



# BANCO POPOLARE SOCIETÀ COOPERATIVA

*(a bank incorporated as a limited co-operative company (società cooperativa) in the Republic of Italy)*

## € 5,000,000,000 Covered Bond Programme

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

### *BP COVERED BOND S.r.l.*

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

The € 5,000,000,000 Covered Bond Programme (the “**Programme**”) described in this base prospectus (the “**Base Prospectus**”) has been established by Banco Popolare Società Cooperativa (“**Banco Popolare**” or the “**Issuer**”) for the issuance of covered bonds (the “**Covered Bonds**”), which term includes, for the avoidance of doubt and as the context requires, Registered Covered Bonds, as defined below) guaranteed by BP Covered Bond S.r.l. (the “**Guarantor**”) pursuant to Article 7-bis of law of 30 April 1999, No. 130, as implemented and supplemented (“**Law 130**”) and the relevant implementing measures set out in the Decree of the Ministry of Economy and Finance of 14 December 2006, No. 310, as amended and supplemented (the “**MEF Decree**”) and the supervisory guidelines of the Bank of Italy set out in 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 “**Bol Regulations**”) and, together with the Law 130 and the MEF Decree, jointly the “**OBG Regulations**”). The aggregate nominal amount of the Covered Bonds outstanding under the Programme will not at any time exceed € 5,000,000,000 (or its equivalent in other currencies calculated as described herein).

The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, 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 (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Covered Bondholders will be collected, received or recovered by the Guarantor on their behalf in accordance with Law 130.

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”), which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg which includes the amendments set out under Directive 2010/73/EU (the “**2010 PD Amending Directive**”), to the extent such amendments have been implemented on a relevant Member State, 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 of 12 months after the date hereof. Approval by the CSSF relates only to the Covered Bonds and does not include the Registered Covered Bonds.

By approving this Base Prospectus, the CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality and solvency of the Issuer in accordance with the provisions of article 7(7) of the Luxembourg law on prospectuses for securities.

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

Application has been made for Covered Bonds issued under the Programme (other than the Registered Covered Bonds) to be admitted during the period of 12 months from the date of this Base Prospectus to listing on the official list (the “**Official List**”) and trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. References in this Base Prospectus to Covered Bonds being “listed” (and all related references) shall mean that such Covered Bonds (other than the Registered Covered Bonds) have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange’s regulated market. In addition, the Issuer and each relevant Dealer named under the section “*Subscription and Sale*” below may agree to make an application to list a Series or Tranche on any other stock exchange. The Programme also permits Covered Bonds to be issued on an unlisted basis. The relevant Final Terms (as defined in the section “*Terms and Conditions of the Covered Bonds*” below) in respect of the issue of any Series will specify whether or not such Series will be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange’s regulated market (or any other stock exchange).

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 (other than the Registered 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).

Under the Programme, the Issuer may issue Covered Bonds denominated in any currency, including Euro, GBP, CHF, Yen and USD. Interest on the Covered Bonds shall accrue monthly, quarterly, semi-annually, annually or on such other basis as specified in the relevant Final Terms, in arrear at a fixed or floating rate, increased or decreased by a margin. The Issuer may also issue Covered Bonds at a discounted price with no interest accruing and repayable at nominal value (zero-coupon Covered Bonds).

The terms of each Tranche will be set forth in the Final Terms relating to such Tranche prepared in accordance with the provisions of this Base Prospectus and, if the relevant Covered Bonds are listed, to be delivered to the regulated market of the Luxembourg Stock Exchange on or before the date of issue of such Tranche.

The Covered Bonds (other than Registered Covered Bonds) will be issued in bearer form and dematerialised form (*emesse in forma dematerializzata*) and will be held in such form on behalf of their ultimate owners, until redemption or cancellation thereof, 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. The expression “**Monte Titoli Account Holders**” means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli (and includes any Relevant Clearing System which holds account with Monte Titoli or any depository banks appointed by the Relevant Clearing System). The expression “**Relevant Clearing Systems**” means any of Clearstream Banking, *société anonyme* (“**Clearstream**”) and Euroclear Bank S.A./N.V. (“**Euroclear**”). Each Covered Bond issued in dematerialised form will be deposited with Monte Titoli on the relevant Issue Date (as defined in the section “*Terms and Conditions of the Covered Bonds*” below). The Covered Bonds (other than Registered Covered Bonds) 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 article 83-bis of Italian legislative decree No. 58 of 24 February 1998, as amended and supplemented (the “**Financial Law**”) 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 No. 54 of 4 March 2008, as subsequently amended and supplemented. No physical document of title is and will be issued in respect of the Covered Bonds (other than the Registered Covered Bonds).

The Covered Bonds may also be issued in registered form as German law governed registered covered bonds (*Namenschuld verschreibungen*) (the “**Registered Covered Bonds**”). The terms and conditions of the relevant Registered Covered Bonds (the “**Registered CB Conditions**”) will specify the minimum denomination for the relevant Registered Covered Bonds, which will not be listed.

Before the Maturity Date, the Covered Bonds will be subject to mandatory and optional redemption in whole or in part in certain circumstances, as set out in Condition 7 (*Redemption and Purchase*).

Each Series of Covered Bonds may be assigned, on issue, a rating by Moody’s Investors Service Limited (“**Moody’s**”) which expression shall include any successor thereof) or may be unrated as specified in the relevant Final Terms. Where a Tranche or Series of Covered Bonds is to be rated, such rating will not necessarily be the same as the rating assigned to the Covered Bonds already issued. Whether or not a rating in relation to any Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies (the “**CRA Regulation**”) will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Prospectus have been issued by Moody’s which is established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority (“**ESMA**”) pursuant to the CRA Regulation (for more information please visit the ESMA webpage <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended).

**A security rating is not a recommendation to buy, sell or hold Covered Bonds and may be subject to revision, suspension or withdrawal by Moody’s and each rating shall be evaluated independently of any other.**

**An investment in Covered Bond issued under the Programme involves certain risks. Prospective investors should have regard to the risk and other factors described under the section headed “Risk Factors” in this Base Prospectus.**

*Arranger*

**Banco Popolare**

*Dealer*

**UBS Investment Bank**

## RESPONSIBILITY STATEMENTS

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purposes of giving information which, according to the particular nature of the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Covered Bonds.

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

The Guarantor has provided the information under the section headed “*Description of the Guarantor*” and any other information contained in this Base Prospectus relating to itself and, together with the Issuer (the “**Responsible Persons**”), accepts responsibility for the information contained in those sections. To the best of the knowledge of the Guarantor (having taken all reasonable care to ensure that such is the case), the information and data in relation to which it is responsible as described above are in accordance with the facts and do not contain any omission likely to affect the import of such information and data.

This Base Prospectus is to be read in conjunction with any supplement thereto and with all documents incorporated herein by reference (see the section headed “*Documents incorporated by reference*”, below). Full information on the Issuer, the Guarantor and any Series or Tranche of Covered Bonds is only available on the basis of the combination of this Base Prospectus, any supplements, the relevant Final Terms and the documents incorporated by reference.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base 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).

Copies of the Final Terms will be available from the registered office of the Issuer and the specified office of the Principal Paying Agent (as defined below) and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

**Capitalised terms used in this Base Prospectus shall have the meanings ascribed to them in the section headed “*Terms and Conditions of the Covered Bonds*” below, unless otherwise defined in the specific section of this Base Prospectus in which they are used. For ease of reference, the section headed “*Glossary*” below indicates the page of this Base Prospectus on which each capitalised term is defined.**

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or 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 Seller, the Guarantor, the Arranger or any of the Dealers, the Representative of the Covered Bondholders or any party to the Transaction Documents.

Neither the delivery of this Base Prospectus nor any sale made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Base Prospectus is valid for 12 months following its date of approval and it and any supplement hereto, as well as any Final Terms filed within these 12 months, reflects the status as of their respective dates of issue. The offering, sale or delivery of any Covered Bonds may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial condition of the Issuer or the Guarantor since such date or that any other information supplied in connection with the Programme is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, none of the Dealers, the Representative of the Covered Bondholders or the Arranger accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger, the Representative of the Covered Bondholders or a Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Covered Bonds. The Arranger, the Representative of the Covered Bondholders and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

Neither the Arranger nor any Dealer nor the Representative of the Covered Bondholders has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers and the Representative of the Covered Bondholders or any of them as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer and the Guarantor in connection with the Covered Bonds or their distribution.

None of the Dealers or the Arranger makes any representation, express or implied, nor accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger, the Representative of the Covered Bondholders or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Covered Bonds. Each potential purchaser of Covered Bonds should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger or the Representative of the Covered Bondholders undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of any of the Dealers or the Arranger.

The distribution of this Base Prospectus, any document incorporated herein by reference and 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 Base Prospectus or any Final Terms come are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions.

This Base Prospectus contains industry and customer-related data, as well as calculations taken from industry reports, market research reports, publicly available information and commercial publications. It is hereby confirmed that (a) to the extent that information reproduced herein derives from a third party, such information has been accurately reproduced and (b) insofar as the Responsible Persons are aware and are able to ascertain from information derived from a third party, no facts have been omitted which would render the information reproduced inaccurate or misleading. The source of third party information is identified where used.

For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Covered

Bonds, see the section headed “*Selling Restrictions*” below. In particular, the Covered Bonds have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”) and include Covered Bonds in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons. There are further restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the European Economic Area, including the United Kingdom, the Republic of Ireland, Germany, 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 Base Prospectus, see the section headed “*Subscription and Sale*” below.

Neither this Base Prospectus, any 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 Base 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 and the Guarantor.

Each initial and subsequent purchaser of a Covered Bond will be deemed, by its acceptance of the purchase of such Covered Bond, 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 Base 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 this Base Prospectus, references to “€” or “euro” or “Euro” or “EUR” are to the single currency introduced at the start of the Third Stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to “U.S.\$” or “U.S. Dollar” are to the currency of the United States of America; references to “CHF” are to the currency of Switzerland; references to “Yen” are to the currency of Japan; references to “£” or “UK Sterling” are to the currency of the United Kingdom; 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.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which preceded them.

The language of this Base 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.

The Arranger is acting for the Issuer and no one else in connection with the Programme and will not be responsible to any person other than the Issuer for providing the protection afforded to clients of the Arranger or for providing advice in relation to the issue of the Covered Bonds.

**In connection with the issue of any Tranche under the Programme, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or any person acting for the Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche 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 Tranche and 60 days after the**

**date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## TABLE OF CONTENTS

	Page
RESPONSIBILITY STATEMENTS.....	2
RISK FACTORS.....	7
DOCUMENTS INCORPORATED BY REFERENCE .....	36
GENERAL DESCRIPTION OF THE PROGRAMME.....	41
STRUCTURE DIAGRAM .....	76
DESCRIPTION OF THE ISSUER .....	77
DESCRIPTION OF THE GUARANTOR.....	146
DESCRIPTION OF THE ASSET MONITOR.....	149
DESCRIPTION OF THE COVER POOL – CREDIT AND COLLECTION POLICIES .....	150
CREDIT STRUCTURE.....	163
DESCRIPTION OF THE TRANSACTION DOCUMENTS .....	172
SELECTED ASPECTS OF ITALIAN LAW .....	195
TERMS AND CONDITIONS OF THE COVERED BONDS.....	205
RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS.....	248
FORM OF FINAL TERMS .....	273
KEY FEATURES OF REGISTERED COVERED BONDS ( <i>NAMENSSCHULD VERSCHREIBUNGEN</i> ) .....	282
TAXATION IN THE REPUBLIC OF ITALY .....	284
LUXEMBOURG TAXATION.....	293
SUBSCRIPTION AND SALE.....	296
GENERAL INFORMATION.....	300
GLOSSARY .....	304

## RISK FACTORS

*The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Covered Bonds issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the markets risks associated with Covered Bonds issued under the Programme are also described below.*

*The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with any Covered Bond for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Covered Bonds issued under the Programme**

#### *Liquidity risks and risks associated with the European sovereign debt crisis*

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

In recent years, the dislocation in the global and Italian capital markets and credit conditions has led to the most severe examination of the banking system's capacity to absorb sudden significant changes in the funding and liquidity environment in recent history, and has had an impact on the wider economy. Individual institutions have faced varying degrees of stress. Should the Banco Popolare Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Banco Popolare Group's ability to find its financial obligations at a competitive cost, or at all, could be adversely affected.

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.

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 in turn raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries, which may in turn have an impact on Euro-zone banks' funding. In the last few years, several European countries including Greece, Cyprus, Ireland and Portugal have requested financial aid from European authorities such as the European Central Bank ("ECB") and from the International Monetary Fund and are currently pursuing an ambitious programme of reforms. Concern has grown since the maturity of a portion of Greece's bail-out funding in 2015 without replacement funding secured. Uncertainty around Greece's ability to find a long-term solution to its funding needs, with a consequent liquidity crisis and/or exit from

the Eurozone, has led to increased market volatility affecting the banking system and has increased concerns about potential economic stagnation in Europe more generally.

Lingering market tensions might affect negatively the global economy and hamper the recovery of the Euro-zone. Any deterioration of the Italian economy would have a material adverse effect on the Banco Popolare Group's business, in light of the Banco Popolare Group's significant exposure to the Italian economy. In addition, if any of the countries in which the Banco Popolare Group operates witnessed a significant deterioration in economic activity, the Banco Popolare Group's results of operations, business and financial condition would be materially and adversely affected.

*The Issuer's financial performance is affected by borrower credit quality and general economic conditions, in particular in Italy and Europe*

The results of the Issuer may be affected by global economic and financial conditions. During recessionary periods, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or their obligations. Interest rates rises may also have an impact on the demand for mortgages and other loan products. Fluctuations in interest rates in Italy and in the Euro-zone and in the other markets in which the Issuer operates may influence its performance.

