Famiglie. The suspension can be limited to principal instalments only or can encompass both principal and interest instalments.

On 31 January 2012 ABI and the consumers' associations entered into a convention (*Nuovo Accordo*) that provides that the suspension of payment of instalments relating to mortgage loans may be applied for by 31 July 2012. Such convention amended the following conditions to be met in order to benefit from the suspension: (i) the conditions to benefit from the Piano Famiglie must be met by 30 June 2012; and (ii) the in payment delays of instalments cannot exceed 90 days (instead of 180 days).

On 31 July 2012 ABI and the consumers' associations entered into a Protocollo d'intesa, amending the "Nuovo Accordo" above mentioned as follows:

1) the final term to apply for the suspension of payment has been postponed to the earlier between (i) the date on which regulations implementing the Art. 2, paragraph 475 and followings of Law number 244 of 24 December 2007 relating to the Fund (as defined in the paragraph below) will be issued, and (ii) 31 January 2013.

2) the final term to meet the conditions necessary to benefit from the suspension of payment has been postponed to the earlier between (i) the date on which regulations implementing the Art. 2, paragraph 475 and followings of Law number 244 of 24 December 2007 relating to the Fund (as defined above) will be issued, and (ii) 31 December 2012.

Furthermore, on 30 January 2013 ABI and the consumers' associations entered into a new *Protocollo d'intesa* amending the aforementioned conventions, which provided that the suspension of payment of instalments relating to mortgage loans may be applied for no later than 31 March 2013 and, in order to benefit from the suspension, (i) the conditions must be met by 28 February 2013 and (ii) the payment delays of instalments cannot exceed 90 days.

Finally, pursuant to Article 8, paragraph 6, of Law Decree No. 70 of 13 May 2011, converted into law by law No. 106 of 12 July 2011 (the “**Decreto Sviluppo**”), certain borrowers may achieve (i) a renegotiation of mortgage loans which may result in the amendment of the interest calculation method from floating rate to fixed rate and (ii) the extension of the applicable amortisation plan of the relevant mortgage loan for a period not longer than five years, provided that, as a result of such extension, the residual duration of the relevant mortgage loan does not exceed a period equal to 25 years.

Prospective investors' attention is drawn to the fact that the potential effects of the suspension schemes and the impact thereof on the amortisation and prepayment profile of the Portfolio cannot be predicted by the Issuer as at the date of this Base Prospectus.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

This summary will not be updated to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

Law Decree No. 66 of 24 April 2014, as converted with amendments by Law 23 June 2014, No. 89 ("Law No. 89") has introduced new tax provisions amending certain aspects of the tax regime of the Covered Bonds as summarised below. In particular the Law No. 89 has increased from 20 per cent. to 26 per cent the rate of withholding and substitute taxes of interest accrued, and capital gains realised, as of 1 July 2014 on financial instruments (including the Covered Bonds) other than government bonds. Considering that Law No. 89 is newly introduced, it is possible that - in the future - the Italian Legislator or the Italian tax authorities could issue laws, decrees, regulations, rulings, circular letters and other explanatory notes that may alter or affect the tax treatment described in paragraphs below.

Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Republic of Italy

Tax treatment of Covered Bonds

The Decree No. 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities issued, *inter alia*, by Italian resident banks (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**"). The provisions of Decree 239 only apply to Covered Bonds issued by the Issuer which qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

Italian resident Bondholders

Where an Italian resident Bondholders is:

- (a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless he has opted for the application of the *risparmio gestito regime* – see under "*Capital gains tax*" below);
- (b) a non-commercial partnership;
- (c) a non-commercial private or public institution; or
- (d) an investor exempt from Italian corporate income taxation,

interest, premium and other income relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent. (20 per cent. on interest accrued up to 30 June 2014). In the event that the Bondholders

described under (a) and (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Bondholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected, and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Bondholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Bondholder, also to IRAP (the regional tax on productive activities)).

Italian real estate funds created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1998 and Article 14 *bis* of Italian Law No. 86 of 25 January 1994 (complying with the definition as amended pursuant to Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010), are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund.

If the investor is an open-ended or closed-ended investment fund or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund or SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), and the Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund accrued at the end of each tax period, subject to an ad-hoc substitute tax (the "**Collective Investment Fund Tax**") applicable at 26 per cent.

In certain circumstances, the Collective Investment Fund Tax may remain applicable at a rate of 20 per cent. for income accrued as of 30 June 2014.

Where an Italian resident Bondholders is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but they must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax (increased to 11.5 per cent. for fiscal year 2014, pursuant to Law No. 89).

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying interest to a Bondholders or, absent that, by the issuer.

Non-Italian resident Bondholders

Where the Bondholder is a non-Italian resident, an exemption from the *imposta sostitutiva* applies **provided that** the non-Italian resident beneficial owner is:

- (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the "**White List States**") as listed (i) in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or (ii) as from the fiscal year in which the decree pursuant to article 168-bis of Decree No 917 is effective, in the list of States allowing an adequate exchange of information with the Italian tax authorities as per the decree issued to implement Article 168-bis, paragraph 1 of Decree No. 917 (for the 5 years starting on the date of publication of the Decree in the Official Gazette, States and territories that are not included in the current black-lists set forth by Italian Ministerial Decrees of 4 May 1999, 21 November 2001 and 23 January 2002 nor in the current white list set forth by Italian Ministerial Decree of 4 September 1996 are deemed to be included in the new white-list); or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (d) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-Italian resident Bondholders must be the beneficial owners of the payments of Interest and must:

- (a) deposit, directly or indirectly, the Covered Bonds with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and
- (b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a statement of the relevant Bondholder, which remains valid until withdrawn or revoked, in which the Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (20 per cent. on interest accrued up to 30 June 2014) to Interest paid to Bondholders who do not qualify for the exemption.

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

Payments made by an Italian resident guarantor

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian revenue authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

In accordance with another interpretation, any such payment made by the Italian resident Guarantor may be subject to an advance or final withholding tax at a rate of 26% pursuant to Presidential Decree No. 600 of 29 September, 1973, as subsequently amended. In the case of payments to non-Italian resident bondholders, double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

Atypical securities

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent (20 per cent with reference to interest due and payable up to 30 June 2014). For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Covered Bonds issued by an Italian resident issuer, where the Bondholder is:

- (a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected;
- (b) an Italian company or a similar Italian commercial entity;
- (c) a permanent establishment in Italy of a foreign entity;
- (d) an Italian commercial partnership; or
- (e) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax.

In all other cases, including when the Bondholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Bondholders, the withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Any gain obtained from the sale or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Bondholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Covered Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Covered Bonds are connected.

Where an Italian resident Bondholder is an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected, any capital gain realised by such Bondholder from the sale or redemption of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent (20 per cent. on capital gains realised up to 30 June 2014). Bondholders may set off any losses with their gains.

In respect of the application of *imposta sostitutiva* on capital gains, taxpayers may opt for one of the three regimes described below:

- (a) Under the "tax declaration regime" (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Bondholders holding the Covered Bonds. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Covered Bonds carried out during any given tax year. Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. However, according to Law No. 89, capital losses realized up to June 30, 2014 may be offset against capital gains realized after that date with the following limitations: (i) for an amount equal to 48.08%, for capital losses realized up to December 31, 2011; and (ii) for an amount equal to 76.92%, for capital losses realized from January 1, 2012 to June 30, 2014.
- (b) As an alternative to the tax declaration regime, Italian resident individual Bondholders holding the Covered Bonds not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Covered Bonds (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:
 - (i) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and
 - (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Bondholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Bondholders or using funds provided by the Bondholders for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Covered Bonds results in a capital loss, which may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. However, according to Law No. 89, capital losses realized up to June 30, 2014 may be offset against capital gains realized after that date with the following limitations: (i) for an amount equal to 48.08%, for capital losses realized up to December 31, 2011; and (ii) for an amount equal to 76.92%, for capital losses realized from January 1, 2012 to June 30, 2014. Under the *risparmio amministrato* regime, the Bondholders is not required to declare the capital gains in the annual tax return.

- (c) Under the "asset management" regime (the "*risparmio gestito*" regime), any capital gains realised by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Covered Bonds) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax (20 per cent up to 30 June 2014), to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year-end may be carried forward against increase in value of the managed

assets accrued in any of the four succeeding tax years. Pursuant to Law No. 89, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations in value registered up to December 31, 2011; (ii) 76.92 per cent. of the depreciations in value registered from 1 January 2012 to 30 June 2014. The Bondholders are not required to declare the capital gains realised in the annual tax return.