The Issuer monitors credit quality and manages the specific risk of each counterparty and the overall risk of the respective loan portfolios, and the Issuer will continue to do so, but there can be no assurance that such monitoring and risk management will suffice to keep the Issuer's exposure to credit risk at acceptable levels. Any deterioration of the creditworthiness of significant individual customers or counterparties, or of the performance of loans and other receivables, as well as wrong assessments of creditworthiness or country risks may have a material adverse effect on the Issuer's business, financial condition and results of operations.

*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 increase difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Banco Popolare Group's business, financial condition and results of operations.

### *Competition*

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

In particular, such competition has had two main effects:

- (a) a progressive reduction in the differential between lending and borrower interest rates, which may result in the Issuer facing difficulties in maintaining its actual rate of growth in interest rate margins; and



- (b) a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and orders collection, due to competition on prices.

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

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

#### *Impact of events which are difficult to anticipate*

The Banco Popolare Group's earnings and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the ECB, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for the Banco Popolare Group's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Banco Popolare Group between lending and borrowing costs and the value of the Banco Popolare Group's investment and trading portfolios.

#### *Credit risk*

The Banco Popolare Group's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. Any failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on the Banco Popolare Group's business and financial results. During a recession, there may be less demand for loan products and a greater number of Banco Popolare Group customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Banco Popolare Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties. In addition, the continued liquidity crisis in other affected economies may create difficulties for the Banco Popolare Group's borrowers to refinance or repay loans to the Banco Popolare Group loan portfolio and potentially increase the Banco Popolare Group non-performing loan levels.

#### *Market risk*

To the extent that any of the instruments and strategies used by the Banco Popolare Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the Banco Popolare Group may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Banco Popolare 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 Banco Popolare Group's financial results also depend upon how effectively the Banco Popolare Group determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

#### *Changes in interest rates*

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

Rising interest rates in line with the yield curve can increase the Banco Popolare Group's cost of funding at a higher rate than the yield on its assets, due, for example, to a mismatch in the maturities of its assets and liabilities that are sensitive to interest rate changes or a mismatch in the degree of interest rate sensitivity of assets and liabilities with similar maturities. At the same time, decreasing interest rates can also reduce the yield on the Banco Popolare Group's assets at a rate which may not correspond to the decrease in the cost of funding.

#### *Market decline and volatility*

The results of the Banco Popolare Group are affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of the Banco Popolare Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Banco Popolare Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

#### *Protracted market decline and reduced liquidity in the markets*

In some of the Banco Popolare 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 Banco Popolare Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets that were initially in an illiquid market. 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 Banco Popolare 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 Banco Popolare Group's results of operations and financial condition. In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Banco Popolare Group's securities trading activities and its asset management services, as well as the Banco Popolare Group's investments in and sales of products linked to the performance of financial assets.

#### *Soundness of financial institutions*

The Banco Popolare Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the Banco Popolare Group to credit risk in the event of default of a counterparty or client. In addition, the Banco Popolare Group credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the Banco Popolare Group also involve transactions with financial services counterparties. The potential of insolvency of these counterparties may impair the effectiveness of the Banco Popolare Group's hedging and other risk management strategies.

#### *Value of financial instruments recorded at fair value*

Under IFRS, the Banco Popolare Group recognises at fair value: (i) financial instruments classified as "held-for-trading" or "designated as at fair value through profit or loss", (ii) financial assets classified as "available for sale" and (iii) derivatives, each as further described in "Accounting Policies" in the notes to the audited consolidated annual financial statements of the Issuer for the years ended 31 December 2013 and 31 December 2014, which are incorporated by reference in this Prospectus. Generally, in order to establish the fair value of these instruments, the Banco Popolare Group relies on quoted market prices or,

where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in market conditions. In such circumstances, the Banco Popolare Group internal valuation models require the Banco Popolare Group to make assumptions, judgments and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgments and estimates the Banco Popolare Group is required to make often relate to matters that are inherently uncertain. Such assumptions, judgments and estimates may need to be updated to reflect changing trends and market conditions. The resulting change in fair values of the financial instruments could have a material adverse effect on the Banco Popolare Group's earnings and financial condition.

#### *Risk management and exposure to unidentified or unanticipated risks*

The Banco Popolare Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Banco Popolare Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Banco Popolare Group fails to identify or anticipate. If existing or potential customers believe that the Banco Popolare Group's risk management policies and procedures are inadequate, the Banco Popolare Group's reputation as well as its revenues and profits may be negatively affected.

#### *Operational risk*

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

#### *Risks connected to a potential rating downgrade*

Banco Popolare is rated by Fitch Italia S.p.A. – Società Italiana per il Rating (“**Fitch**”), Moody's Investors Service Ltd (“**Moody's**”), and DBRS Ratings Limited (“**DBRS**”), each of which is established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies as amended from time to time (the “**CRA Regulation**”) as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation.

As at the date of this Base Prospectus, Fitch has assigned to the Issuer's short-term debt and medium/long-term debt a credit rating of B/BB respectively, long-term debt rating with a stable outlook. Moody's has assigned to the Issuer's short-term debt and medium/long-term debt a credit rating of Not-Prime/Ba3 respectively, long-term debt rating with stable outlook. DBRS has assigned to the Issuer's short-term debt and medium/long-term debt a credit rating of R-2H/BBB respectively, each under review negative.

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

### *Changes in regulatory framework*

The Issuer is subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the ECB and the European System of Central Banks. The banking laws to which the Issuer is subject govern the activities in which banks and banking 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 global credit crisis, and new legislation and regulations are being introduced in Italy and in the European Union that will affect the Issuer including proposed regulatory initiatives that could significantly alter the Issuer's capital requirements, as described below.

In the wake of the global financial crisis that began in 2008, the Basel Committee on Banking Supervision (the “**Basel Committee**”) approved, in the fourth quarter of 2010, revised global regulatory standards (the “**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. Minimum common equity tier 1 (the “**CET1**”) will be increased from broadly 2 per cent. of risk-weighted assets to 7.0 per cent. The 7.0 per cent. includes a “capital conservation buffer” of 2.5 per cent. to ensure that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. An additional “countercyclical buffer requirement” of 0-2.5 per cent. will be implemented according to national circumstances. The countercyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction.

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 the 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 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 26 June 2013 on prudential requirements for credit institutions and investment firms (the “**CRR**”, and together with the CRD IV Directive the “**CRD IV**”). 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 may be delayed until after such date. Additionally, it is possible that Member States may introduce certain provisions at an earlier date than that set out in the CRD IV.

In Italy, the Government has approved the legislative decree No. 72 of 12 May 2015, implementing the CRD IV Directive. Such decree entered into force on 27 June 2015. The new regulation impacts, *inter alia*, on:

- (i) proposed acquirers of credit institutions’ holdings, shareholders and members of the management body requirements (Articles 22, 23 and 91 CRD IV Directive);
- (ii) competent authorities’ powers to intervene in cases of crisis management (Articles 64, 65, 102 and 104 CRD IV Directive);

- (iii) reporting of potential or actual breaches of national provisions (so called whistleblowing, (Article 71 CRD IV Directive); and
- (iv) administrative penalties and measures (Article 65 CRD IV Directive).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular No. 285, dated 17 December 2013, the “**Prudential Regulations for Banks**”), which came into force on 1 January 2014, implementing CRD IV and setting out additional local prudential rules concerning matters not harmonised at an EU level. As of 1 January 2014, Italian banks are required to comply with a minimum CET1 capital ratio of 4.5 per cent., Tier I Capital ratio of 6 per cent. and Total Capital Ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers, to be met with CET1 Capital:

- Capital conservation buffer: is set at 2.5 per cent. of risk weighted assets and applies from 1 January 2014 (pursuant to Part I, Title II, Chapter I, Section II of Prudential Regulations for Banks);
- Counter-cyclical capital buffer: is set by the relevant competent authority between 0 per cent. – 2.5 per cent. (but may be set higher than 2.5 per cent. 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 CRD IV Directive);
- Capital buffers for globally systemically important banks (“**G-SIBs**”): set as an “additional loss absorbency” buffer ranging from 1.0 per cent. to 3.5 per cent. 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 other systemically important banks at a domestic level: up to 2.0 per cent. 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 systemically important financial institution (“**G-SIFI**”) is limited. This buffer shall not exceed the higher of 1 per cent. 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 Capital 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 per cent., Member States will need prior approval from the European Commission, which will take into account the assessments of the European Systemic Risk Board (“**ESRB**”) and the European Banking Authority (the “**EBA**”). From 2015 onwards and for buffer rates between 3 and 5 per cent. the Member States setting the buffer will have to notify the European Commission, the EBA, and the ESRB. The European 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 per cent. will need to be authorised by the European 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 141 and 142 of the CRD IV Directive).

As part of the CRD IV transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as CET1, Additional Tier 1 and Tier II capital instruments under the framework which CRD IV has replaced (CRD III) that no longer meet the minimum criteria under CRD IV 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 70 per cent. in 2015, with this cap decreasing by 10 per cent. in each subsequent year.

The new liquidity requirements introduced under CRD IV will also be phased in: 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 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 as a binding measure.

As a result of the changes described above, there is uncertainty as to regulatory requirements that the Issuer will be required to comply with. The CRD IV contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports in order to enhance regulatory harmonisation in Europe through the creation of a Single Rulebook. As regards liquidity, the CRD IV tasks the EBA with advising on appropriate uniform definitions of liquid assets for the Liquidity Coverage Ratio buffer. In addition, the CRD IV states that the EBA shall report to the European Commission on the operational requirements for the holdings of liquid assets. Furthermore the CRD IV 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. The EBA has submitted a number of technical standards and guidelines on the subject to the European Commission and the European Commission adopted its delegated act to implement the Liquidity Coverage Ratio (LCR) in the EU, on 10 October 2014.

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and CRD IV, 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 to certain transitional arrangements, and the Bank Recovery and Resolution Directive which is required to be implemented by Member States from 1 January 2015 (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.

As the new framework of banking laws and regulations 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 Banco Popolare Group. Prospective investors in the Covered Bonds should consult their own advisers as to the consequences for them of the application of the above regulations as implemented by each Member State.

*Banks Recovery and Resolution Directive*

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 (Directive 2014/59/EU) (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”) entered into force.

The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions, while minimising the impact of an institution’s failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims to equity (the “**general bail-in tool**”), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and exhausted the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts or other liabilities as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments at the point of non-viability and before any other resolution action is taken (“**non-viability loss absorption**”). Any shares issued upon any such conversion into equity may also be subject to any application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The BRRD provides that Member States should apply the new “crisis management” measures from 1 January 2015, except for the general bail-in tool which is to be applied from 1 January 2016. On 9 July 2015, the Italian Parliament has approved the “European Delegation Law 2014” No. 114 containing, *inter alia*, principles and criteria for the implementation by the Government of the BRRD in Italy.

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

As of 2016 (or, if earlier, the date of national implementation of the BRRD), European banks will also have to comply with a Minimum Requirement for Eligible Liabilities (the “**MREL**”). The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Single Resolution Board (the “**SRB**”) for banks being part of the Banking Union. MREL includes senior unsecured debt without ex-ante limitations. On 3 July 2015 the EBA has adopted and submitted to the European Commission its Regulatory Technical Standards (the “**RTS**”) which further define the way in which resolution authorities or the SRB shall determine the MREL. In the introductory remarks to the RTS, it is stated that the EBA expects the RTS to be “broadly compatible with the proposed FSB term sheet for TLAC for G-SIBs”, adding that “while there are differences resulting from the nature of the EBA’s mandate under the BRRD, as well as the fact that the BRRD MREL requirement applies to banks which are not G-SIBs, these differences do not prevent resolution authorities from implementing the MREL for G-SIBs consistently with the international framework”.

The BRRD is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing.

#### *Risks arising from pending legal proceedings*

For a description of the details of the Group’s exposure to legal proceedings and of the legal proceedings carrying the most significant risks for the Group, see the paragraph “*Legal Disputes*” in the section headed “*Description of the Issuer*” below.

Although management of the Banco Popolare Group believes that the provisions that have been made in the respective financial statements are appropriate, a worse than expected outcome of any legal proceedings might cause such provisions to be insufficient to cover the Banco Popolare Group’s liabilities and have a material adverse effect on the financial condition and results of operations of the Banco Popolare Group.

#### *There can be no assurances of the success of any of the Banco Popolare Group’s future attempts to acquire additional businesses or of the Banco Popolare Group’s ability to integrate any businesses acquired in the future*

The Banco Popolare Group may seek opportunities to expand its operations in the future by way of strategic acquisitions, including in markets in which it does not currently operate. Although the Banco Popolare Group assesses each investment based on financial and market analysis, which include certain assumptions, additional investments could materially adversely affect the Banco Popolare Group’s business, results of operations and financial condition, if: (i) the Banco Popolare Group incurs substantial costs, delays or other operational or financial problems in acquiring and/or integrating acquired businesses; (ii) the Banco Popolare Group is not able to identify, acquire or profitably manage such additional businesses; (iii) such acquisitions divert management’s attention from the operation of existing businesses; (iv) the Banco Popolare Group is not able to retain key personnel of acquired businesses; (v) the Banco Popolare Group encounters unanticipated events, circumstances or legal liabilities; or (vi) the Banco Popolare Group has difficulties in obtaining the required financing or the required financing may only be available on unfavourable terms.

Additionally, if such acquisitions are consummated, there can be no assurances that the *Banco Popolare Group* will be able to successfully integrate any businesses acquired in the future, due to unforeseen difficulties in operations and insufficient support systems among other things.

#### *Real estate risk*

The real estate risk is the risk of a fall in the market value of proprietary real estate assets, as a result of price changes on the Italian real estate market. This risk is monitored by specific technical structures set up within the Group.



**Factors that may affect the Guarantor's ability to fulfil its obligations under or in connection with the Covered Bonds issued under the Programme**

*Guarantor only obliged to pay guaranteed amounts on the Scheduled Due for Payment Date*

The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until service by the Representative of the Covered Bondholders on the Guarantor:

- (a) following the occurrence of an Issuer Event of Default, of a Notice to Pay; and
- (b) following the occurrence of a Guarantor Event of Default, of an Acceleration Notice.

A Notice to Pay can only be served if an Issuer Event of Default occurs. An Acceleration Notice can only be served if a Guarantor Event of Default occurs.

Following the service of a Notice to Pay on the Guarantor (provided that (i) an Issuer Event of Default has occurred and (ii) no Acceleration Notice has been served) under the terms of the Covered Bond Guarantee, the Guarantor will be obliged to pay Guaranteed Amounts on the Scheduled Due for Payment Date. Such payments will be subject to and will be made in accordance with the Post-Issuer Event of Default Priority of Payments.

Pursuant to the Covered Bond Guarantee, following the service of a Notice to Pay, but prior to the service of an Acceleration Notice, the Guarantor shall substitute the Issuer in every and all obligations of the Issuer towards the Covered Bondholders, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer and any amount received, collected or recovered from the Issuer will form part of the Available Funds.

Furthermore, please note that the above restrictions are provided for by the MEF Decree and contractual arrangements under the Covered Bond Guarantee and the other Transaction Documents, and there is no case-law or other official interpretation on this issue. Therefore, it cannot be excluded that a court might uphold a Covered Bondholder's right to act directly against the Issuer.

*Extendable obligations under the Covered Bond Guarantee*

With respect to the Series of Covered Bonds in respect of which the Extended Maturity Date is specified as applicable in the relevant Final Terms, if the Guarantor is obliged under the Covered Bond Guarantee to pay a guaranteed amount and has insufficient funds available under the relevant priority of payments to pay such amount on the Extension Determination Date, then the obligation of the Guarantor to pay such guaranteed amounts shall automatically be deferred to the relevant Extended Maturity Date. However, to the extent the Guarantor has sufficient moneys available to pay in part the guaranteed amounts in respect of the relevant Series of Covered Bonds, the Guarantor shall make such partial payment in accordance with the relevant Priorities of Payments, as described in Condition 7 (*Redemption and Purchase*), on the relevant Maturity Date and any subsequent Scheduled Payment Date falling prior to the relevant Extended Maturity Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Maturity Date. Interest will continue to accrue and be payable on the unpaid guaranteed amount on the basis set out in the applicable Final Terms or, if not set out therein, Condition 7 (*Redemption and Purchase*), *mutatis mutandis*. In these circumstances, except where the Guarantor has improperly withheld or refused to apply moneys in accordance with the relevant Priorities of Payments in accordance with Condition 7 (*Redemption and Purchase*), failure by the Guarantor to pay the relevant guaranteed amount on the Maturity Date or any subsequent Covered Bonds Payment Date falling prior to the Extended Maturity Date (or the relevant later date in case of an applicable grace period) shall not constitute a

Guarantor Event of Default. However, failure by the Guarantor to pay any guaranteed amount or the balance thereof, as the case may be, on the relevant Extended Maturity Date and/or pay any other amount due under the Covered Bond Guarantee will (subject to any applicable grace period) constitute a Guarantor Event of Default.

*No gross-up for taxes*

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

*Limited resources available to the Guarantor*

The obligation of the Guarantor to fulfil its obligation under the Covered Bonds Guarantee will be limited recourse to the Available Funds.

The Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on the realisable value of the Cover Pool, the amount of principal and interest generated by the Cover Pool and the timing thereof, the proceeds of any Eligible Investments and the Account Banks. The Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If a Guarantor Event of Default occurs, the proceeds of the Cover Pool, the proceeds of any Eligible Investment and the Account Banks may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. If the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Guarantor for the shortfall. There is no guarantee that the Guarantor will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Amortisation Test and the Asset Coverage Test have been structured so as to ensure that the outstanding nominal amount of the Cover Pool shall be equal to, or greater than, the nominal amount of the outstanding Covered Bonds taking into account the relevant negative cost of carry. In addition, in accordance with the MEF Decree, the Mandatory Tests have been structured to ensure, *inter alia*, that (a) the net present value of the Cover Pool (net of certain costs) shall be equal to, or greater than, the net present value of the Covered Bonds; and (b) the amount of interests and other revenues generated by the Cover Pool (net of certain costs) shall be equal to, or greater than, the interests and costs due by the Issuer under the Covered Bonds.

However, there is no assurance that there will not be a shortfall. For further details, see the section headed "*Maintenance of the Cover Pool*" below.

*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 (and any Successor Servicer may be) appointed to service the Cover Pool and the Asset Monitor has been appointed to monitor compliance with the Mandatory Tests, the Amortisation Test and the Asset Coverage Test. In the event that any of those parties fails to perform its respective obligations under the relevant agreement to which it is a party, the realisable value of the Cover Pool or any part thereof may be affected, or, pending such realisation (if the Cover Pool or any part thereof cannot be sold), the ability of the Guarantor to make payments under the Covered Bond Guarantee may be affected. For instance, if the Servicer fails to adequately administer the Cover Pool, this may lead to higher incidences of non-payment or default by Debtors.

If a Servicer Termination Event in respect of the Servicer occurs pursuant to the terms of the Servicing Agreement, then the Guarantor and/or the Representative of the Covered Bondholders will be entitled to terminate the appointment of the Servicer and appoint a Successor Servicer in its place. There can be no assurance that a substitute servicer with sufficient experience in administering the Cover Pool would be found who would be willing and able to service the Cover Pool on the terms of the Servicing Agreement. The ability of a Successor Servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a Successor 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 Covered Bond Guarantee.

The Servicer has no obligation to advance payments if any Debtor fails to make any payments in a timely manner. Covered 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 Covered Bondholders is not obliged in any circumstances to act as a Servicer or to monitor the performance by the Servicer of its obligations.

#### *Limited description of the Cover Pool*

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

- (a) the Seller and the Additional Sellers (if any) selling further Subsequent Receivables (or Subsequent Receivables which are of a type that have not previously been comprised in the Cover Pool) to the Guarantor;
- (b) the Seller and the Additional Sellers (if any) repurchasing certain Receivables in accordance with the Master Transfer Agreement; and
- (c) the Servicer being granted by the Guarantor certain power to renegotiate the terms and conditions of the relevant Receivables arising under the Mortgage Loans comprised within the Cover Pool.

However, each Receivable arising under the Mortgage Loans will be required to meet the Criteria and to comply with the representations and warranties set out in the Warranty and Indemnity Agreements – see the section headed “*Description of the Transaction Documents – Warranty and Indemnity Agreements*”, below. In addition, the Mandatory Tests and the Asset Coverage Test 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 Calculation Agent will provide on each Calculation Date a report that will set out, *inter alia*, certain information in relation to the Mandatory Tests and the Asset Coverage Test.

#### *No due diligence on the Cover Pool*

None of the Arranger, any Dealer, the Issuer, the Guarantor or the Representative of the Covered Bondholders has undertaken or will undertake any investigations, searches or other actions in respect of any of the Receivables and/or the Integration Assets. Instead, the Guarantor will rely on the General Criteria and the Specific Criteria and the relevant representations/warranties given by Banco Popolare as Seller in the Warranty and Indemnity Agreements. The remedy provided for in the Warranty and Indemnity Agreements for breach of representation or warranty is for Banco Popolare as Seller to indemnify and hold harmless the Guarantor in respect of losses arising from such breach and/or for the Guarantor to exercise a repurchase option, pursuant to Article 1331 of the Italian civil code, to retransfer the relevant Receivables, in respect of which a breach of the representation or warranty has occurred, in accordance with the terms and conditions set out in the Warranty and Indemnity Agreements. Such obligations are not guaranteed by nor will they be the responsibility of any person other than Banco Popolare as Seller and neither the Guarantor nor the Representative of the Covered Bondholders will have recourse to any other person in the event that Banco Popolare as Seller, for whatever reason, fails to meet such obligations. However, pursuant

to the Cover Pool Administration Agreement, the assets which do not qualify as Eligible Cover Pool are not computed for the purposes of the Mandatory Tests and the Asset Coverage Test.

#### *Maintenance of the Cover Pool*

Pursuant to the terms of the Master Transfer Agreement and Cover Pool Administration Agreement, Banco Popolare as Seller agreed to transfer Subsequent Receivables and/or Integration Assets to the Guarantor and the Guarantor has agreed to purchase Subsequent Receivables and/or Integration Assets in order to ensure that the Cover Pool complies with the Mandatory Tests, the Amortisation Test and the Asset Coverage Test. The Initial Receivables purchase price shall be funded through the proceeds of the first advance under the Subordinated Loan Agreement and the purchase price for the Subsequent Receivables transferred by the Seller will be funded through (a) any Available Funds available in accordance with the Pre-Issuer Event of Default Principal Priority of Payments in case of a Revolving Assignment; (b) the proceeds of the Subordinated Loan Agreement in case of an Issuance Assignment; and (c) the proceeds of the Subordinated Loan Agreement and, subject to certain conditions, any Available Funds available in accordance with the Pre-Issuer Event of Default Principal Priority of Payments in case of an Integration Assignment.

Under the terms of the Cover Pool Administration Agreement, Banco Popolare as Issuer and Seller has undertaken to ensure that on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Mandatory Tests and the Asset Coverage Test are to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Cover Pool complies with the relevant Test. If, on any Calculation Date and/or Monthly Calculation Date and on each other day on which the Mandatory Tests and the Asset Coverage Test are to be carried out pursuant to the Transaction Documents, the Cover Pool does not comply with the relevant Test, then the Guarantor shall, prior to the service of a Notice to Pay, to any possible extent, use the Available Funds to purchase Subsequent Receivables and/or Integration Assets in order to cure the relevant Test. To the extent the Available Funds are not sufficient, the Seller shall sell to the Guarantor Integration Assets and/or Subsequent Receivables, in an amount sufficient to permit to satisfy the relevant Test on the next following Monthly Calculation Date, and the purchase price of such Subsequent Receivables will be funded through the proceeds of further loans advanced under the Subordinated Loan Agreement. If the relevant Tests are not satisfied on the immediately following Monthly Calculation Date, the Representative of the Covered Bondholders will serve a Breach of Tests Notice on the Issuer and the Guarantor. The Representative of the Covered Bondholders shall revoke the Breach of Tests Notice if, on or before the immediately following Monthly Calculation Date, the relevant Tests are subsequently satisfied. If, following the delivery of a Breach of Tests Notice, the relevant Tests are not satisfied on or before the immediately following Monthly Calculation Date, the Representative of the Covered Bondholders may, at its sole discretion, and shall if so directed by an Extraordinary Resolution of the Meeting of the Organisation of the Covered Bondholders, serve a Notice to Pay on the Issuer and the Guarantor.

If the aggregate collateral value of the Cover Pool has not been maintained at the level required by the Mandatory Tests and the Asset Coverage Test, this 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 Covered Bond Guarantee. However, failure to satisfy the Amortisation Test on any Calculation Date following a service of a Notice to Pay will constitute a Guarantor Event of Default, thereby entitling the Representative of the Covered Bondholders to accelerate the Covered Bonds against the Issuer (to the extent not already accelerated against the Issuer) and the Guarantor's obligations under the Covered Bond Guarantee against the Guarantor subject to and in accordance with the Conditions.

Subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer on or about the Initial Issue Date concerning, *inter alia*, (A) compliance with the eligibility criteria set out under the MEF Decree

with respect to the Receivables arising under the Mortgage Loans and Integration Assets included in the Cover Pool; (B) the calculations performed by the Calculation Agent in respect of the Mandatory Tests; (C) the compliance with the limits to the transfer of the Receivables arising under the Mortgage Loans and Integration Assets set out under the MEF Decree; and (D) the effectiveness and adequacy of the risk protection provided by any swap agreement entered into in the context of the Programme. In addition, the Asset Monitor will, pursuant to the terms of the Asset Monitor Agreement, (I) prior to the delivery of Notice to Pay, verify on behalf of the Issuer, the calculations performed by the Calculation Agent in respect of the Mandatory Tests and the Asset Coverage Test; and (II) following the delivery of a Notice to Pay, verify, on behalf of the Guarantor, the calculations performed by the Calculation Agent in respect of the Mandatory Tests and the Amortisation Test. For further details, see the section headed “*Description of the Transaction Documents – Asset Monitor Agreement*”, below.

The Representative of the Covered 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 Transaction Document.

*Sale of Selected Assets following the service of a Notice to Pay (but prior to the service of an Acceleration Notice)*

If a Notice to Pay is served on the Issuer and the Guarantor, then the Guarantor may be obliged to sell Selected Assets (selected on a random basis) in order to make payments to the Guarantor’s creditors, including making payments under the Covered Bond Guarantee; see the section headed “*Description of the Transaction Documents – Cover Pool Administration Agreement*”, below.

There is no guarantee that a buyer will be found to acquire Selected Assets at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained for such Selected Assets, which may affect payments under the Covered Bond Guarantee. However, the Selected Assets may not be sold by the Guarantor for less than an amount equal to the Required Redemption Amount for the relevant Series or Tranche of Covered Bonds until six months prior to the Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Maturity Date in respect of such Covered Bonds. In the six months prior to, as applicable, the Maturity Date or Extended Maturity Date, the Guarantor is obliged to sell the Selected Assets for the best price reasonably available, notwithstanding that such price may be less than the Required Redemption Amount.

*Realisation of assets following the service of an Acceleration Notice*

If an Acceleration Notice is served on the Guarantor, then the Representative of the Covered Bondholders shall, in the name and on behalf of the Guarantor, direct the Servicer to sell Selected Assets as quickly as reasonably practicable, taking into account the market conditions at that time and use the proceeds from the liquidation of the Cover Pool towards payment of all secured obligations in accordance with the Post-Guarantor Event of Default Priority of Payments (see the section headed “*Description of the Transaction Documents – Cover Pool Administration Agreement*” below).