The capital gains realised by an Italian collective investment fund or a SICAV are not subject to *imposta sostitutiva* nor to any other income tax in the hands of the relevant Fund.

Any capital gains realised by a Bondholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax (increased to 11.5 per cent. for fiscal year 2014, pursuant to Law No. 89).

Capital gains realised by non-Italian resident Bondholders from the sale or redemption of Covered Bonds issued by an Italian resident issuer and traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Bondholders from the sale or redemption of Covered Bonds issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, **provided that** the effective beneficiary is:

- (a) resident in White List States as defined above;
- (b) an international entity or body set up in accordance with international agreements which have entered into force in Italy;
- (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (d) an "institutional investor", whether or not subject to tax, which is established in White List States.

If none of the conditions above is met, capital gains realised by non-Italian resident Bondholders from the sale or redemption of Covered Bonds issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, Bondholders may benefit from an applicable tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Covered Bonds are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

Transfers of any valuable asset (including shares, Covered Bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding Euro 1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding Euro 100,000; and

- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200.00 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of use or voluntary registration.

Tax Monitoring

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax the amount of investments (including the Covered Bonds) directly or indirectly held abroad.

The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Covered Bonds deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through the intervention of qualified Italian financial intermediaries, upon condition that the items of income derived from the Covered Bonds have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €10,000 threshold throughout the year.

Stamp duty

Pursuant to Article 13 of the tariff attached to Presidential Decree No. 642 of 26 October 1972 (“**Decree No. 642**”), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Bondholder in respect of any Covered Bonds which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Covered Bonds held. The stamp duty cannot exceed € 14,000.00 if the Bondholder is not an individual.

Under a certain interpretation of the law, it may be understood that the stamp duty applies both to Italian resident and non-Italian resident Bondholders, to the extent that Covered Bonds are held with an Italian-based financial intermediary.

Wealth Tax on securities deposited abroad

According to the provisions set forth by Law No. 214 of 22 December 2011, as amended and supplemented, Italian resident individuals holding the Covered Bonds outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent. In this case the above mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does not apply.

This tax is calculated on the market value of the Covered Bonds at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

EU Savings Directive

On 3 June 2003, the Council of the European Union adopted the EU Directive No. 2003/48/EC regarding the taxation of savings income (the “**EU Savings Directive**”). According to the EU Savings Directive, each member State of the European Union (a “**Member State**”) is required to operate a withholding system with the rate of withholding currently at 35 per cent unless during this transitional period they elect to abolish the withholding system in favour of automatic information exchange under the EU Savings Directive. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of this automatic information exchange. In any case, the transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive extends the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of “interest payment” to cover income that is equivalent to interest.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Decree 84, subject to a number of important conditions being met, where interest is paid starting from 1st July, 2005 (including interest accrued on the Covered Bonds at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State of the European Union or in a dependent or associated territory under the relevant international agreement (currently Jersey, Guernsey, the Isle of Man, the Netherlands Antilles, the British Virgin Islands, Turks and Caicos Islands, the Cayman Islands, Montserrat, Anguilla and Aruba), Italian paying agents (including any banks, SIMs, fiduciary companies and SGRs resident for tax purposes in Italy) are required to report to the Italian tax authorities details of the relevant payments and personal information on the

individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the state of residence of the beneficial owner.

In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstances, undertakings for collective investments in transferable securities or "UCITS" recognised in accordance with Directive 85/311/EEC.

Either payments of interest on the Covered Bonds or the realisation of the accrued interest through the sale of the Covered Bonds would constitute "payments of interest" under Article 6 of the EU Savings Directive and, as far as Italy is concerned, Article 2 of Decree 84. Accordingly, such payments of interest arising out of the Covered Bonds would fall within the scope of the EU Savings Directive being the Covered Bonds issued after 1st March 2001.

SUBSCRIPTION AND SALE

Programme Agreement

Covered Bonds may be issued from time to time by the Issuer to any one or more of the Dealers (together, the "**Dealers**"). The arrangements under which Covered Bonds may from time to time be agreed to be issued by the Issuer and subscribed by Dealers are set out in a programme agreement entered into on or about the First Issue Date (such programme agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Covered Bonds.

Subscription Agreements

Any subscription agreement between the Issuer, the Representative of the Bondholders and the Relevant Dealer and/or any additional or other dealers, from time to time for the sale and purchase of Covered Bonds (a "**Subscription Agreement**") will, *inter alia*, make provision for the price at which the relevant Covered Bonds will be purchased by the Relevant Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

Each Subscription Agreement will also provide for the confirmation of the appointment of the Representative of the Bondholders by the Relevant Dealer as initial holder of the Covered Bonds then being issued.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer and the Issuer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer and/or distribution of Covered Bonds which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer or distribution of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, (i) the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, (ii) the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 Amending Directive (as defined below), and includes any relevant implementing measure in the Relevant Member State, and (iii) the expressions "**2010 Amending Directive**" means the Directive 2010/73/EU.

United States of America

The Covered Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver Covered Bonds, (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in case of an issue of the Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part within the United States of America or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree, that it will send to each Dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States of America or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds an offer or sale of such Covered Bonds within the United States of America by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Covered Bonds Guarantor, as the case may be; 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 any Covered Bonds in, from or otherwise involving the United Kingdom.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and that such offers, sales and distributions have been and will be made in France only to qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1, L.533-16 and L.533-20 of the French Code *monétaire et financier*.

Germany

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall only offer Covered Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other laws applicable in the Federal Republic of Germany.

Republic of Italy

The offering of Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to any Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the Legislative Decree No. 58 of 24th February, 1998, as amended (the “**Financial Law**”) and Article 34-*ter*, first paragraph, letter b, of CONSOB Regulation No. 11971 of 14 May 1999(as amended from time to time) (“**Regulation No. 11971**”); or
- (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Law and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Law, CONSOB Regulation No. 16190 and the Consolidated Banking Act;

- (b) in compliance with Article 129 of the Consolidated Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Covered Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.

Each Dealer and the Issuer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has complied and will comply to the best of its knowledge and belief with all applicable laws and regulations in each country or jurisdiction in or from which it subscribes, offers, sells, distributes or delivers Covered Bonds or possesses, distributes or publishes this Prospectus or any Final Terms or any related offering material, in all cases at its own expense and neither the Issuer nor any other Dealer shall have responsibility therefore (with specific reference to the jurisdictions of the United States of America, United Kingdom, Japan, the Republic of France and the Republic of Italy, see above). Other persons into whose hands this Prospectus or any Final Terms comes are required, by the Issuer and the Dealers, to comply with all applicable laws and regulations in each country or jurisdiction in or from which they subscribe, offer, sell, distribute or deliver Covered Bonds or possess, distribute or publish this Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

GENERAL INFORMATION

Listing and Admission to Trading and Approval

This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the *Commission de Surveillance du Secteur Financier* ("CSSF") in its capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Directive. Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange

However, Covered Bonds may be issued pursuant to the Programme which will be unlisted or be admitted to listing, trading and/or quotation by such other competent authority, stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree.

Authorisations

The update of the Programme and the issue of Covered Bonds have been duly authorised by two resolutions of the board of directors of the Issuer dated, respectively, 24 January 2013 and 30 April 2013 and by the resolution of the board of directors of the Guarantor dated 6 June 2013.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer, the Guarantor or their respective Subsidiaries.

Trend Information / No Material Adverse Change

Since 31 December 2013 there has been no material adverse change in the financial or trading position of the Issuer and of CREDEM Group and since 31 December 2013 there has been no material adverse change in the financial or trading position of the Guarantor.

No Significant Change

Since 30 June 2014, there has been no significant change in the financial or trading position of Credito Emiliano S.p.A.

Since 31 December 2013, there has been no significant change in the financial or trading position of the Guarantor.

Minimum denomination

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds will not have a denomination of less than €100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency or any other amount set out in the relevant Final Terms).

Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any business day for inspection at the registered office of the Issuer:

- (a) the constitutive documents of the Issuer and the Guarantor;
- (b) the consolidated audited financial statements of the Issuer as at and for the years ended 31 December 2013 and 31 December 2012 and relevant auditor's reports;
- (c) the audited unconsolidated financial statements of the Guarantor as at and for the years ended 31 December 2013 and 31 December 2012 and relevant auditor's reports;
- (d) the half-year condensed consolidated financial statements of the Issuer in respect of the six-month period ending 30 June 2014;
- (e) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited condensed financial statements (if any) of the Issuer;
- (f) a copy of this Prospectus;
- (g) any future offering circular, prospectuses, information memoranda and supplements to this Prospectus and any other documents incorporated herein or therein by reference;
- (h) each of the following documents (the "**Programme Documents**"), namely:
 - Guarantee;
 - Subordinated Loan Agreement;
 - Master Assets Purchase Agreement and relevant Transfer Agreements;
 - Cover Pool Management Agreement;
 - Warranty and Indemnity Agreement;
 - Servicing Agreement;
 - Asset Monitor Agreement;
 - Quotaholders' Agreement;
 - Cash Allocation, Management and Payments Agreement;
 - Covered Bond Swap Agreements (if any);
 - Asset Swap Agreements (if any);
 - Mandate Agreement;
 - Deed of Pledge;
 - Deed of Charge;

- Intercreditor Agreement;
- Guarantor Corporate Services Agreement;
- Programme Agreement;
- any Subscription Agreement for Covered Bonds issued on a syndicated basis that are listed and the relevant Final Terms; and
- Master Definitions Agreement.

Auditors

Deloitte & Touche S.p.A. has been the audit firm of the Issuer and the Guarantor with the offices in Piazza Malpighi, 4/2, 40123 Bologna, Italy is registered with the *Registro dei Revisori Legali* maintained by Minister of Economy and Finance effective from 7 June 2004 with registration number 132587 and was previously registered on the special register (*Albo Speciale*) maintained by CONSOB and set out in Article 161 of the Financial Laws Consolidation Act. Deloitte & Touche S.p.A. is a member of Assirevi.

Deloitte & Touche S.p.A. has audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for the years ended 31 December 2013 and 2012.

Deloitte & Touche S.p.A. has audited and rendered unqualified audit report on the financial statements of the Guarantor for the year ended 31 December 2013 and 2012.

On 30 April 2014, Reconta Ernst & Young S.p.A., whose registered office is in Rome, Via Po 32, has been appointed as the new auditor of the Issuer. Reconta Ernst & Young S.p.A. is registered in the Special Register (*Albo Speciale*) for auditing companies (*società di revisione*) provided for by article 161 of the Financial Law (repealed by article 43 of Italian legislative decree No. 39 of 27 January 2010 but still in force, pursuant to the latter decree, until the entry into force of the implementing regulations to be issued by the Ministry of Economy and Finance pursuant to such decree) and in the register of accountancy auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992 ("Decree No. 88"). Reconta Ernst & Young S.p.A. is also a member of ASSIREVI – Associazione Nazionale Revisori Contabili. The business address of Reconta Ernst & Young S.p.A. is Via Po, 32, 00198 Rome, Italy to perform the audit of the Financial Statements of the Issuer for the year from 31 December 2014 to 31 December 2022.

On 16 April 2014, Reconta Ernst & Young S.p.A. has been appointed to perform the audit of the Financial Statements of the Guarantor for the years from 31 December 2014 to 31 December 2022.

Material Contracts

Neither the Issuer nor the Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Bondholders.

Clearing of the Covered Bonds

The Covered Bonds have been accepted for clearance through Monte Titoli, Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Series will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

Financial Statements

The Issuer produces financial statements on a quarterly basis and the Guarantor produces financial statements on an annual basis.

GLOSSARY

"**Accounts**" means, collectively, the Collection Accounts, the Payments Account, the Quota Capital Account, the Expenses Account, the Reserve Account, the Securities Account, the Eligible Investments Account, the Subordinated Loan Account, the Swap Collateral Accounts (if any), the Cash Reserve Commingling Account and any other account opened in accordance with the Programme.

"**Account Bank**" means Credito Emiliano S.p.A. or any other entity acting as account bank pursuant to the Cash Allocation, Management and Payments Agreement.

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

"**Affected Loan**" means a Mortgage Loan in respect of which there is a breach of the representations and warranties contained in the Warranty and Indemnity Agreement and the Seller has not indemnified the Guarantor or otherwise cured such breach, to the extent required by the terms of the Warranty and Indemnity Agreement.

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

"**Affected Mortgage Receivables**" means any Receivables which, in the immediately preceding Collection Period, was in breach of the representations and warranties contained in the Warranty and Indemnity Agreement and in relation to which the Seller has not indemnified the Guarantor to the extent required by the terms of the Warranty and Indemnity Agreement.

"**Amortisation Test**" means the test which will be carried out pursuant to the terms of the Cover Pool Management Agreement as better detailed in section entitled "*Credit Structure*" above.

"**Amortisation Test Aggregate Loan Amount**" means the amount calculated pursuant to the formula set out in clause 3 of the Cover Pool Management Agreement.

"**Arranger**" means Barclays Bank PLC.

"**Article 74 Event**" means, in respect of the Issuer, the issue of a resolution pursuant to Article 74 of the Consolidated Banking Act.

"**Asset Monitor**" means Mazars S.p.A., or any other entity appointed from time to time to act as such in accordance with the Asset Monitor Agreement.

"**Asset Monitor Agreement**" means the asset monitor agreement entered into on or about the First Issue Date between, *inter alios*, the Asset Monitor and the Issuer (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), as better described in the section headed "*Description of the Programme Documents – the Asset Monitor Agreement*" of this Prospectus.

"**Asset Monitor Report Date**" has the meaning set out in Clause 1.2 (*Other definitions*) of the Asset Monitor Agreement.

"**Asset Percentage**" means the lower of (i) 93.00 per cent and (ii) such other percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agencies (after procuring the required level of overcollateralization in line with target rating). Notwithstanding that, in the event the Issuer chooses not to apply such other percentage figure (item (ii) above) of the Asset Percentage, this will not result in a breach of the Nominal Value Test.

"**Asset Swap Agreement**" means any asset swap agreement entered into from time to time between the Guarantor and an Asset Swap Provider in the context of the Programme.

"**Asset Swap Provider**" means any entity acting as a counterparty to the Guarantor pursuant to an Asset Swap Agreement.

"**Asset Swap Payment Date**" means, in respect of any Asset Swap Agreement, the date on which a payment of interest or principal, as the case maybe, is due by the Asset Swap Provider to the Guarantor under the terms of such Asset Swap Agreement.

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

"**Availability Period**" means the period from the date of execution of the Subordinated Loan Agreement to the date on which all Series of Covered Bonds issued in the context of the Programme have been redeemed or cancelled in full in accordance with the Conditions and the relevant Final Terms.

"**Back-up Servicer**" means the entity which shall be appointed by the Guarantor, together with the Representative of the Bondholders, pursuant to Article 9 of the Servicing Agreement.

"**Bank of Italy Regulations**" means the supervisory instructions of the Bank of Italy relating to covered bonds (*Obbligazioni Bancarie Garantite*) under Part III, Chapter 3, of Circular No. 285 dated 17 December 2013 containing the "*Disposizioni di vigilanza per le banche*".

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

"**Base Interest**" has the meaning given to it on the Conditions of the Covered Bonds.

"**Bondholders**" means the holders from time to time of any Covered Bonds of any Series.

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

"**Breach of Test Cure Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement informing that a Breach of Test Notice has been revoked.

"**Business Day**" means any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Luxembourg and London and on which the Trans-European Automated Real Time Gross Transfer System (TARGET2) (or any successor thereto) is open.

"**Calculation Agent**" means BNP Paribas Securities Services, Milan branch or any other entity acting as such pursuant to the Cash Allocation, Management and Payments Agreement.

"**Calculation Date**" means both prior to and after the delivery of a Guarantor Event of Default Notice, the date falling on the second Business Day immediately preceding each Guarantor Payment Date.

"**Call Option**" means the option granted to the Issuer to redeem a certain Series of Covered Bonds which may be specified in the relevant Final Terms.

"**Cash Allocation, Management and Payments Agreement**" means the Cash Allocation, Management and Payments Agreement entered into on or about the First Issue Date between the Issuer, the Guarantor, the Servicer, the Calculation Agent, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Principal Paying Agent and the Representative of the

Bondholders (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in the Section headed "*Description of the Programme Documents – Cash Allocation Management and Payments Agreement*" of this Prospectus.

"Cash Reserve Commingling Account" means the euro denominated account established in the name of the Guarantor with the Cash Reserve Commingling Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Cash Reserve Commingling Account Bank" means Credito Emiliano S.p.A. acting as Cash Reserve Commingling Account Bank, or any other entity acting as such pursuant to the Cash Allocation, Management and Payments Agreement.