There is no guarantee that the proceeds of realisation of the Cover Pool will be in an amount sufficient to repay all amounts due to creditors (including the Covered Bondholders) under the Covered Bonds and the Transaction Documents. If an Acceleration 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 Covered Bond Guarantee*

Following the service of a Notice to Pay on the Issuer and on the Guarantor, the realisable value of Selected Assets comprised in the Cover Pool may be reduced (which may affect the ability of the Guarantor to make payments under the Covered Bond Guarantee) by, *inter alia*:

- (a) default by borrowers of amounts due under the relevant Mortgage Loans;

- (b) changes to the lending criteria of the Seller;
- (c) set-off risks in relation to some types of Receivables arising under the Mortgage Loans comprised in the Cover Pool;
- (d) limited recourse to the Guarantor;
- (e) possible regulatory changes by the Bank of Italy, CONSOB and other regulatory authorities;
- (f) adverse movement of the interest rate;
- (g) unwinding cost related to the hedging structure;
- (h) timing for the relevant sale of assets;
- (i) status of the real estate market in the areas where the Issuer operates; and
- (j) regulations in Italy that could lead to some terms of the Receivables arising under the Mortgage Loans being unenforceable.

Each of these factors is considered in more detail below. However, it should be noted that the Mandatory Tests, the Amortisation Test, the Pre-Maturity Test, the Criteria and the Asset Coverage Test are intended to ensure that there will be an adequate amount of Receivables in the Cover Pool to enable the Guarantor to repay the Covered Bonds following the service of a Notice to Pay on the Issuer and on the Guarantor and, accordingly, it is expected (although there is no assurance) that Selected Assets could be realised for sufficient values to enable the Guarantor to meet its obligations under the Covered Bond Guarantee.

#### *Value of the Cover Pool*

The Covered Bond Guarantee granted by the Guarantor in respect of the Covered Bonds will be backed by the Cover Pool and the recourse against the Guarantor will be limited to such assets. Since the economic value of the Cover Pool may increase or decrease, the value of the Guarantor's assets may decrease (for example, if there is a general decline in property values). Banco Popolare as Seller 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 Covered 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 a Notice to Pay on the Guarantor, but prior to service of an Acceleration Notice, the Guarantor shall, if necessary to effect timely payments under the Covered Bonds, sell the Selected Assets and their related security interests included in the Cover Pool, subject to a right of pre-emption granted to the Seller pursuant to the terms of the Master Transfer Agreement and the Cover Pool Administration Agreement. In respect of any sale of Selected Assets and their related security interests to third parties, however, the Guarantor will not provide any warranties or indemnities in respect of such Selected Assets and related security interests and there is no assurance that the Seller would give or repeat any warranties or representations in respect of the Selected Assets and related security interests originally transferred by it or if it has not consented to the transfer of such warranties or representations. Any representations or warranties previously given by the Seller in respect of the Mortgage Loans assigned by it and forming part of the Cover Pool 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 Covered Bond Guarantee.

### *Claw-back of the sale of the Receivables arising under the Mortgage Loans*

Assignments executed under Law 130 and the OBG Regulations are subject to claw-back 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 relevant Receivables) 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 relevant Receivables).

### *The Seller*

Banco Popolare will act both as Seller and Issuer. The insolvency of Banco Popolare would constitute an Issuer Event of Default.

### *Default by borrowers in paying amounts due on their Mortgage Loans*

Borrowers may default on their obligations due under the Mortgage Loans for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence 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 conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Certain factors may lead to an increase in default by the borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in default by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Mortgage Loans. In addition, the ability of a borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

The recovery of amounts due in relation to Non Performing Loans will be subject to the effectiveness of enforcement proceedings in respect of the Receivables arising under the Mortgage Loans which in Italy can take a considerable amount of time depending on the type of action required and where such action is taken and on several other factors, including the following: proceedings in certain courts involved in the enforcement of the Mortgage Loans and Mortgages may take longer than the national average; obtaining title deeds from land registries which are in process of computerising their records can take up to two or three years; further time is required if it is necessary to obtain an injunction decree (*decreto ingiuntivo*) and if the relevant debtor raises a defence to or counterclaim in the proceedings; and it takes an average of six to eight years from the time lawyers commence enforcement proceedings until the time an auction date is set for the forced sale of any real estate asset.

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

### *Insurance coverage*

All Mortgage Loans provide that the relevant real estate assets must be covered by an insurance policy issued by leading insurance companies approved by the Seller against damages from fire, destruction and explosion (each an “**Insurance Policy**”). 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 the applicable lending criteria at the time of origination. Each of the Mortgage Loans sold to the Guarantor by the Seller, but originated by a person other than the Seller (an “**Originator**”), will have been originated in accordance with the lending criteria of such Originator at the time of origination. It is expected that the Seller’s or the relevant Originator’s, as the case may be, lending criteria will generally consider term of 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 (a) such Mortgage Loans as were originated by it were originated in accordance with the Seller’s lending criteria applicable at the time of origination and (b) such Mortgage Loans, if originated by an Originator, were originated in accordance with the relevant Originator’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 Master Transfer Agreement and of the Servicing Agreement. An Originator may additionally revise its lending criteria at any time. However, if such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans, that may lead to increased defaults by borrowers and may affect the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Covered Bond Guarantee. However, Non Performing Loans in the Cover Pool will be given a zero weighting for the purposes of the calculation of the Mandatory Tests and the Asset Coverage Test.

#### *Previous Transactions*

The Guarantor’s principal assets are the Receivables and the Integration Assets and the other portfolios of eligible assets and integration assets acquired by the Guarantor in accordance with the master transfer agreement entered into on 26 January 2010 (as subsequently amended) in the context of the Previous Residential CB Programme (as defined below). The Guarantor will not have as at the Initial Issue Date any significant assets other than the Receivables acquired from time to time, the Guarantor’s Rights (as defined below) and the agreements entered into by the Guarantor in relation to the Previous Residential CB Programme.

Under the terms of articles 7-bis and 3 paragraph 2 of the Law 130, the assets relating to each covered bonds transaction carried out by a company are stated to be segregated from all other assets of the company and from those related to each other covered bonds transaction, and, therefore, on a winding-up of such a company, such assets will only be available to holders of the covered bonds issued in the context of the respective transaction and to certain creditors claiming payment of debts incurred by the company in connection with the respective transaction. Accordingly, the right, title and interest of the Guarantor in and to the Receivables and the Integration Assets should be segregated from all other assets of the Guarantor (including, for the avoidance of doubt, any other portfolio of receivables and integration assets purchased by the Guarantor pursuant to the Previous Residential CB Programme) and amounts deriving therefrom should be available on a winding-up of the Guarantor only to satisfy the obligations of the Guarantor to the holders of the Covered Bonds under the Covered Bond Guarantee and the payment of any amounts due and payable to the other Secured Creditors.

#### ***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*

Pursuant to article 1248 of the Italian law civil code Law 130, in the context of an assignment of monetary claims, notwithstanding the notification of the assignment to the debtor, the debtor retains the right to set-



off any claims owed to him/her by the assigning creditor, provided that they arose prior to the notification date, against the amount due by him/her to the relevant owner, from time to time, of the assigned monetary claim. The debtors under the Mortgage Loans are entitled to exercise rights of set-off in respect of amounts due under any Mortgage Loan to the Guarantor against any amounts payable by the Seller to the relevant Debtor which came into existence (were *crediti esistenti*) prior to the later of: (a) the publication of the notice of assignment in the Italian Official Gazette (*Gazzetta Ufficiale della Repubblica Italiana*) and (b) the registration of such notice in the competent companies register.

Some of the Mortgage Loans in the Cover Pool may have increased risks of set-off, because the Seller or, as applicable, the relevant Originator is required to make payments under them to the borrowers. In addition, 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 Covered Bond Guarantee.

#### *Usury Law*

The interest payments and other remuneration paid by the Borrowers under the Mortgage Loans are subject to Italian law No. 108 of 7 March 1996 (the “**Usury Law**”), which introduced legislation preventing lenders from applying interest rates equal to, or higher than, rates (the “**Usury Rates**”) set every three months on the basis of a decree issued by the Italian Treasury (the last such decree having been issued on 19 June 2015). In addition, even where the applicable Usury Rates are not exceeded, interest and other benefits and/or remuneration may be held to be usurious if: (a) they are disproportionate to the amount lent (taking into account the specific situations of the transaction and the average rate usually applied for similar transactions); and (b) the person who paid or agreed to pay them was in financial and economic difficulties. The provision of usurious interest, benefits or remuneration has the same consequences as non-compliance with the Usury Rates.

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

The Italian Constitutional Court has rejected, with decision No. 29/2002 (deposited on 25 February 2002), a constitutional exception raised by the Court of Benevento (2 January 2001) concerning article 1, paragraph 1, of the Usury Law Decree (now reflected in article 1, paragraph 1 of the above mentioned conversion law No. 24 of 28 February 2001). In so doing, it has confirmed the constitutional validity of the provisions of the Usury Law Decree which hold that interest rates may be deemed to be void due to usury only if they infringe Usury Regulations at the time they are agreed between the borrower and the lender and not at the time such rates are actually paid by the borrower.

Several recent court precedents have stated that default interest rates are relevant and must be taken into account when calculating the aggregate remuneration of any given financing for the purposes of determining its compliance with the applicable Usury Rates (see, for instance, Decision No. 1796 of 3 April 2013 of the Arbitro Bancario Finanziario of Naples and Cassazione of 11 January 2013 No. 603). In addition, according to recent court precedents and arbitral decisions, the remuneration of any given financing must be below the applicable Usury Rates from time to time applicable. Based on this recent evolution of case law on the matter, it will constitute a breach of the Usury Regulations if the remuneration of a financing is lower than the applicable Usury Rates at the time the terms of the financing were agreed

but becomes higher than the applicable Usury Rates at any point in time thereafter (see, for instance, Cassazione 9 January 2013 No. 350).

#### *Compounding of interest (anatocismo)*

Pursuant to article 1283 of the Italian civil code, accrued interest in respect of a monetary claim or receivable may be capitalised after a period of not less than six months only (a) under an agreement subsequent to such accrual or (b) from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. Article 1283 of the Italian civil code allows derogation from this provision in the event that there are recognised customary practices (*usi*) to the contrary. Banks and financial companies in the Republic of Italy have traditionally capitalised accrued interest on a quarterly basis on the grounds that such practice could be characterised as a customary practice (*uso normativo*). However, a number of recent judgments from Italian courts (including judgments from the Italian Supreme Court (*Corte di Cassazione*) No. 2374/99, No. 2593/2003, No. 21095/2004, No. 4094/2005 and No. 10127/2005) have held that such practices are not *uso normativo*. Consequently, if customers of the Seller were to challenge this practice and such interpretation of the Italian civil code were to be upheld before other courts in the Republic of Italy, there could be a negative effect on the returns generated from the Mortgage Loans.

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

Recently, article 1, paragraph 629 of law No. 147 of 27 December 2013 (so-called, “*Legge di Stabilità 2014*”) amended article 120, paragraph 2, of the Banking Law, providing that interests shall not accrue on capitalised interests. However, given the novelty of this new legislation and the absence of any jurisprudential interpretation, the impact of such new legislation may not be predicted as at the date of this Base Prospectus.

Furthermore there have been two rulings of Italian Courts that have held that the calculations applicable to the instalments under certain mortgage loan agreements that were based upon the amortisation method known as “French amortisation” (*i.e.* mortgage loans with fixed instalments, made up of an amount of principal (that progressively increases) and an amount of interest (that decreases as repayments are calculated with a specific formula), triggered a violation of the Italian law provisions on the limitations on the compounding of interest (*divieto di anatocismo*). However, it should be pointed out that these were isolated judgements, still under appeal, and more recently various court rulings on the same matter have declared that the “French amortisation” method does not entail an illegal compounding element. However the Issuer is not able to exclude the risk that in the future other judgments may follow the two isolated decisions described above.

#### *Mortgage Credit Directive*

Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 (the “Mortgage Credit Directive”) sets out a common framework for certain aspects of the laws, regulations and administrative provisions of the Member States concerning agreements covering credit for consumers secured by a mortgage or otherwise relating to residential immovable property. The Mortgage Credit Directive provides for, amongst other things:

- standard information in advertising, and standard pre-contractual information;
- adequate explanations to the borrower on the proposed credit agreement and any ancillary service;
- calculation of the annual percentage rate of charge in accordance with a prescribed formula;
- assessment of creditworthiness of the borrower;
- a right of the borrower to make early repayment of the credit agreement; and
- prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The Mortgage Credit Directive came into effect on 20 March 2014 and is required to be implemented in Member States by 21 March 2016.

No assurance can be given that the final implementation of the Mortgage Credit Directive in the Republic of Italy will not adversely affect the ability of the Guarantor to make payments under the Covered Bond Guarantee.

**Factors which are material for the purpose of assessing the market risks associated with the Covered Bonds issued under the Programme**

*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:

- 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 referred to in this Base Prospectus or any applicable supplement;
- 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;
- 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;
- understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

Covered Bonds issued under the Programme will either be fungible with an existing Series (in which case, they will form part of such Series) or have different terms to an existing Series (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 Covered Bond Guarantee. If an Issuer Event of Default and a Guarantor Event of Default occur and result in acceleration, all Covered Bonds of all Series will accelerate at the same time.

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

#### *Covered Bonds subject to optional redemption by the Issuer*

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

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

#### *Zero Coupon Covered Bonds*

The Issuer may issue Covered Bonds which do not pay current interest but are issued at a discount from their nominal value or premium from their principal amount. Such Covered Bonds are characterised by the circumstance that the relevant covered bondholders, instead of benefiting from periodical interest payments, shall be granted an interest income consisting of the difference between the redemption price and the issue price, which difference shall reflect the market interest rate. A holder of a zero coupon covered bond is exposed to the risk that the price of such covered bond falls as a result of changes in the market interest rate. Prices of zero coupon covered bonds are more volatile than prices of fixed rate covered bonds and are likely to respond to a greater degree to market interest rate changes than interest-bearing covered bonds with a similar maturity. Generally, the longer the remaining terms of such Covered Bonds, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *Variable Rate Covered Bonds with a multiplier or other leverage factor*

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

#### *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.

#### *Risks related to Covered Bonds generally*

Set out below is a brief description of certain risks relating to the Covered Bonds generally.