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

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

"Collateral Security" means any security (including any loan mortgage insurance and excluding Mortgage) granted to the Seller by any Debtor in order to guarantee or secure the payment and/or repayment of any amounts due under the Mortgages Loan Agreements.

"Collection Accounts" means, respectively, the Principal Collection Account and the Interest Collection Account.

"Collection Period" means (i) prior to the delivery of a Guarantor Event of Default Notice, each quarterly period commencing on (and excluding) the relevant Collection Period End Date, and ending on (and including) the immediately following the Collection Period End Date or, as applicable, upon occurrence of a breach of Test, the third immediately following Collection Period End Date, and, with reference to the first Collection Period, commencing on (and including) the Valuation Date of the Initial Portfolio and ending on (and including) the last calendar day of the month preceding the first Guarantor Payment Date; and (ii) following the delivery of a Guarantor Event of Default Notice, each period commencing on (and excluding) the relevant Collection Period End Date, and ending on (and including) the immediately following the Collection Period End Date.

"Collection Period End Date" means (a) prior to the delivery of a Guarantor Event of Default Notice, the date falling on the last calendar day of December, March, June and September of each year, provided that upon occurrence of a breach of Tests, such Collection Period End Date will fall on the last calendar day of each month; and (b) following the delivery of a Guarantor Event of Default Notice, the date determined by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Conditions and the Intercreditor Agreement.

"Collections" means all amounts received or recovered by the Servicer in respect of the Eligible Assets.

"Commercial Mortgage Loan Agreement" means any commercial mortgage loan agreement out of which Commercial Mortgage Receivables arise.

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

"**Commercial Mortgage Receivables**" means the Receivables deriving from a Commercial Mortgage Loan pursuant to a Commercial Mortgage Loan Agreement.

"**Common Criteria**" means the criteria listed in schedule 1 to the Master Assets Purchase Agreement.

"**Conditions**" means the terms and conditions of the Covered Bonds.

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

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

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

"**Cover Pool Management Agreement**" means the agreement entered into on or about the First Issue Date between the Issuer, the Guarantor, the Representative of the Bondholders and the Test Calculation Agent (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), as better described in the Section headed "*Description of the Programme Documents – Cover Pool Management Agreement*" of this Prospectus.

"**Covered Bond Swap Provider**" means any entity acting as a swap counterparty to the Guarantor pursuant to a Covered Bond Swap Agreement.

"**Covered Bond Swap Agreement**" means any covered bond swap agreement entered into from time to time between the Guarantor and the Covered Bond Swap Providers in the context of the Programme.

"**Covered Bond Swap Payment Date**" means, in respect of any Covered Bond Swap Agreement, the date on which a payment of interest or principal, as the case maybe, is due by the Covered Bond Swap Provider to the Guarantor under the terms of such Covered Bond Swap Agreement.

"**Covered Bonds**" means each Series of covered bonds (*obbligazioni bancarie garantite*) issued or to be issued by the Issuer under the Programme.

"**CREDEM**" means Credito Emiliano S.p.A.

"**CREDEM Group**" means, collectively, the banks and the other subsidiaries from time to time being part of the CREDEM Group, enrolled under the register of the banking groups held by Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

"**Credit and Collection Policy**" means the procedures for the management, collection and recovery of Mortgage Receivables attached as schedule 3 to the Servicing Agreement.

"**Criteria**" means, collectively, the Common Criteria, the Specific Criteria and the Criteria for Public Entities Securities attached to the Master Assets Purchase Agreement.

"**Cut-off Date**" means, in respect of the Initial Portfolio, 28 October 2010 and in respect of each Subsequent Portfolio, the date - identified by the Seller - on which the relevant Subsequent Portfolio is selected through the application of the Criteria.

"**Day Count Fraction**" has the meaning from time to time ascribed to such term in the Conditions or the Final Terms of each Series of Covered Bonds.

"Dealers" means Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, HSBC France, ING Bank N.V., J.P. Morgan Securities plc, Natixis, Société Générale, Nomura International plc, The Royal Bank of Scotland plc, UBS Limited, Unicredit Bank AG and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 5 (*Form of Dealer Accession Letter*) of the Programme Agreement on any other terms acceptable to the Issuer and such entity.

"Debtor" means any borrower and any other person, other than a Mortgagor, who entered into a Mortgage Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due in respect of a Mortgage Loan, as a consequence, *inter alia*, of having granted any Collateral Security or having assumed the borrower's obligation under an *accollo*, or otherwise.

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

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

"Deed of Charge" means the English law deed of charge entered into between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors) on or about the First Issue Date, as subsequently amended.

"Deed of Pledge" means the Italian law deed of pledge entered into on or about the First Issue Date between the Guarantor, the Account Bank, the Cash Reserve Commingling Account Bank and the Representative of the Bondholders (acting on behalf of the Bondholders and of the Other Guarantor Creditors) (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in the Section headed "*Description of the Programme Documents – Deed of Pledge*" of this Prospectus.

"Defaulted Mortgage Receivable" means Receivables which have been classified as "*attività finanziarie deteriorate*" pursuant to section "*Avvertenze Generali*", paragraph "*Qualità del Credito*" of Circular of the Bank of Italy No. 272 of 30 July 2008 containing the "*Matrice dei Conti*", as subsequently amended and supplemented.

"Defaulting Party" has the meaning ascribed to that term in the relevant Swap Agreement.

"Delinquent Mortgage Receivables" means any Receivable having at least one (1) or more Instalment due and unpaid for more than 90 days following the expire of the relevant exemption period ("*periodo di franchigia*"), but which have not been classified as Defaulted Mortgage Receivables.

"Documentation" means any documentation relating to the Mortgage Receivables comprised in the Portfolio.

"Due for Payment" means the obligation of the Guarantor to pay any Guaranteed Amounts following the delivery of an Issuer Event of Default Notice, such obligation arising:

- (a) prior to the occurrence of a Guarantor Event of Default, on the date on which the Guaranteed Amounts become due and payable in accordance with the Conditions and the Final Terms of the relevant Series of Covered Bonds; and
- (b) following the occurrence of a Guarantor Event of Default, on the date on which a Guarantor Event of Default Notice is served on the Guarantor.

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

“Earliest Maturing Covered Bonds” means, at any time, the Series of Covered Bonds that has or have the earliest Maturity Date or Extended Maturity Date (if applicable) as specified in the relevant Final Terms.

“Eligible Assets” means the following assets contemplated under article 2, paragraph 1, of Decree No. 310:

- (i) the Mortgage Receivables; and
- (ii) the Public Assets.

“Eligible Institution” means any credit institution organised under the laws of any state which is a member of the European Union or of the United States, enable to banking activity in Italy (i) the short-term unsecured and unsubordinated debt obligations of which are rated at least “F2” by Fitch and “P-3” by Moody’s and; the long-term unsecured and unsubordinated debt obligations of which are rated at least “BBB+” by Fitch and “Baa3” by Moody’s; or (ii) which is guaranteed by an entity whose short-term unsecured and unsubordinated debt obligations are rated at least “F2” by Fitch and “P-3” by Moody’s; and the long-term unsecured and unsubordinated debt obligations of which are rated at least “BBB+” by Fitch and “Baa3” by Moody’s, provided that any reference to a rating by Fitch shall be deemed to be a reference to the “Issuer Default Rating” given by such Rating Agency.

“Eligible Investment” means any (a) Top-Up Assets and/or (b) Public Entities Securities, and/or (c) cash deposit held by an Eligible Institution and/or (d) any other debt instrument (including any repurchase transaction, certificate of deposit, commercial paper, debt security) issued or fully guaranteed by an Eligible Institution provided that in all cases such investments shall from time to time comply with Rating Agencies’ criteria so that, inter alia: (i) the relevant exposures shall have certain minimum long-term and short-term ratings from the Rating Agencies; (ii) the maximum aggregate total exposures in general to classes of assets may be limited; (iii) all investments shall be denominated in Euro; (iv) all investments shall be entered into with a counterparty which is an Eligible Institution; and (v) all investments shall have a duration no longer than the Eligible Investment Maturity Date immediately following the date on which the relevant Eligible Investment has been made.

“Eligible Investments Account” means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

“Eligible Investment Maturity Date” means the fifth Business Day before each Guarantor Payment Date.

“EURIBOR” shall have the meaning ascribed to it in the relevant Final Terms.

“Euro”, **“€”** and **“EUR”** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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

“Euro-Zone” means the region comprised of member states of the European Union which adopt the euro in accordance with the Treaty.