#### *Obligations 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 Covered Bond Guarantee until the service on the Issuer and the Guarantor of a Notice to Pay. Failure by the Guarantor to pay amounts due under the Covered Bond Guarantee in respect of any Covered Bond would constitute a Guarantor Event of Default which would entitle the Representative of the Covered Bondholders to serve an Acceleration Notice and accelerate the obligations of the Guarantor under the Covered Bond Guarantee and entitle the Representative of the Covered Bondholders to enforce the Covered Bond Guarantee. The occurrence of an Issuer Event of Default does not constitute a Guarantor Event of Default.

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arranger, the Dealers, the Representative of the Covered Bondholders or any other party to the Transaction Documents or their officers, members, directors, employees, security holders or incorporators, other than the Issuer and 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.

#### *Covered Bondholders are bound by Extraordinary Resolutions and Programme Resolutions*

A meeting of Covered Bondholders may be called to consider matters which affect the rights and interests of Covered Bondholders. These include (but are not limited to): (a) waiving an Issuer Event of Default or a Guarantor Event of Default; (b) directing the Representative of the Covered Bondholders to serve a Notice to Pay or an Acceleration Notice or otherwise instructing the Representative of the Covered Bondholders to take enforcement action against the Guarantor and/or, subject to certain conditions, the Issuer; (c) cancelling, reducing or otherwise varying interest payments or repayment of principal or rescheduling payment dates; (d) altering the priority of payments of interest on the Covered Bonds and of principal; (e) exchanging the Covered Bonds for other securities; and (e) any other amendments to the Transaction Documents. Certain resolutions are required to be passed as Programme Resolutions (such as a resolution to direct the Representative of the Covered Bondholders to take any enforcement). Any Programme Resolution must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding as set out in the Rules of the Organisation of Covered Bondholders attached to the Conditions as Schedule 1 and cannot be resolved upon at a meeting of Covered Bondholders of a single Series. A Programme Resolution taken by Covered Bondholders of all Series will be binding on all Covered Bondholders irrespective of whether they attended the Meeting or voted in favour of the Programme Resolution.

Any Extraordinary Resolution passed at a Meeting of the relevant Series will bind each Covered Bondholder of such Series, irrespective of whether they attended the meeting or voted in favour of the Extraordinary Resolution.

Pursuant to the Rules of Organisation of the Covered Bondholders and the Intercreditor Agreement, the Representative of the Covered Bondholders may, without the consent or sanction of any of the Covered Bondholders, concur with the Issuer and/or the Guarantor and any other relevant parties in making:

- (a) any amendment or modification to the Rules of the Organisation of the Covered Bondholders, the Conditions and/or the other Transaction Documents which, in the opinion of the Representative of the Covered Bondholders, it may be proper to make and will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

- (b) any amendment or modification to the Rules of the Organisation of the Covered Bondholders, the Conditions and/or the other Transaction Documents which is of a formal, minor or technical nature or which, in the opinion of the Representative of the Covered Bondholders, is made to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or an error which is proven or is necessary or desirable for the purposes of clarification or to comply with mandatory provisions of law; and
- (c) any amendment or modification to the Rules of the Organisation of the Covered Bondholders, the Conditions and/or the other Transaction Documents which is required or opportune for the purposes of complying with a change in law or in the interpretation or administration of the MEF Decree, the Law 130, the BoI Regulations or any guidelines issued by the Bank of Italy in respect thereof.

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

*Representative of the Covered Bondholders' powers may affect the interests of the Covered Bondholders*

In the exercise of its powers, trusts, authorities and discretions, the Representative of the Covered Bondholders shall only have regard to the interests of the Covered Bondholders and the other Secured Creditors but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between these interests, the Representative of the Covered Bondholders shall have regard solely to the interests of the Covered Bondholders.

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

*Controls over the transaction*

The BoI Regulations require that certain controls be performed by the Issuer (see the section headed "*Selected aspects of Italian law – Controls over the transaction*" below), 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 believes it has implemented the appropriate policies and controls in compliance with the relevant requirements, investors should note that there is no assurance that such compliance ensures that the aforesaid controls are actually performed and that any failure to properly implement the relevant policies and controls could have an adverse effect on the Issuer's or the Guarantor's ability to perform their obligations under the Covered Bonds.

*Limits to Integration*

Under the BoI Regulations, Integration (as defined below), whether through Subsequent Receivables or through Integration Assets, shall be carried out in accordance with the methods, and subject to the limits,

set out in the BoI Regulations (see the section headed “*Selected aspects of Italian law – Tests set out in the MEF Decree*” below).

More specifically, under the BoI Regulations, Integration is allowed exclusively for the purpose of (a) complying with the tests provided for under the MEF Decree; (b) complying with any contractual over-collateralisation requirements agreed by the parties to the relevant agreements (such as the over-collateralisation requirements set out under the Cover Pool Administration Agreement in respect of the Asset Coverage Test); or (c) complying with the Integration Assets Limit. In addition, under the BoI Regulations the substitution of Integration Assets with Subsequent Receivables is always allowed without any restriction.

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

#### *EU Savings Directive*

Legislative Decree No. 84 of 18 April 2005 implemented in Italy, as of 1 July 2005, Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”). Under the EU Savings Directive, Member States, if a number of important conditions are met, are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within their jurisdiction to an individual resident in that other Member State. However, for a transitional period, Austria instead operates (unless during that period it elects otherwise) a withholding tax system in relation to such payments. The withholding tax system applies for a transitional period with the rate of withholding currently at 35 per cent. The transitional period is to terminate at the end of the first full tax year following agreement by certain non-EU countries to the exchange of information relating to such payments. Certain details concerning payments of interest (or similar income) shall be provided to the tax authorities of a number of non-EU countries and territories, which have agreed to adopt similar measures with effect from the same date.

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 include extending 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.

However, the European Commission has proposed the repeal of the EU Savings Directive as from 1 January 2017 in the case of Austria and as from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

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 the Guarantor or any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bonds as a result of the imposition of such withholding tax. The Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

### *Tax consequences of holding the Covered Bonds*

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

### *Base Prospectus to be read together with applicable Final Terms*

In relation to Covered Bonds other than Registered Covered Bonds, the Conditions of the Covered Bonds included in this Base Prospectus apply to the different types of Covered Bonds (other than the Registered Covered Bonds) which may be issued under the Programme. The full terms and conditions applicable to each Series of Covered Bonds (other than the Registered Covered Bonds) can be reviewed by reading the Conditions as set out in full in this Base Prospectus, which constitute the basis of all Covered Bonds (other than the Registered Covered Bonds) to be offered under the Programme, together with the applicable Final Terms which applies and/or disappplies and/or completes the Conditions of the Programme in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Covered Bonds (other than the Registered Covered Bonds).

The Registered Covered Bonds shall be governed by a set of legal documentation in the form from time to time agreed with the relevant Dealer and will not be governed by the Conditions set out in this Base Prospectus. Such legal documentation will comprise the relevant Registered CB Conditions, the Assignment Agreement, the related Registered Covered Bonds Rules Agreement and the letter of appointment of (i) any Registered Paying Agent in respect of the Registered Covered Bonds and (ii) the Registrar in respect of the Registered Covered Bonds (the “**Registrar**”). Notwithstanding the foregoing, the Issuer will be entitled to enter into a different or additional set of documentation as agreed with the relevant Dealer in relation to a specific issue of Registered Covered Bonds.

### *Changes of law*

The structure of the issue of the Covered Bonds is based on the law of the Republic of Italy in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to the law of Italy or administrative practice in Italy after the date of this Base Prospectus.

### *Limited secondary market*

There is, at present, a secondary market for the Covered Bonds but it is neither active nor liquid, and there can be no assurance that an active or liquid secondary market for the Covered Bonds will develop. If an active or liquid secondary market develops, it may not continue for the life of the Covered Bonds or it may not provide Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered 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 (a) the Investor's Currency-equivalent yield on the Covered Bonds, (b) the Investor's Currency equivalent value of the principal payable on the Covered Bonds and (c) 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.

#### *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.

#### *Ratings of the Covered Bonds*

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds.

For Moody's, the ratings assigned to the Covered Bonds address the expected loss that Covered Bondholders may suffer.

The data and information for the explanation of the factors addressed by Moody's have been sourced from Moody's. Such data and information has been accurately reproduced and insofar as the Issuer is aware and is able to ascertain from information derived from a third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

The expected ratings of the Covered Bonds will be set out in the relevant Final Terms for each Series or Tranche of Covered Bonds. Whether or not a rating in relation to any Covered Bond will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Base Prospectus have been issued by Moody's Investors Service Ltd. which is established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of ESMA pursuant to the CRA Regulation (for more information please visit the ESMA webpage <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>).

In general, European regulated investors are restricted under 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).

Any rating agency may lower, at any point in time, its rating or withdraw its rating if, *inter alia*, in the sole judgment of such rating agency, the credit quality of the Covered Bonds has declined. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced.

The ratings may not reflect the potential impact of all risks related to structural, market and additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A security rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

*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 and 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.

*Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal 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 (a) Covered Bonds are legal investments for it, (b) Covered Bonds can be used as collateral for various types of borrowing and (c) 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.

*Law 130*

Law 130 was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. As at the date of this Base 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 (a) the MEF Decree setting out the technical requirements of the guarantee which may be given in respect of covered bonds and (b) the BoI Regulations concerning guidelines on the valuation of assets, the procedure for purchasing integration assets and controls required to ensure compliance with the legislation. Consequently, it is possible that such or different authorities may issue further regulations relating to Law 130 or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

*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 after 31 December 2016 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 Bonds 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 – at this stage – not completely clear. The Issuer will be required to report certain information on its U.S. account holders to the government of Italy 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, pursuant to the terms and conditions of the Covered Bonds 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 HOLDER OF COVERED BONDS 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.**

*The Issuer and the Guarantor believe that the risks described above are the main risks inherent in the holding of Covered Bonds of any Series issued under the Programme but the inability of the Issuer or the Guarantor to pay interest or repay principal on the Covered Bonds of any Series may occur for other reasons and the Issuer and the Guarantor do not represent that the above statements of the risks of holding Covered Bonds are exhaustive. While the various structural elements described in this Base Prospectus are intended to lessen some of the risks for holders of Covered Bonds of any Series, there can be no assurance that these measures will be sufficient or effective to ensure payment to the holders of Covered Bonds of any Series of interest or principal on such Covered Bonds on a timely basis or at all.*

## DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the following documents which have previously been published or which are published simultaneously with this Base Prospectus and which have been filed with the CSSF. Such documents shall be incorporated by reference in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

1. Issuer's by-laws (*Statuto*) as of the date hereof;
2. Guarantor's by-laws (*Statuto*) as of the date hereof;
3. Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2013;
4. Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014;
5. Guarantor's audited annual financial statements, including the including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2013;
6. Guarantor's audited annual financial statements, including the including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014;
7. Issuer's unaudited consolidated Interim Report in respect of the period ended on 30 June 2014;
8. Issuer's unaudited consolidated Interim Report in respect of the period ended on 30 June 2015; and
9. the base prospectus dated 30 July 2014 relating to the Banco Popolare Soc. Coop. "€ 5,000,000,000 Covered Bond Programme".

The table below sets out the relevant page references for: (i) the Issuer's by-laws (*Statuto*) as of the date hereof; (ii) the Guarantor's by-laws (*Statuto*) as of the date hereof; (iii) the Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2013; (iv) the Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ending ended on 31 December 2014; (v) the Guarantor's audited annual financial statements, including the including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2013; (vi) the Guarantor's audited annual financial statements, including the including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014; (vii) the Issuer's unaudited consolidated Interim Report in respect of the period ended on 30 June 2014; (viii) the Issuer's unaudited consolidated Interim Report in respect of the period ended on 30 June 2015; and (ix) the base prospectus dated 30 July 2014 relating to the Banco Popolare Soc. Coop. "€ 5,000,000,000 Covered Bond Programme". Information contained in the documents incorporated by reference other than information listed in the table below does not form part of this Base Prospectus and is either not relevant for the investor or it is covered elsewhere in this Base Prospectus.

## Comparative Table of Documents incorporated by reference

Document	Information incorporated	Page numbers
Issuer's by-laws ( <i>Statuto</i> )	Entire document	
Guarantor's by-laws ( <i>Statuto</i> ).	Entire document	
Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2013.	Consolidated Balance Sheet	Page 158
	Consolidated Income Statement	Page 159
	Statement of Consolidated Comprehensive Income	Page 160
	Statement of Changes in Consolidated Shareholders' Equity	Pages 161-162
	Consolidated Statement of Cash Flows	Page 163
	Notes to the consolidated financial statements	Pages 165-391
	Independent Auditors' Report	Pages 153-155
Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014.	Consolidated Statement of Financial Position	Page 166
	Consolidated Income Statement	Page 167
	Statement of Consolidated Comprehensive Income	Page 168
	Statement of Changes in Consolidated Shareholders' Equity	Pages 169-170
	Consolidated Statement of Cash Flows	Page 171
	Notes to the consolidated financial statements	Pages 173-403
	Independent Auditors' Report	Pages 161-163
Guarantor's audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2013.	Balance Sheet	Page 21

<b>Document</b>	<b>Information incorporated</b>	<b>Page numbers</b>
Guarantor's audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014	Income statement	Page 21
	Statement of Comprehensive Income	Page 22
	Statement of Changes in Quotaholders' Equity	Page 23
	Cash Flow Statement	Page 25
	Notes to the Financial Statements	Pages 26-74
	Independent Auditors' Report	Pages 19 -20
Issuer's unaudited consolidated Interim Report in respect of the period ended on 30 June 2014	Statement of Financial Position	Page 22
	Income statement	Page 22
	Statement of Comprehensive Income	Page 23
	Statement of Changes in Quotaholders' Equity	Page 25
	Cash Flow Statement	Page 26
	Notes to the Financial Statements	Pages 27-74
	Independent Auditors' Report	Pages 20-21
Issuer's unaudited consolidated Interim Report in respect of the period ended on 30 June 2015	Consolidated Balance Sheet	Page 45
	Consolidated Income Statement	Page 46
	Statement of Consolidated Comprehensive Income	Page 47
	Statement of Changes in Consolidated Shareholders' Equity	Pages 48 – 49
	Consolidated Statement of Cash Flows	Page 50
	Explanatory notes (Notes to the consolidated accounts)	Pages 51 – 115
	Independent Auditors' Report	Page 123
	Consolidated Balance Sheet	Page 40
	Consolidated Income Statement	Page 41

<b>Document</b>	<b>Information incorporated</b>	<b>Page numbers</b>
Base prospectus dated 30 July 2014 relating to the Banco Popolare Soc. Coop. “€ 5,000,000,000 Covered Bond Programme”	Statement of Consolidated Comprehensive Income	Page 42
	Statement of Changes in Consolidated Shareholders’ Equity	Pages 43 – 44
	Consolidated Statement of Cash Flows	Page 45
	Explanatory notes (Notes to the consolidated accounts)	Pages 46 – 108
	Independent Auditors’ Report	Page 109
	Terms and Conditions of the Covered Bonds	Pages 203 – 246
	Rules of the Organisation of the Covered Bondholders	Pages 247 – 270

The consolidated financial statements of the Issuer as at and for the years ended, respectively, on 31 December 2013 and 31 December 2014 have been audited by Reconta Ernst & Young S.p.A., as indicated in their reports thereon.

The financial statements of the Guarantor as at and for the years ended, respectively, on 31 December 2013 and 31 December 2014 have been audited by Reconta Ernst & Young S.p.A., as indicated in their reports thereon.

The financial statements incorporated by reference herein are English translations of the Italian financial statements prepared for and used in Italy, and have been translated for the convenience of international readers. The Issuer takes responsibility for the translation of the balance sheets, statements of income and notes of the financial statements relating to it and incorporated by reference herein, whereas the translation of the auditors’ report was received directly from the independent auditors of the Issuer, Reconta Ernst & Young S.p.A. The Guarantor takes responsibility for the translation of the balance sheets, statements of income and notes of the financial statements relating to it and incorporated by reference herein, whereas the translation of the auditors’ report was received directly from the independent auditors of the Guarantor, Reconta Ernst & Young S.p.A.

Reconta Ernst & Young S.p.A. has given, and have not withdrawn, its consent to the inclusion of their reports on the accounts of the Issuer and the Guarantor in this Base Prospectus in the form and context in which they are included.

The financial statements referred to above have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board (“IASB”) and the relative interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), as adopted by the European Union under Regulation (EC) 1606/2002.

#### **Availability of Documents**

Copies of all documents incorporated herein by reference may be obtained without charge at the head office of the Luxembourg Listing Agent in the city of Luxembourg and may be obtained at the website of

the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Written or oral requests for such documents should be directed to the specified office of the Luxembourg Listing Agent.

## **BASE PROSPECTUS SUPPLEMENT**

If at any time the Issuer shall be required to prepare a prospectus supplement pursuant to article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, the Issuer will prepare and make available an appropriate supplement to this Base Prospectus which, in respect of any subsequent issue of Covered Bonds to be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall constitute a prospectus supplement as required by article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities.

In connection with the listing on the Official List and admission to trading on the Luxembourg Stock Exchange's regulated market of the Covered Bonds, the Issuer has given an undertaking to the Dealer(s) that, if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, and the rights attaching to the Covered Bonds, the Issuer shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Covered Bonds and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.



## GENERAL DESCRIPTION OF THE PROGRAMME

*This section constitutes a general description of the Programme for the purposes of article 22.5(3) of Commission Regulation (EC) No. 809/2004 (as amended) implementing the Prospectus Directive. As such the following section does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any Tranche, the applicable Final Terms. Prospective purchasers of Covered Bonds should carefully read the information set out elsewhere in this Base Prospectus prior to making an investment decision in respect of the Covered Bonds. In this section, references to a numbered Condition are to the corresponding numbered Condition in the section headed “Terms and Conditions of the Covered Bonds” below.*

### 1 Parties

#### Issuer

Banco Popolare Società Cooperativa, a bank incorporated as a co-operative company (*società cooperativa*) under the laws of the Republic of Italy, registered with the companies’ register of Verona, under number 03700430238, fiscal code and VAT number 03700430238, registered with the register of banks (*albo delle banche*) held by the Bank of Italy pursuant to article 13 of Italian legislative decree No. 385 of 1 September 1993, as amended from time to time (the “**Banking Act**”) under number 5668, parent company of the “*Gruppo Bancario Banco Popolare*” registered with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Banking Act under number 5034.4 (the “**Banco Popolare Group**” or the “**Group**”), having its registered office at Piazza Nogara, 2, 37121, Verona, Italy (the “**Issuer**” or “**Banco Popolare**”).

For a more detailed description of the Issuer, see the section headed “*Description of the Issuer*” below.

#### Guarantor

BP Covered Bond S.r.l., a company incorporated in Italy as a limited liability company (*società a responsabilità limitata*) pursuant to Article 7-bis of Law No. 130 of 30 April 1999, as amended from time to time (“**Law 130**”), whose registered office is in Foro Buonaparte, 70, 20121, Milano, Italy, fiscal code and VAT number 06226220967, enrolled with the companies’ register of Milan under number 06226220967, belonging to the Banco Popolare Group and directed and co-ordinated (*soggetta all’attività di direzione e coordinamento*) by Banco Popolare (the “**Guarantor**”).

The Guarantor has no assets other than the Receivables, the Integration Assets and the Guarantor’s Rights (as defined below) as described in this Base Prospectus as well the receivables and assets purchased and to be purchased, and the agreements entered into, by the Guarantor in relation to the €10,000,000,000 covered bond programme established by Banco Popolare in March 2010 (the “**Previous Residential CB Programme**”) which, however, do not constitute cover pool collateral for the Covered Bonds and are not available to

	<p>the Covered Bondholders for any purpose.</p> <p>For a more detailed description of the Guarantor, see the section headed “<i>Description of the Guarantor</i>”, below.</p>
<b>Arranger</b>	Banco Popolare (the “ <b>Arranger</b> ”).
<b>Dealer</b>	UBS Limited and any other dealer appointed from time to time in accordance with the Programme Agreement.
<b>Seller</b>	<p>Banco Popolare (also as successor to Credito Bergamasco S.p.A.) will act as seller under the Master Transfer Agreement (in such capacity, the “<b>Seller</b>” which expression shall include Banco Popolare as successor to Credito Bergamasco S.p.A.).</p> <p>For a more detailed description of the Seller, see the section headed “<i>Description of the Issuer</i>”, below.</p>
<b>Subordinated Loan Provider</b>	<p>Banco Popolare (also as successor to Credito Bergamasco S.p.A.) will act as subordinated loan provider (in such capacity the “<b>Subordinated Loan Provider</b>” which expression shall include Banco Popolare as successor to Credito Bergamasco S.p.A.) pursuant to the terms of the Subordinated Loan Agreement (as defined below).</p>
<b>Servicer</b>	<p>Banco Popolare (also as successor to Credito Bergamasco S.p.A.) will act as servicer (the “<b>Servicer</b>” which expression shall include Banco Popolare as successor to Credito Bergamasco S.p.A.) in the context of the Programme and will be responsible for the management and the collection of the Receivables (as defined below) sold from time to time to the Guarantor, pursuant to the terms of the Servicing Agreement.</p> <p>For a more detailed description of the Servicer, see the section headed “<i>Description of the Issuer</i>”, below.</p>
<b>Successor Servicer</b>	<p>The party or parties (the “<b>Successor Servicer</b>”) which will be appointed in order to perform, <i>inter alia</i>, the servicing activities performed by the Servicer, and any successor or replacing entity thereto following the occurrence of a Servicer Termination Event (as defined below) in respect of the Servicer (for a more detailed description, see the section headed “<i>Description of the Transaction Documents – Servicing Agreement</i>” below).</p>
<b>Administrative Servicer</b>	Banco Popolare will provide certain administrative services to the Guarantor, pursuant to an Administrative Services Agreement (the “ <b>Administrative Servicer</b> ”).
<b>Corporate Servicer</b>	<p>TMF Management Italy S.r.l., a limited liability company (<i>società a responsabilità limitata</i>) organised under the laws of the Republic of Italy, registered with the companies’ register of Milan under number 03296470960, fiscal code and VAT number 03296470960, having its registered office at Foro Buonaparte 74, 20121 Milan, Italy, will act as corporate servicer under the Corporate Services Agreement (the “<b>Corporate Servicer</b>”).</p>

**Asset Monitor**

A reputable firm of independent accountants and auditors will be appointed as Asset Monitor pursuant to a mandate granted by the Issuer. The Asset Monitor will act as an independent monitor pursuant to an Asset Monitor Agreement in order to perform tests and procedures, including those in accordance with the applicable legal regulations. The Asset Monitor will be BDO Italia S.p.A. (the “**Asset Monitor**”).

**Italian Account Bank**

Banco Popolare, for so long as an Issuer Downgrading Event is not outstanding, will act as Italian account bank under the Cash Management and Agency Agreement (in such capacity, the “**Italian Account Bank**”), for the purpose of maintaining and operating the the Collection Account, the Transaction Account, the Reserve Account, the Expenses Account, the Securities Account (if any), the Investment Account (if any).

**Cash Manager**

BNP Paribas Securities Services, a French *société en commandite par actions* with capital stock of € 177,453,913, having its registered office at Rue d’Antin, Paris, France, operating for the purposes hereof through its Milan branch located in via Ansperto, 5, 20123 Milan, Italy, registered in the companies’ register held in Milan, Italy at number 13449250151, fiscal code and VAT number 13449250151, enrolled in the register of banks (*albo delle banche*) held by the Bank of Italy at number 5483 (“**BNPSS**”), will act as cash manager under the Cash Management and Agency Agreement for the purpose of (i) maintaining and operating the Payments Account and (ii) performing certain calculation and payment services on behalf of the Guarantor subject to the provisions of the Cash Management and Agency Agreement (the “**Cash Manager**”).

**Successor Account Bank**

BNP Paribas Securities Services, London branch, a French *société en commandite par actions* with capital stock of € 177,453,913, having its registered office at Rue d’Antin, Paris, France, operating for the purposes hereof through its London branch located at 55 Moorgate, London EC2R 6PA, United Kingdom, will, for so long as an Issuer Downgrading Event is outstanding, act as successor account bank under the Cash Management and Agency Agreement (the “**Successor Account Bank**”), for the purpose of maintaining and operating the Transaction Account, the Reserve Account, the Securities Account (if any) and the Investment Account (if any), to the extent and for so long as it meets the requirements set out under the definition of Eligible Institution.

**Investment Agent**

Banco Popolare will act as Investment Agent pursuant to the Cash Management and Agency Agreement (the “**Investment Agent**”) for the purpose of investing the amounts from time to time standing to the credit of the Investment Account.

“**Eligible Institution**” means any depository institution organised under the laws of any state which is an Eligible

State (a) whose short-term, unsecured and unsubordinated debt obligations are rated at least “P-1” by Moody’s and whose long-term, unsecured and unsubordinated debt obligations are rated at least “A2” by Moody’s or (b) whose obligations under the Transaction Documents to which it is a party are guaranteed in compliance with Moody’s criteria by a depository institution organised under the laws of any state which is an Eligible State, whose short-term, unsecured and unsubordinated debt obligations are rated at least “P-1” by Moody’s and whose long-term, unsecured and unsubordinated debt obligation are rated at least “A2” by Moody’s.

**Calculation Agent**

Pursuant to the Cover Pool Administration Agreement, Banco Popolare will act as calculation agent (the “**Calculation Agent**”). The Calculation Agent will perform certain calculations and conduct certain tests pursuant to the Cover Pool Administration Agreement.

**Principal Paying Agent**

Banco Popolare will act as principal paying agent under the Programme pursuant to the provisions of the Cash Management and Agency Agreement and in accordance with the Terms and Conditions and the Final Terms of the relevant Series of Covered Bonds (the “**Principal Paying Agent**”).

**Italian Paying Agent**

BNPSS will act as Italian paying agent under the Programme pursuant to the provisions of the Cash Management and Agency Agreement (the “**Italian Paying Agent**”).

**Luxembourg Listing Agent**

BNP Paribas Securities Services, Luxembourg branch, whose registered office is at 33, rue de Gasperich, Howald – Hesperage, L-2085 Luxembourg, will act as Luxembourg listing agent under the Programme (the “**Luxembourg Listing Agent**”).

**Registrar**

Any institution which may be appointed by the Issuer to act as registrar (the “**Registrar**”) in respect of the German law governed covered bonds in registered form (*Namensschuldverschreibungen*) (the “**Registered Covered Bonds**”) issued under the Programme, provided that, if the Issuer will keep the register and will not delegate such activity, any reference to the Registrar will be construed as a reference to the Issuer.

**Registered Paying Agent**

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

**Representative of the Covered Bondholders**

BNPSS will act as representative of the holders of the covered bonds pursuant to the Programme Agreement and the Rules of the Organisation of Covered Bondholders (the “**Representative of the Covered Bondholders**”).

**Ownership or control relationships between the principal parties**

As of the date of this Base Prospectus, no direct or indirect ownership or control relationships exist between the principal parties described above in this section, other than the relationship existing between the Issuer (also as Seller, Italian

Account Bank and Servicer) and the Guarantor, both of which belong to the Banco Popolare Group. The entities belonging to the Banco Popolare Group are subject to the direction and coordination (*direzione e coordinamento*) of the Issuer.