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

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

“**Excluded Swap Termination Amount**” means any termination payments payable by the Guarantor to any Swap Provider in the event of early termination of the relevant Swap Agreement where such Swap Provider is the Defaulting Party or the Affected Party.

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

“**Expenses Account**” means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

“**Extended Maturity Date**” means the date when final redemption payments in relation to a specific Series of Covered Bonds become due and payable pursuant to the extension of the relevant Maturity Date.

“**Extension Determination Date**” means, with respect to each Series of Covered Bonds, the date falling 7 Business Days after the Maturity Date of the relevant Series.

“**Extraordinary Resolution**” has the meaning set out in the Rules.

“**Final Redemption Amount**” means, in respect of any Series of Covered Bonds, the principal amount of such Series.

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

“**Financial Laws Consolidated Act**” means Italian Legislative Decree number 58 of 24 February 1998, as amended and supplemented from time to time.

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

“**First Issue Date**” means the Issue Date of the first Series of Covered Bonds issued under the Programme.

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

“**Fitch**” means Fitch Ratings Limited.

“**FSMA**” means the Financial Services and Markets Act 2000.

“**Guarantee**” means the guarantee issued on or about the First Issue Date by the Guarantor for the benefit of the Bondholders (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as

better described in Section headed “*Description of the Programme Documents – Guarantee*” of this Prospectus.

“**Guaranteed Amounts**” means any amounts due from time to time to the Bondholders in relation to each Series of Covered Bonds.

“**Guaranteed Obligations**” means the payment obligations of the Guarantor with respect to the Guaranteed Amounts.

“**Guarantor**” means CREDEM CB S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy pursuant to Law 130, having its registered office at Via Vittorio Alfieri, 1, 31015 Conegliano (TV), Italy, subject to the activity of management and coordination (“*attività di direzione e coordinamento*”) of CREDEM, fiscal code and enrolment with the companies register of Treviso No. 04326290261, enrolled under No. 41747 in the register of financial intermediaries held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act.

“**Guarantor Available Funds**” means, collectively, the Interest Available Funds and the Principal Available Funds.

“**Guarantor Corporate Services Agreement**” means the agreement entered into on or about the First Issue Date between the Guarantor and the Guarantor Corporate Servicer pursuant to which the Guarantor Corporate Servicer will provide certain administration services to the Guarantor, as better described in Section headed “*Description of the Programme Documents – Corporate Services Agreement*” of this Prospectus.

“**Guarantor Corporate Servicer**” means Securitisation Services S.p.A. or any other entity acting as such pursuant to the Guarantor Corporate Services Agreement.

“**Guarantor Event of Default Notice**” means the notice to be served by the Representative of the Bondholders upon occurrence of a Guarantor Event of Default.

“**Guarantor Event of Default**” has the meaning given to it in Condition 14.3 (*Guarantor Events of Default*).

“**Guarantor Payment Date**” means (a) prior to the delivery of a Guarantor Event of Default Notice, the date falling on the 25th calendar day of January, April, July and October of each year, or if such day is not a Business Day, on the immediately following Business Day and (b) following the delivery of a Guarantor Event of Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Conditions and the Intercreditor Agreement

“**Individual Purchase Price**” means:

- (i) with respect to each Asset, the most recent book value (*ultimo valore di iscrizione in bilancio*) of the relevant Asset; *minus* (x) any principal and interest (limited to the interest resulting by the most recent book value (*ultimo valore di iscrizione in bilancio*)) received by the Seller up to the relevant Valuation Date (excluded); *plus* (y) any Accrued Interest; or
- (ii) upon discretion of the Seller, (also with reference to the Top-Up Assets), any other value, as indicated by the Seller in the relevant Transfer Notice in accordance with article 7-*bis* of Law 130, the Bank of Italy Regulations and any other Bank of Italy disposition.

“Initial Portfolio” means the initial portfolio of Mortgage Receivables and related Security Interests purchased by the Guarantor on 1 November 2010 pursuant to the Master Assets Purchase Agreement dated 29 October 2010.

“Initial Portfolio Purchase Price” means the purchase price paid by the Guarantor to the Seller for the transfer of the Initial Portfolio.

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

- (i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, “*fallimento*”, “*liquidazione coatta amministrativa*”, “*concordato preventivo*” and “*amministrazione straordinaria*”, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or
- (ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Programme Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to Article 74 of the Consolidated Banking Act); or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2448 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or
- (v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business.

“Instalment” means with respect to each Mortgage Loan Agreement, each instalment due from the relevant Debtor thereunder and which consists of an Interest Instalment and a Principal Instalment.

“Instalment in Arrears” means any Instalment still due and unpaid following the expiry of the relevant exemption period (“*periodo di franchigia*”).

“Insurance Companies” means the companies with whom the Insurance Policies are held.

“Insurance Policies” means the insurance policies taken out with the Insurance Companies in relation to each Real Estate Asset and each Mortgage Loan.

“Interest Available Funds” means in respect of any Calculation Date, the aggregate of:

- (i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Interest Collection Account in respect of the immediately preceding Collection Period;
- (ii) all recoveries in the nature of interest received by the Servicer and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (iii) all amounts of interest accrued (net of any withholding or expenses, if due) and credited into the Accounts in respect of the immediately preceding Collection Period;
- (iv) any amounts credited to the Reserve Account as at the immediately preceding Guarantor Payment Date;
- (v) all Eligible Investment Revenues in respect of the Eligible Investments made with reference to the immediately preceding Collection Period;
- (vi) any amounts (excluding any principal payment) received or to be received under the Asset Swap Agreement(s) other than any Swap Collateral Excluded Amounts with reference to the immediately following Asset Swap Payment Date;
- (vii) any amounts (excluding any principal payment) received or to be received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts with reference to the immediately following Covered Bond Swap Payment Date;
- (viii) any swap termination payments (excluding any principal payment) received or to be received from a replacement Swap Provider under a Swap Agreement in the event of a termination of a Swap Agreement between the Guarantor and the relevant Swap Provider with reference to the immediately following Guarantor Payment Date;
- (ix) all interest amounts received from the Seller by the Guarantor pursuant to the Master Assets Purchase Agreement and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (x) any amounts to be paid as Interest Shortfall Amount out of item (First) of the Pre-Issuer Default Principal Priority of Payments on the immediately succeeding Guarantor Payment Date;
- (xi) any revenue amounts (other than the amounts already allocated under other items of the Interest Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period; and
- (xii) interest amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

“Interest Collection Account” means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

“Interest Instalment” means the interest component of each Instalment.

“Interest Payment Date” means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

“Interest Period” means, in relation to each Series of Covered Bonds, the period from an Interest Payment Date to the next following Interest Payment Date, as specified as such in, or determined in accordance with the provisions of, the relevant Final Terms.

“Interest Shortfall Amount” means, on any Guarantor Payment Date, an amount equal to difference, if positive, between (a) the aggregate amounts payable under items First to Sixth of the Pre-Issuer Default Interest Priority of Payments; and (b) the Interest Available Funds (net of such Interest Shortfall Amount) on such Guarantor Payment Date.

“Intercreditor Agreement” means the agreement entered into on or about the First Issue Date between the Guarantor and the Other Guarantor Creditors (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in the Section headed *“Description of the Programme Documents – Servicing Agreement”* of this Prospectus.

“Interest Coverage Test” means the tests which will be carried out pursuant to the terms of the Cover Pool Management Agreement as better detailed in section entitled *“Credit Structure”* above.

“Investment Manager” means Credito Emiliano S.p.A. or any other entity acting as such pursuant to the terms of the Cash Allocation, Management and Payments Agreement.

“Issue Date” means each date on which a Series of Covered Bonds is issued.

“Issuer” means Credito Emiliano S.p.A.

“Issuer Event of Default” has the meaning given to it in Condition 14.2 (*Issuer Events of Default*).

“Issuer Event of Default Notice” means the notice to be served by the Representative of the Bondholders to the Issuer and the Guarantor upon occurrence of an Issuer Event of Default.

“Latest Valuation” means, at any time with respect to any Real Estate Asset, the value given to the relevant Real Estate Asset by the most recent valuation (to be performed in accordance with the requirements provided for under the Bank of Italy Regulations) addressed to the Seller or obtained from an independently maintained valuation model, acceptable to reasonable and prudent institutional mortgage lenders in Italy.

“Law 130” means Italian Law No. 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

“Lead Managers” means, in respect of each Series of Covered Bonds, the banks indicated as lead managers in the relevant Final Terms.

“**Liabilities**” means in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgements, actions, proceedings or other liabilities whatsoever including legal fees and any taxes and penalties incurred by that person, together with any VAT or similar tax charged or chargeable in respect of any sum referred to in this definition.

“**Limit of 15%**” means the limit of 15% (of the aggregate outstanding principal amount of the Cover Pool) of Top-Up Assets included in the Cover Pool provided or any other limit set out in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

“**Listing Agent**” means BNP Paribas Securities, Luxembourg branch.

“**LTV**” means, with reference to each Mortgage Loan, the ratio between the amount granted under a Mortgage Loan Agreement, added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, and the value of the relevant property.

“**Mandate Agreement**” means the mandate agreement entered into on or about the First Issue Date between the Representative of the Bondholders and the Guarantor (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in section headed “*Description of the Programme Documents – the Mandate Agreement*” of this Prospectus.

“**Mandatory Tests**” means the Nominal Value Test, the Net Present Value Test and the Interest Coverage Test each as required under the terms of the Cover Pool Management Agreement.

“**Master Definitions Agreement**” means the master definitions agreement entered into on or about the First Issue Date by the parties of the Programme Documents (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof).

“**Master Assets Purchase Agreement**” means the master assets purchase agreement entered into on 29 October 2010 between the Guarantor and the Seller (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), as better described in the Section headed “*Description of the Programme Documents – Master Assets Purchase Agreement*” of this Prospectus.

“**Maturity Date**” means each date on which final redemption payments for a Series of Covered Bonds become due, provided that this date is not extended to the Extended Maturity Date, in accordance with the relevant Final Terms.

“**Meeting**” has the meaning set out in the Rules.

“**Monte Titoli**” means *Monte Titoli S.p.A.*, a società per azioni having its registered office at Via Mantegna, 6, 20154 Milan, Italy.

“**Monte Titoli Account Holders**” means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-I of the Financial Laws Consolidated Act and includes any depositary banks approved by Clearstream and Euroclear.

“**Monte Titoli Mandate Agreement**” means the agreement entered into between the Issuer and Monte Titoli.

"**Monthly Servicer's Report Date**" means the date falling on the fifth Business Day immediately preceding the 25th calendar day of each month.

"**Moody's**" means Moody's Investors Service Inc.

"**Mortgage**" means the mortgage security interests (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Mortgage Receivables.

"**Mortgage Loan**" means a Residential Mortgage Loan or a Commercial Mortgage Loan, as the case may be, the claims in respect of which have been and/or will be transferred by the Seller to the Guarantor pursuant to the Master Assets Purchase Agreement.

"**Mortgage Loan Agreement**" means any Residential Mortgage Loan Agreement or Commercial Mortgage Loan Agreement out of which the Mortgage Receivables arise.

"**Mortgage Receivables**" means, collectively, the Commercial Mortgage Receivables and the Residential Mortgage Loan Agreements.

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of the Seller to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

"**Negative Carry Factor**" means the number, expressed as a percentage, equal to (a) the WA Swap Margin paid by the Guarantor to the Covered Bond Swap Provider(s), under the relevant Covered Bond Swap Agreement, or, absent such Covered Bond Swap Agreement, (b) the WA CB Margin or (c) combination of (a) and (b) above, as the case maybe, or any other higher percentage designated as such by the Issuer and notified to the Test Calculation Agent and the Rating Agencies.

"**Net Present Value Test**" means the test which will be carried out pursuant to the terms of the Cover Pool Management Agreement as better detailed in section entitled "*Credit Structure*" above.

"**Nominal Value Test**" means the test which will be carried out pursuant to the terms of the Cover Pool Management Agreement as better detailed in section entitled "*Credit Structure*" above.

"**Obligations**" means all the obligations of the Guarantor created by or arising under the Programme Documents.

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

"**Optional Redemption Amount**" means, in respect of any Series of Covered Bonds, if the Call Option is specified in the relevant Final Terms as being applicable, the principal amount at which such Series may be redeemed at the option of the Issuer as may be specified in, or determined in accordance with, the relevant Final Terms.

"**Optional Redemption Date**" means in respect of any Series of Covered Bonds, if the Call Option is specified in the relevant Final Terms as being applicable, the day on which such Series may be redeemed at the option of the Issuer as may be specified in, or determined in accordance with, the relevant Final Terms.

"**Order**" means a final, judicial or arbitration decision, ruling or award from a court of competent jurisdiction that is not subject to possible appeal or reversal.

"**Organisation of the Bondholders**" means the association of the Bondholders, organised pursuant to the Rules of the Organisation of the Bondholders.

"Other Guarantor Creditors" means the Seller, the Servicer, the Back-up Servicer (if any), the Subordinated Loan Provider, the Investment Manager, the Calculation Agent, the Test Calculation Agent, the Representative of the Bondholders, the Asset Swap Provider, the Covered Bond Swap Providers, the Account Bank, the Guarantor Corporate Servicer, the Cash Reserve Commingling Account Bank and, following the occurrence of an Issuer Event of Default, the Asset Monitor, the Portfolio Manager (if any), the Principal Paying Agent and any other paying agent (if any) appointed pursuant to the Programme Documents.

"Outstanding Principal Amount" means, on any date in respect of any Series of Covered Bonds or, where applicable, in respect of all Series of Covered Bonds the principal aggregate amount outstanding of such Series or, where applicable, of all Series of Covered Bonds.

"Outstanding Principal Balance" means, on any date, in relation to a loan, a bond or any other asset included in the Cover Pool, the aggregate nominal principal amount outstanding of such loan, bond or asset as at such date.

"Payments Account" means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Payment Holiday" means in respect of a Mortgage Loan, the deferral of the payment of its interest and/or principal instalments in accordance with the application of moratoria provisions from time to time granted to Debtors by any laws, agreements between Italian banking associations and national consumer associations, the Bank of Italy or other regulatory bodies regulations.

"Payments Report" means a report setting out all the payments to be made on the following Guarantor Payment Date in accordance with the Priorities of Payments which is required to be delivered by the Calculation Agent pursuant to the Cash Management, Allocation and Payments Agreement.

"Portfolio" means collectively the Initial Portfolio and any other Subsequent Portfolios which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Assets Purchase Agreement.

"Portfolio Manager" means the entity appointed as such in accordance with clause 5.2 of the Cover Pool Management Agreement.

"Post-Enforcement Priority of Payments" means the order of priority pursuant to which the Guarantor Available Funds shall be applied, following the delivery of a Guarantor Event of Default Notice, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"Post-Issuer Default Priority of Payments" means the order of priority pursuant to which the Guarantor Available Funds shall be applied, following the delivery of an Issuer Event of Default Notice, on each Guarantor Payment Date.

"Potential Commingling Amount" means an amount calculated by the Issuer (or the Servicer, as the case may be) equal to the expected aggregate amount of monthly collections and recoveries calculated in respect of the next following 2 months and considering a 5% constant prepayment ratio p.a., or any other higher amount designated as such by the Issuer (or the Servicer, as the case maybe) and notified to the Rating Agencies.

"Potential Set-Off Amount" means an amount, calculated by the Issuer as a percentage of the Cover Pool that the Issuer determines as potentially subject to set-off by the Debtors.

"Pre-Issuer Default Interest Priority of Payments" means the order of priority pursuant to which the Interest Available Funds shall be applied, prior to the delivery of an Issuer Event of Default Notice, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"Pre-Issuer Default Principal Priority of Payments" means the order of priority pursuant to which the Principal Available Funds shall be applied, prior to the delivery of an Issuer Event of Default Notice, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"Pre-Issuer Default Priority of Payments" means, as applicable, the Pre-Issuer Default Interest Priority of Payments or the Pre-Issuer Default Principal Priority of Payments as set out in the Intercreditor Agreement.

"Premium" means, on each Guarantor Payment Date, an amount payable by the Guarantor on the Subordinated Loan in accordance with the relevant Priority of Payments and equal to the Guarantor Available Funds as at such date, after all amounts payable in priority thereto have been made in accordance with the relevant Priority of Payments.

"Principal Amount Outstanding" means, on any day: (a) in relation to a Covered Bond, the principal amount of that Covered Bond upon issue less the aggregate amount of any principal payments in respect of that Covered Bond which have become due and payable (and been paid) on or prior to that day; and (b) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount in (a) in respect of all Covered Bonds outstanding.