## 2 The Covered Bonds and the Programme

### Description

A covered bond issuance programme under which Covered Bonds (*Obbligazioni Bancarie Garantite*) will be issued by the Issuer and will be guaranteed by the Guarantor.

### Size

Up to Euro 5,000,000,000 (and, for this purpose, any Covered Bonds (*Obbligazioni Bancarie Garantite*) denominated in another currency shall be translated into Euro at the date of the agreement to issue such Covered Bonds, and the Euro exchange rate used shall be included in the Final Terms) in aggregate principal amount of Covered Bonds outstanding at any one time (the “**Programme Limit**”). The Programme Limit may be increased in accordance with the terms of the Programme Agreement.

### Distribution of the Covered Bonds

The Covered Bonds may be distributed on a syndicated or non-syndicated basis, in each case only in accordance with the relevant selling restrictions.

### Methods of issue

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 (as defined below) in respect of such Series. Covered Bonds of different Series will not be fungible among themselves. Each Series may be issued in tranches (each a “**Tranche**”) which will be identical in all respects, but having different issue dates, interest commencement dates and issue prices. The specific terms of each Tranche will be completed in the relevant Final Terms.

The Registered Covered Bonds may be issued only in Series consisting of a single Tranche.

The Issuer will issue Covered Bonds without the prior consent of the holders of any outstanding Covered Bonds but subject to certain conditions (see the paragraph headed “*Conditions precedent to the issuance of a new Series or Tranche of Covered Bonds*” below).

### Selling restrictions

The offer, sale and delivery of the Covered Bonds and the distribution of offering material in certain jurisdictions may be subject to certain selling restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of the Covered Bonds in the United States, the European Economic Area, the United Kingdom, the Republic of Ireland, Germany, the Republic of Italy and Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Base Prospectus, see the section headed “*Subscription and Sale*” below.

	<p>The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.</p> <p>The Covered Bonds will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “<b>C Rules</b>”) unless (i) the relevant Final Terms states that Covered Bonds are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “<b>D Rules</b>”) or (ii) the Covered Bonds are issued other than in compliance with the C Rules or the D Rules but in circumstances in which the Covered Bonds will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“<b>TEFRA</b>”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.</p>
<b>Specified Currency</b>	<p>Covered Bonds may be issued in such currency or currencies as may be agreed from time to time between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms (each a “<b>Specified Currency</b>”), subject to compliance with all applicable legal, regulatory and/or central bank requirements.</p>
<b>Denomination of Covered Bonds</b>	<p>In accordance with the Conditions, and subject to the minimum denomination requirements specified below, the Covered Bonds (other than 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 or regulatory or central bank requirements (see Condition 2 (<i>Form, Denomination and Title</i>)).</p> <p>The minimum denomination of each Covered Bond (other than Registered Covered Bonds) will be Euro 100,000 and integral multiples of Euro 1,000 in excess thereof (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher denomination as may be specified in the relevant Final Terms.</p>
<b>Issue Price</b>	<p>Covered Bonds of each Series or Tranche may be issued at their nominal amount or at a discount or premium to their nominal amount as specified in the relevant Final Terms (in each case, the “<b>Issue Price</b>” for such Series or Tranche).</p>
<b>Issue Date</b>	<p>The date of issue of a Series or Tranche of Covered Bonds, pursuant to, and in accordance with, the Programme Agreement (in each case, the “<b>Issue Date</b>” in relation to such Series or Tranche).</p>
<b>CB Payment Date</b>	<p>The dates specified as such in, or determined in accordance with the provisions of, the Conditions and the relevant Final Terms, subject in each case, to the extent provided in the relevant Final Terms, to adjustment in accordance with the applicable Business Day Convention (as defined in the Conditions) (each such date, a “<b>CB Payment Date</b>”).</p>
<b>CB Interest Period</b>	<p>Each period beginning on (and including) a CB Payment Date (or, in case of the first CB Interest Period, the Interest</p>

Commencement Date) and ending on (but excluding) the next CB Payment Date (or, in case of the last CB Interest Period, the Maturity Date) (each a “**CB Interest Period**”).

#### **Interest Commencement Date**

In relation to any Series or Tranche of Covered Bonds, the Issue Date of the relevant Series or Tranche of Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms (each an “**Interest Commencement Date**”).

#### **Form of Covered Bonds**

The Covered Bonds may be issued in bearer form and in dematerialised form or in registered form as Registered Covered Bonds.

The Covered Bonds issued in dematerialised form will be held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli account holders. Each Series or Tranche will be deposited with Monte Titoli on the relevant Issue Date in accordance with article 83-*bis* of the Financial Law, through the authorised institutions listed in article 83-*quater* of the Financial Law. Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds issued in dematerialised form will at all times be held in book entry form and title to such Covered Bonds will be evidenced by book entries in accordance with (i) the provisions of article 83-*bis* of the Financial Law; and (ii) the regulation issued by the Bank of Italy and the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) on 22 February 2008, as subsequently amended. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

Registered Covered Bonds will be issued to each holder in the form of *Namensschuld verschreibungen*, each issued with a minimum denomination indicated in the applicable Registered CB Conditions attached thereto, together with the execution of the related Registered Covered Bonds rules of organisation agreement (the “**Registered CB Rules Agreement**”) in relation to a specific issue of Registered Covered Bonds.

The relevant Registered Covered Bonds (*Namensschuld verschreibungen*), together with the related Registered CB Conditions attached thereto, the relevant Registered CB Rules Agreement and any other document expressed to govern such Series of Registered Covered Bonds, will constitute the full terms and conditions of the relevant Series of Registered Covered Bonds.

In connection with the Registered Covered Bonds, references in the Base Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the relevant Registered CB Conditions, the Registered CB Rules

Agreement relating thereto or any other document expressed to govern such Registered Covered Bonds and, as applicable, each other reference to Final Terms in the Base Prospectus shall be construed and read as a reference to such Registered CB Conditions, the Registered CB Rules Agreement thereto or any other document expressed to govern such issue of Registered Covered Bonds.

A transfer of Registered Covered Bonds shall not be effective until the transferee has delivered to the Registrar a duly executed Assignment Agreement and Registered CB Rules Agreement. A transfer can only occur for the minimum denomination indicated in the applicable Registered CB Conditions or multiples thereof.

Any reference to the Covered Bondholders shall include reference to the holders of the Covered Bonds and/or the registered holder for the time being of a Registered Covered Bond (the “**Registered Covered Bondholders**”) as the context may require.

Unless the context otherwise requires, any reference to Covered Bonds shall include reference to the Registered Covered Bonds.

For further details on the Registered Covered Bonds, see the section headed “Key features of Registered Covered Bonds *Namensschuld verschreibungen*” below.

## **Types of Covered Bonds**

In accordance with the Conditions and the relevant Final Terms, the Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds or Zero Coupon Covered Bonds, depending on the interest basis shown in the applicable Final Terms. The Covered Bonds may be Covered Bonds scheduled to be redeemed in full on the Maturity Date or Instalment Covered Bonds, depending on the redemption/payment basis shown in the applicable Final Terms. Each Series shall comprise Fixed Rate Covered Bonds only or Floating Rate Covered Bonds only or Zero Coupon Covered Bonds only as may be so specified in the relevant Final Terms.

*Fixed Rate Covered Bonds:* Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable in accordance with the relevant Final Terms, on such date as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the relevant Final Terms) and on redemption, and will be calculated on the basis of such Day Count Fraction provided for in the Conditions and the relevant Final Terms.

*Floating Rate Covered Bonds:* Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:

- (i) 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



2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issuer Date of the first Tranche of Covered Bonds); or

- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

in each case, as provided 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 Series of Floating Rate Covered Bonds and as provided in the applicable Final Terms.

*Other provisions in relation to Floating Rate Covered Bonds:* Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Covered Bonds in respect of each CB Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s) (and indicated in the relevant Final Terms), will be payable on such CB Payment Dates, and will be calculated on the basis of such Day Count Fraction provided for in the Conditions and the relevant Final Terms.

*Zero Coupon Covered Bonds:* Under Zero Coupon Covered Bonds, no interest will be payable. Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.

*Hard Bullet Covered Bonds:* Covered Bonds which are scheduled to be redeemed in full on the Maturity Date thereof and without any provision for scheduled redemption other than on the Maturity Date.

*Bullet Covered Bonds:* Covered Bonds which are scheduled to be redeemed in full on the Maturity Date thereof and without any provision for scheduled redemption other than on the Maturity Date and in relation to which an Extended Maturity Date shall apply.

*Instalment Covered Bonds:* Covered Bonds with a predefined amortisation schedule where, alongside interest, the Issuer will pay, on each CB Payment Date, a portion of principal until maturity, as set out in the applicable Final Terms.

## **Final Terms**

Specific final terms will be issued and published in accordance with the generally applicable terms and conditions of the Covered Bonds, other than the Registered Covered Bonds (the “**Conditions**”), prior to the issue of each Series or Tranche detailing certain relevant terms thereof which, for the purposes of that Series or Tranche only, completes the Conditions and must be read in conjunction with the Base Prospectus (such specific final terms, the “**Final Terms**”). The terms and

conditions applicable to any particular Series or Tranche are the Conditions as completed by the relevant Final Terms.

The terms and conditions applicable to any particular Registered Covered Bond shall be set out in the relevant Registered CB Conditions, the relevant Registered CB Rules Agreement and any other document expressed to govern such particular Registered Covered Bonds.

#### **Interest on the Covered Bonds**

Except for the Zero Coupon Covered Bonds and unless otherwise specified in the Conditions and the relevant Final Terms, the Covered Bonds will be interest-bearing and interest will be calculated on the Outstanding Principal Balance of the relevant Covered Bonds. Interest will be calculated on the basis of such Day Count Fraction in accordance with the Conditions and the relevant Final Terms. Interest may accrue on the Covered Bonds at a fixed rate or a floating rate as may be so specified in the relevant Final Terms and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series or Tranche.

#### **Redemption of the Covered Bonds**

The applicable Final Terms relating to each Series of Covered Bonds will specify the basis for calculating the redemption amounts payable.

The Final Terms issued in respect of Covered Bonds that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Covered Bonds may be redeemed.

The Final Terms issued in respect of each issue of Covered Bonds will state whether such Covered Bonds may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders of the Covered Bonds and, if so, the terms applicable to such redemption.

Except as provided above, Covered Bonds will be redeemable at the option of the Issuer prior to maturity only for tax reasons (as set out in the paragraph headed “*Tax gross-up and redemption for taxation reasons*” below).

#### **Tax Gross-up and redemption for taxation reasons**

Payments in respect of the Covered Bonds to be made by the Issuer will be made without deduction for or on account of withholding taxes imposed by Italy, subject as provided in Condition 9 (*Taxation in the Republic of Italy*).

In the event that any such withholding or deduction is to be made, the Issuer will be required to pay additional amounts to cover the amounts so deducted in accordance with the provision of Condition 9 (*Taxation in the Republic of Italy*). In such circumstances and provided that such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Covered Bonds will be redeemable (in whole, but not in part) at the option of the Issuer. See Condition 7(c) (*Redemption for tax reasons*).

The Guarantor will not be liable to pay any additional amount due to taxation reasons following an Issuer Event of Default (as defined below).

#### **Maturity Date**

The maturity date for each Series (the “**Maturity Date**”) will be specified in the relevant Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the currency of the Covered Bonds. Unless previously redeemed as provided in Condition 7 (*Redemption and Purchase*), the Covered Bonds of each Series will be redeemed at their Outstanding Principal Balance on the relevant Maturity Date.

#### **Extended Maturity Date**

The applicable Final Terms relating to each Series of Covered Bonds may also provide that the Guarantor’s obligations under the Covered Bond Guarantee to pay Guaranteed Amounts (as defined below) equal to the Final Redemption Amount (as defined below) of the applicable Series or Tranche of Covered Bonds on their Maturity Date may be deferred pursuant to the Conditions and the relevant Final Terms for the period set out therein (the “**Extended Maturity Date**”). Such deferral will automatically occur, if so stated in the relevant Final Terms, if:

- (a) an Issuer Event of Default has occurred; and
- (b) the Guarantor has insufficient moneys available (in accordance with the Post-Issuer Event of Default Priority of Payments (as defined below)) to pay in full any amount representing the Guaranteed Amounts corresponding to the Final Redemption Amount on the Extension Determination Date (as defined below).

In these circumstances, to the extent that the Guarantor has sufficient Available Funds to pay in part on the relevant Maturity Date the Final Redemption Amount in respect of the relevant Series or Tranche of Covered Bonds, the Guarantor shall make on the relevant Maturity Date and on each CB Payment Date thereafter according to the relevant Final Terms partial payment of the relevant Final Redemption Amount, in accordance with the Post-Issuer Event of Default Priority of Payments, without any preference among the Covered Bonds outstanding, except in respect of maturities of each Series or Tranche.

Interest will continue to accrue and be payable on any unpaid amount up to the Extended Maturity Date in accordance with Condition 7(b) (*Extension of maturity*).

Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under any

Series of Covered Bonds in respect of which an Extension of Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.

“**Extension Determination Date**” means the date falling seven Business Days after the expiry of the Maturity Date of the relevant Series or Tranche of Covered Bonds.

#### **Status of the Covered Bonds**

The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, guaranteed by the Guarantor with limited recourse to the Available Funds and will rank *pari passu* without any preference among themselves, except in respect of maturities of each Series, and (save for any applicable statutory provisions) at least equally with all other present and future unsecured, unsubordinated obligations of the Issuer having the same maturity of each Series of the Covered Bonds, from time to time outstanding.

#### **Negative pledge**

The Covered Bonds will not contain a negative pledge provision.

#### **Cross-default**

The Covered Bonds will not contain a cross-default provision. Accordingly, neither an event of default in respect of any other indebtedness of the Issuer (including, without limitation, in relation to other debt securities of the Issuer) nor an acceleration of such indebtedness will of itself give rise to an Issuer Event of Default.