"Principal Available Funds" means in respect of any Calculation Date, the aggregate of:

- (i) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Principal Collection Account of the Guarantor in respect of the immediately preceding Collection Period;
- (ii) all other recoveries in respect of principal received by the Servicer and credited to the Principal Collection Account of the Guarantor in respect of the immediately preceding Collection Period;
- (iii) all principal amounts received by the Guarantor from the Seller pursuant to the Master Assets Purchase Agreement and credited to the Principal Collection Account in respect of the immediately preceding Collection Period;
- (iv) the principal proceeds of any disposal of Assets and any disinvestment of Assets or Eligible Investments made in respect of the immediately preceding Collection Period;
- (v) all amounts in respect of principal (if any) received or to be received under any Asset Swap Agreements (other than any Swap Collateral Excluded Amounts) with reference to the immediately following Asset Swap Payment Date;
- (vi) all amounts in respect of principal (if any) received or to be received under any Covered Bond Swap Agreements (other than any Swap Collateral Excluded Amounts) with reference to the immediately following Covered Bond Swap Payment Date;
- (vii) any swap termination payments (excluding any interest payment) received or to be received from a replacement Swap Provider under a Swap Agreement in the event of a termination of a Swap Agreement between the Guarantor and the relevant Swap Provider with reference to the immediately following Guarantor Payment Date;
- (viii) any amounts to be paid out of item *Seventh* of the Pre-Issuer Default Interest Priority of Payments on the immediately succeeding Guarantor Payment Date;

- (ix) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Period End Date;
- (x) any principal amounts (other than the amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period; and
- (xi) principal amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

"Principal Collection Account" means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

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

"Principal Paying Agent" means BNP Paribas Securities Services, Milan branch, or any other entity acting as such in the context of the Programme.

"Priority of Payments" means each of the orders in which the Guarantor Available Funds shall be applied on each Guarantor Payment Date in accordance with the Conditions and the Intercreditor Agreement.

"Privacy Law" means the Legislative Decree number 196 of 30 June 2003 (*Codice in materia di protezione dei dati personali*), as amended and supplemented from time to time.

"Programme" means the programme for the issuance of each series of Covered Bonds (*obbligazioni bancarie garantite*) by the Issuer in accordance with article 7-bis of Law No.130.

"Programme Agreement" means the programme agreement entered into on or about the First Issue Date between the Guarantor, the Issuer, the Dealers and the Representative of the Bondholders (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), as better described in the Section headed "*Description of the Programme Documents – Programme Agreement*" of this Prospectus.

"Programme Documents" means the Master Assets Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Guarantor Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Deed of Pledge, the Deed of Charge, the Master Definitions Agreement, the Conditions and each Final Terms and any other agreement entered into in connection with the Programme and any other agreement designated as "Programme Document" by the Issuer.

"Programme Limit" means €5,000,000,000 (or its equivalent in other currencies), as a maximum aggregate nominal amount of the Covered Bonds at any time outstanding under the Programme or the higher amount determined by the Issuer in accordance with the provisions of the Programme Agreement.

"Programme Resolution" means an extraordinary resolution passed at a single meeting of the Bondholders of all Series, held in accordance with the provisions contained in Rules.

"Prospectus" means this Prospectus.

"Prospectus Directive" means Directive 2003/71/EC of 4 November 2003, as subsequently amended and supplemented.

"Prudential Regulations" means the prudential regulations for banks issued by the Bank of Italy on 27 December 2006 with Circular No. 263 (*Nuove disposizioni di vigilanza prudenziale per le banche*), as subsequently amended and supplemented.

"Public Assets" means, collectively, the Public Entities Receivables and the Public Entities Securities, **provided that**, the Public Assets may not amount to more than 10% of the aggregate nominal value of the Cover Pool and further provided that such limit may be temporarily exceeded if necessary in order to cure a breach of Tests.

"Public Entities" has the meaning ascribed to such term in article 3, letter (c) of the Decree No. 310.

"Public Entities Receivables" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, any receivables owned by or receivables which have been benefit of a guarantee eligible for credit risk mitigation granted by:

- (i) Public Entities, including ministerial bodies and local or regional bodies, located within the European Economic Area or Switzerland for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and
- (ii) Public Entities, located outside the European Economic Area or Switzerland, for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach - or regional or local public entities or non-economic administrative entities, located outside the European Economic Area or Switzerland, for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach,

"Public Entities Securities" means pursuant to article 2, sub-paragraph 1, of Decree No. 310, any securities issued by or which have benefit of a guarantee eligible for credit risk mitigation granted by:

- (i) Public Entities, including ministerial bodies and local or regional bodies, located within the European Economic Area or Switzerland for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and
- (ii) Public Entities, located outside the European Economic Area or Switzerland, for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach - or regional or local public entities or non-economic administrative entities, located outside the European Economic Area or Switzerland, for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach.

"Purchase Price" means, as applicable, the purchase price of the Initial Portfolio (the **"Initial Portfolio Purchase Price"**) or the purchase price of any Subsequent Portfolios (the **"Subsequent Portfolio Purchase Price"**) pursuant to the Master Assets Purchase Agreement.

"Quarterly Servicer's Report Date" means the date falling on the fifth Business Day immediately preceding each Guarantor Payment Date.

"Quota Capital Account" means the euro denominated account established in the name of the Guarantor with Banca Antonveneta S.p.A. (IBAN: IT 29 V 05040 61621 000001227707) as specified

in the Cash Allocation Management and Payments Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Quotaholders**" means Credito Emiliano S.p.A. and SVM Securitisation Vehicles Management S.r.l. and "**Quotaholder**" means any of them.

"**Quotaholders' Agreement**" means the agreement entered into on or about the First Issue Date by the Guarantor, the Quotaholders and the Representative of the Bondholders, as better described in the Section headed "The Guarantor – The Quotaholders' Agreement" of this Prospectus.

"**Rating Agencies**" means, to the extent they have attributed a rating to any Series of Covered Bonds, Fitch and Moody's.

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

"**Receiver**" has the meaning ascribed to such term in the Deed of Charge.

"**Recoveries**" means any amounts received or recovered by the Servicer in relation to any Defaulted Mortgage Receivables and any Delinquent Mortgage Receivables.

"**Register**" means the register maintained by the Registrar in relation to the Registered Covered Bonds issued under the Programme.

"**Registered Paying Agent**" means any institution which shall be appointed by the Issuer to act as paying agent in respect of the Registered Covered Bond under the Programme.

"**Registered Covered Bonds**" means the Covered Bonds issued in registered form.

"**Representative of the Bondholders**" means BNP Paribas Securities Services, Milan branch or any entity that will act as representative of the Bondholders pursuant to the Programme Agreement and the Rules.

"**Required Redemption Amount**" means in respect of each Series of Covered Bonds, the amount calculated as at the Principal Amount Outstanding of each Series of Covered Bonds.

"**Required Reserve Amount**" means, with reference to each Calculation Date, an amount equal to the higher between:

- A. the aggregate of:
 - (a) two twelfths of the aggregate amount payable on the immediately following Guarantor Payment Date in respect of item (i) (*First*) to (iii) (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and
 - (b) the swap interest payments in respect of each relevant Covered Bond Swap Agreement or, if no Covered Bond Swap Agreement has been entered into in relation to a Series of Covered Bond, the interest amounts due in relation to that Series of Covered Bonds, and which accrues in respect of a period of 2 months; and
- B. (I) if the Issuer's senior unsecured obligations cease to be rated at least "A" and "F1" by Fitch, the sum of:
 - (a) the aggregate amounts payable on the immediately following Guarantor Payment Date in respect of item (i) (*First*) to (iii) (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and

- (b) Euro 400,000 plus, for each Series of Covered Bond outstanding (x) only in cases where the Issuer is not acting as Covered Bond Swap Provider in relation to the relevant series of Covered Bonds, the aggregate of the swap interest payments in respect of each relevant Covered Bond Swap Agreement – calculated by applying the Floating Rate Option (as defined in the ISDA Definitions) for each relevant Covered Bond Swap Agreement determined on a forward basis – or, (y) if no Covered Bond Swap Agreement has been entered into or if it has been entered into with the Issuer in relation to a Series of Covered Bonds, of the interest amounts in relation to that Series of Covered Bonds which are due or expected to be borne by the Guarantor during the three-month period which starts on the immediately following Guarantor Payment Date (excluded) and ends on the second immediately following Guarantor Payment Date (included).

(II) otherwise, zero.

"Reserve Account" means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"Reserve Amount" means any amount to be credited into the Reserve Account up to the Reserve Required Amount.

"Residential Mortgage Loan" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, a residential mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent of the value of the property and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"Residential Mortgage Loan Agreement" means any residential mortgage loan agreement out of which Residential Mortgage Receivables arise.

"Residential Mortgage Receivables" means the Receivable deriving from a Residential Mortgage Loan pursuant to a Residential Mortgage Loan Agreement.

"Retention Amount" means an amount equal to € 30.000, or any other amount agreed by Issuer and the Guarantor with the prior approval of the Representative of the Bondholders and prior notice to the Rating Agencies.

"Rules" means the Rules of the organisation of the Bondholders.

"Securities Account" means the euro denominated account established, or to be established, in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

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

"Security" means the security created pursuant to the Deed of Pledge and the Deed of Charge.

"Security Interest" means:

- (i) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

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

"**Segregation Event**" means the occurrence of a breach of any Tests on a given Calculation Date which remains unremedied within the Test Grace Period.

"**Selected Assets**" means the Eligible Assets and Top-Up Assets which may be selected from the Cover Pool on a random basis by the Servicer to be sold on behalf of the Guarantor pursuant to the Cover Pool Management Agreement"

"**Seller**" means CREDEM in its capacity as such pursuant to the Master Assets Purchase Agreement.

"**Senior Payments**" means all payments to be made by the Guarantor pursuant to items from *First* to *Fifth* under the Pre-Issuer Default Interest Priority of Payments"

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

"**Servicer**" means CREDEM in its capacity as such pursuant to the Servicing Agreement.

"**Servicer Minimum Rating**" means a long term rating of the unsecured and unsubordinated debt obligations of the Servicer not lower than "BBB" by Fitch and not lower than "Baa2" by Moody's, or any different rating level which complies with the Rating Agencies' criteria and from time to time notified by the Servicer to the Guarantor and the Representative of the Bondholders, provided that any reference to a rating by Fitch shall be deemed to be a reference to the "Issuer Default Rating" given by such Rating Agency.

"**Servicer's Report**" means the quarterly or monthly report, as the case may be, delivered by the Servicer on each Servicer's Report Date and containing details on the Collections of the Mortgage Receivables during the relevant Collection Periods prepared in accordance with the Servicing Agreement.

"**Servicer's Report Date**" means either a Quarterly Servicer's Report Date or a Monthly Servicer's Report Date as the case may be.

"**Servicer Termination Event**" means an event which allows the Guarantor to terminate the Servicer's appointment and appoint a Substitute Servicer, according to Clause 10 of the Servicing Agreement.

"**Servicing Agreement**" means the agreement entered into on 29 October 2010 between the Guarantor 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 thereof), as better described in the Section headed "*Description of the Programme Documents – Servicing Agreement*" of this Prospectus.

"**Specific Criteria**" has the meaning ascribed to such term under section entitled "*Description of the Cover Pool – Eligibility Criteria*".

"**Specific Criteria for the Subsequent Portfolios**" has the meaning ascribed to such term under section entitled "*Description of the Cover Pool – Eligibility Criteria*".

"**Specified Currency**" means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms).

"**Stock Exchange**" means the Luxembourg Stock Exchange's main regulated market, Bourse de Luxembourg.

"**Subordinated Loan Account**" means the euro denominated account established in the name of the Guarantor with the Seller as specified in the Cash Allocation Management and Payments Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into on 29 October 2010 between the Guarantor and the Subordinated Loan Provider in the context of the Programme.

"**Subordinated Loan Provider**" means CREDEM, in its capacity as such pursuant to the Subordinated Loan Agreement.

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

"**Subsequent Portfolios**" means any portfolio of Mortgage Receivables other than the Initial Portfolio which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**Subsequent Portfolio Purchase Price**" means the consideration which the Guarantor shall pay to the Seller for the transfer of Subsequent Portfolios and equal to the aggregate amount of the Individual Purchase Price of all the relevant Mortgage Receivables as at the relevant Valuation Date.

"**Substitute Servicer**" means the successor of the Servicer upon the occurrence of a Servicer Termination Event, which may be appointed by the Guarantor pursuant to Article 10.6 of the Servicing Agreement.

"**Swap Agreements**" means, jointly and severally, the Covered Bond Swap Agreement(s), the Asset Swap Agreement(s), each being a 1992 ISDA Master Agreement (*Multicurrency – Cross Border*) entered into from time to time (including the respective schedules and credit support annexes thereto and each confirmation evidencing a swap transaction thereunder) and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

"**Swap Collateral**" means an amount equal to the value of collateral provided by a Swap Provider to the Guarantor under the relevant Swap Agreement.

"**Swap Collateral Account**" means any cash and/or securities account opened by the Guarantor in accordance with any Swap Agreement and clause 6.7 of the Intercreditor Agreement.

"**Swap Collateral Account Bank**" means Credito Emiliano S.p.A. acting as Swap Collateral Account Bank, or any other entity acting as such pursuant to the Programme Documents.

"**Swap Collateral Excluded Amounts**" means at any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the obligations of the relevant Swap Provider to the Guarantor, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.

"**Swap Providers**" means, as applicable and as the context may require, any or all of the Asset Swap Provider(s), the Covered Bond Swap Providers and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

"**Tax**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political subdivision thereof or any authority thereof or therein.

"**Test Calculation Agent**" means Credito Emiliano S.p.A. and following an Issuer Event of Default consisting in an Issuer Insolvency Event, the Servicer as appointed pursuant to the Cash Allocation Management and Payments Agreement.

"**Test Calculation Date**" means, following the breach of any Test, the second Business Day immediately preceding the 25th calendar day of each month.

"**Test Grace Period**" means the period starting on the date on which the breach of any Test is notified by the Test Calculation Agent and ending on the immediately following Test Calculation Date.

"**Test Performance Report**" means the report to be delivered, not later than the Business Day following each Calculation Date (or Test Calculation Date, as the case may be), by the Test Calculation Agent pursuant to the terms of the Cover Pool Management Agreement.

"**Test Remedy Period**" means the period starting from the date on which a Breach of Test Notice is delivered and ending on immediately following Test Calculation Date.

"**Tests**" means, collectively, the Mandatory Test and the Amortisation Test.

"**Top-Up Assets**" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree No. 310, each of the following assets: (i) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and (ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

"**Total Commitment**" means Euro 2.400.000,00 or the higher amount indicated by the Subordinated Loan Provider in accordance with the Subordinated Loan.

"**Transfer Agreement**" means any transfer agreement for the purchase of each Subsequent Portfolio entered in accordance with the terms of the Master Assets Purchase Agreement.

"**Transfer Date**" means each date on which the Portfolio is transferred from the Seller to the Guarantor which, with reference to the Initial Portfolio, means 1 November 2010 and, with reference to the Subsequent Portfolios, means the date indicated by the Seller in the relevant Transfer Notice.

"**Transfer Notice**" means, in respect to each Subsequent Portfolio, such transfer notice which will be sent by the Seller and addressed to the Guarantor in the form set out in schedule 7 to the Master Assets Purchase Agreement"

"**Treaty**" means the Treaty on the Functioning of the European Union as amended.

"**Usury Law**" means the Italian Law number 108 of 7 March 1996 together with Decree number 394 of 29 December 2000 which has been converted in law by Law number 24 of 28 February 2001, as subsequently amended and supplemented.

"**Valuation Date**" means, in respect of the Initial Portfolio, 1 November 2010 and in respect of each Subsequent Portfolio the date – selected by the Seller - on which the economic effects of the transfer of the relevant Portfolio will commence.

“**VAT**” or “**Value Added Tax**” means *Imposta sul Valore Aggiunto (IVA)* as defined in D.P.R. number 633 of 26 October 1972.

“**WA CB Margin**” means the weighted average positive or negative margin, over applicable (i) Mid-Swap rate or (ii) Euribor with a certain designated maturity, as the case maybe, paid by the Issuer with respect to any Series of Covered Bonds issued under the Programme, weighted by the Outstanding Principal Amount of the relevant Series of Covered Bonds.

“**WA Swap Margin**” means the weighted average positive or negative margin, over applicable Euribor with a certain designated maturity, paid by the Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, weighted by the Outstanding Principal Amount of the relevant Series of Covered Bonds hedged under such relevant Covered Bond Swap Agreement.

“**Warranty and Indemnity Agreement**” means the warranty and indemnity agreement entered into on 29 October 2010 between the Seller and the Guarantor (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in the Section headed “*Description of the Programme Documents – Warranty and Indemnity Agreement*” of this Prospectus.

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