#### **Recourse**

In accordance with Law 130 and the Decree of the Ministry of Economy and Finance No. 310 of 14 December 2006 (the “**MEF Decree**”) and with the terms and conditions of the relevant Transaction Documents (as defined below), the holders of the Covered Bonds (the “**Covered Bondholders**”) will benefit from full recourse on the Issuer and limited recourse on the Guarantor limited to the Available Funds. For a more detailed description, see the section headed “*Credit Structure*”, below.

#### **Provisions of Transaction Documents**

The Covered Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding Covered Bonds, recognises the Representative of the Covered Bondholders as its representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Covered Bondholders as if such Covered Bondholder was a signatory thereto.

#### **Conditions precedent to the issuance of a new Series or Tranche of Covered Bonds**

The Issuer will be entitled (but not obliged) at its option, on any date and without the consent of the holders of the Covered Bonds issued beforehand and of any other creditors of the Guarantor or of the Issuer, to issue further Series or Tranches

of Covered Bonds, subject to certain conditions precedent set out in the Programme Agreement, including, *inter alia*:

- (a) satisfaction of the Mandatory Tests and the Asset Coverage Test both before and immediately after such further issue of Covered Bonds; and
- (b) compliance with the requirements of issuing/assigning banks (*Requisiti delle banche emittenti e/o cedenti*; see Section II, paragraph 1 of the supervisory guidelines of the Bank of Italy set out in 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 “**BoI Regulations**”)); and
- (c) no Issuer Event of Default or Guarantor Event of Default having occurred,

(collectively, together with the other conditions set out in the Programme Agreement, the “**Conditions to the Issue**”).

The payment obligations of the Guarantor under the Covered Bonds Guarantee (as defined below) in respect of the Covered Bonds of any Series shall be cross-collateralised by all the assets included in the Cover Pool (as defined below) (see also the paragraph headed “*Status of the Covered Bonds*”, above).

#### **Approval, listing and admission to trading**

This Base Prospectus has been approved by the CSSF as a base prospectus issued in compliance with the Prospectus Directive. Application has been made to the Luxembourg Stock Exchange for Covered Bonds to be issued under the Programme (other than the Registered Covered Bonds) to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Covered Bonds may be unlisted.

The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets. The Registered Covered Bonds will not be listed and/or admitted to trading on any market.

#### **Settlement**

Monte Titoli/Euroclear/Clearstream and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the relevant Final Terms).

The Registered Covered Bonds will not be settled through a clearing system.

#### **Governing law**

The Covered Bonds (other than the Registered Covered Bonds) and the related Transaction Documents will be governed by Italian law except for certain provisions of the

Cash Management and Agency Agreement and the English Law Deed of Charge and Assignment, which will be governed by English law.

The Registered Covered Bonds (*Namensschuldverschreibungen*) will be governed by the laws of the Federal Republic of Germany save that, in any case, certain provisions (including those relating to status, limited recourse of the Registered Covered Bonds and those applicable to the Issuer and the Portfolio) shall be governed by Italian law.

## **Ratings**

Each Series issued under the Programme may or may not be assigned a rating by Moody's as specified in the relevant Final Terms. Covered Bonds issued under the Programme, if rated, are expected to be rated "Baa3" by Moody's or as otherwise indicated in the applicable Final Terms.

Where a Series of Covered Bonds is to be rated, such rating will not necessarily be the same as the rating assigned to the Covered Bonds already issued. Whether or not a rating in relation to any Tranche or Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Base Prospectus have been issued by Moody's, which is established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of ESMA pursuant to the CRA Regulation (for more information please visit the ESMA webpage <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>).

**A security rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by Moody's at any time.**

## **Purchase of the 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.

## **3 Covered Bond Guarantee**

### **Security for the Covered Bonds**

In accordance with Law 130, the Covered Bondholders will benefit from a guarantee issued by the Guarantor pursuant to the Covered Bond Guarantee with limited recourse to the Available Funds.

### **The Cover Pool**

The assets comprised in the Cover Pool will consist of:

- (A) monetary receivables arising from Italian residential mortgage loans (*mutui ipotecari residenziali*) and Italian commercial mortgage loans (*mutui ipotecari commerciali*) having the characteristics set out in Article 2, paragraph 1, lett. (a) and (b) of the MEF Decree (the

“**Mortgage Loans**”); and

- (B) securities issued by banks having their registered office in Eligible States (as defined below) with residual maturity not longer than one year and deposits held with banks having their registered office in Eligible States pursuant to Article 2, paragraph 3, of the MEF Decree (the “**Eligible Deposits**”) within the limit of 15 per cent. of the Cover Pool and, in each case, meeting the requirements set out in the definition of Eligible Investments (collectively, the “**Integration Assets**”) (the monetary receivables arising under the Mortgage Loans and the Integration Assets, other than Eligible Deposits, are jointly referred to as the “**Receivables**” and the Receivables, the Eligible Deposits and the monetary receivables arising under any other eligible assets pursuant to the OBG Regulations are jointly referred to as the “**Cover Pool**”).

#### **The Covered Bond Guarantee**

Under the terms of the Covered Bond Guarantee, following the service of a Notice to Pay, the Guarantor will be obliged to pay the Guaranteed Amounts (as defined below) in respect of the Covered Bonds on the relevant Scheduled Due for Payment Date (as defined herein).

To ensure timely payment by the Guarantor, a Notice to Pay (as defined below) will be served on the Guarantor as a consequence of an Issuer Event of Default (as defined below).

The obligations of the Guarantor to make payments in respect of the Guaranteed Amounts are subject to the conditions that an Issuer Event of Default has occurred and a Notice to Pay has been served on the Issuer and on the Guarantor. The obligations of the Guarantor will accelerate with respect to all Guaranteed Amounts once an Acceleration Notice has been delivered to the Guarantor.

The Covered Bond Guarantee is a first demand, unconditional, irrevocable and autonomous guarantee (*garanzia autonoma*) and certain provisions of the Italian civil code relating to non-autonomous personal guarantees (*fidejussioni*), specified in the MEF Decree, shall not apply. Accordingly, the obligations of the Guarantor under the Covered Bond Guarantee shall be direct, unconditional, unsubordinated obligations of the Guarantor, with limited recourse to the Available Funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the Issuer.

For a detailed description, see the section headed “*Description of the Transaction Documents – Covered Bond Guarantee*” below.

#### **4 Issuer Events of Default, Guarantor Events of Default and Priorities of Payments**

## Issuer Events of Default

The following events with respect to the Issuer shall constitute “**Issuer Events of Default**”:

- (a) failure by the Issuer for a period of seven days or more to pay any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series when due; or
- (b) breach by the Issuer of any material obligations under or in respect of the Covered Bonds (of any Series outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to comply with the relevant Tests) (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy, in which case no notice will be required) and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or
- (c) if, following the service of a Breach of Tests Notice, the relevant Tests are not cured by the immediately following Monthly Calculation Date unless an Extraordinary Resolution resolves otherwise; or
- (d) if the Pre-Maturity Test (as defined below) in respect of any Series of Hard Bullet Covered Bonds is not satisfied on any Pre-Maturity Test Date (as defined below) falling during the 12-month period prior to the Maturity Date of that Series of Hard Bullet Covered Bonds, and such breach has not been cured in accordance with the Conditions on or before the earlier of (i) 14 calendar days from the date on which the Issuer is notified of the breach of the Pre-Maturity Test and (ii) the Maturity Date of that Series of Hard Bullet Covered Bond, unless the Representative of the Covered Bondholders or the Meeting of the Organisation of the Covered Bondholders resolves otherwise; or
- (e) an Insolvency Event of the Issuer; or
- (f) an Article 74 Event.

If an Issuer Event of Default occurs, the Representative of the Covered Bondholders may at its sole discretion, and shall if so directed by an Extraordinary Resolution of the Meeting of the Organisation of the Covered Bondholders, serve a written notice (the “**Notice to Pay**”) on the Issuer and Guarantor declaring that an Issuer Event of Default has occurred (specifying, in case of an Article 74 Event that the Issuer



Event of Default may be temporary).

Upon the service of a Notice to Pay:

- (i) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (A) such events shall not trigger an acceleration against the Guarantor, (B) in accordance with Article 4, paragraph 3 of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer and (C) in case of the Issuer Event of Default referred to under point (f) above (I) the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the suspension period and (II) upon the end of the suspension period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and, for the avoidance of doubt, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer);
- (ii) the Guarantor will pay the Guaranteed Amounts on the Scheduled Due for Payment Date in accordance with the provisions of the Covered Bond Guarantee (see the section headed “*Description of the Transaction – Covered Bond Guarantee*” below);
- (iii) the Mandatory Tests shall continue to be applied and the Amortisation Test shall be also applied;
- (iv) the Guarantor shall (only if necessary in order to effect timely due payments under the Covered Bonds) direct the Servicer to sell the Receivables in accordance with the provisions of the Cover Pool Administration Agreement;
- (v) no further Covered Bonds may be issued,

*provided that*, (a) in case of an Article 74 Event the effects listed in items from (i) to (v) above will only apply for as long as the suspension of payments will be in force and effect and (b) in case of the other events listed in items (a) to (d) above as Issuer Events of Default, the effects listed in items from (i) to (v) will only apply for as long as the relevant event has occurred and is outstanding or has not been otherwise remedied or cured.

“**Calculation Date**” means the 18<sup>th</sup> day of March, June, September and December or, if that day is not a Business Day, the immediate following Business Day. The first Calculation Date will fall on 19 March 2012.

“**Insolvency Event**” means, in respect of any bank, company

or corporation, that:

- (a) such bank, company or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, *fallimento*, *liquidazione coatta amministrativa*, *concordato preventivo* and *amministrazione straordinaria*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution and administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such bank, company or corporation are subject to a distraint (*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 Covered Bondholders (who may rely on the advice of legal advisers selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or
- (b) an application for the commencement of any of the proceedings under (a) above is made in respect of or by such bank, company or corporation or such proceedings are otherwise initiated against such bank, company or corporation and, in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (c) such bank, company or corporation takes any action for a re-adjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Transaction 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; or
- (d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such bank, company or corporation or any of the events under Article 2448 of the Italian civil code occurs with respect to such bank, company 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 Covered

Bondholders); or

- (e) such bank, company or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such bank, company or corporation is deemed to carry on business.

### **Guarantor Events of Default**

Following the occurrence of an Issuer Event of Default, and the service of a Notice to Pay, the following events shall constitute “**Guarantor Events of Default**”:

- (a) default by the Guarantor for a period of seven days or more to pay any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series; or
- (b) breach of the Amortisation Test on any Calculation Date; or
- (c) breach by the Guarantor of any material obligations under the provisions of any Transaction Documents to which the Guarantor is a party (other than any obligation for the payment of principal or interest on the Covered Bonds) and (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy, in which case no notice will be required) such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Guarantor, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or
- (d) an Insolvency Event of the Guarantor.

If a Guarantor Event of Default occurs, the Representative of the Covered Bondholders may at its sole discretion, and shall if so directed by an Extraordinary Resolution of the Meeting of the Organisation of the Covered Bondholders, serve a written notice on the Guarantor (the “**Acceleration Notice**”) declaring that a Guarantor Event of Default has occurred.

Upon the service of the Acceleration Notice, all outstanding Covered Bonds of each Series will become immediately due and payable by the Guarantor at their Early Redemption Amount, together with any accrued interest, and they will rank *pari passu* amongst themselves.

### **Cross-acceleration**

If a Guarantor Event of Default has occurred, each outstanding Series of Covered Bonds will accelerate at the same time against the Guarantor.

### **Pre-Issuer Event of Default Interest Priority of Payments**

On each Guarantor Payment Date prior to the service of a Notice to Pay, the Guarantor will use Interest Available Funds, as calculated in respect of the relevant Guarantor Payment Date, to make payments or provisions in the order of priority

set out below (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 and all taxes due and payable by the Guarantor (to the extent that amounts standing to the credit of the Expenses Account are insufficient to pay such amounts) and to credit the amounts necessary to replenish the Expenses Account up to the Expense Required Amount;
- (ii) *second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Guarantor's documented fees, costs and expenses, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation (the "**Expenses**"), to the extent that amounts standing to the credit of the Expenses Account are insufficient to pay such Expenses;
- (iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the Successor Account Bank (where applicable), the Italian Account Bank, the Cash Manager, the Calculation Agent, the Corporate Servicer, the Administrative Servicer, the Asset Monitor, the Registered Paying Agent (if any), the Registrar (if any), the Italian Paying Agent, the Investment Agent and the Servicer;
- (iv) *fourth*, to credit to the Reserve Account an amount required to ensure that the Reserve Account is funded up to the Required Reserve Amount, as calculated on the immediately preceding Calculation Date;
- (v) *fifth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount necessary to cover the amounts already paid under item (i) of the Pre-Issuer Event of Default Principal Priority of Payments on any preceding Guarantor Payment Date and not yet repaid under this item;
- (vi) *sixth*, upon the occurrence of a Servicer Termination Event, to credit all remaining Interest Available Funds to the Transaction Account until such Servicer Termination Event is either remedied or waived by the Representative of the Covered Bondholders or a replacement servicer is appointed;
- (vii) *seventh*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of (i) all amounts due and payable to the Seller in respect of the Seller's Claims (if any) under the terms of the Master Transfer Agreement and the Warranty and Indemnity Agreements and (ii) all amounts due and payable to the

Servicer under clause 10.4.5 of the Servicing Agreement;

(viii) *eighth*, to pay any interest due and payable to the Seller pursuant to the terms of the Subordinated Loan Agreement, provided that the Mandatory Tests and, where applicable, the Asset Coverage Test are satisfied on the relevant Guarantor Payment Date; and

(ix) *ninth*, to retain any remaining amounts to the credit of the Transaction Account, provided that, upon redemption in full of all outstanding Series of Covered Bonds, any remaining amounts shall be paid to the Subordinated Loan Provider as interest not yet paid under item (viii) above,

(the “**Pre-Issuer Event of Default Interest Priority of Payment**”).

“**Guarantor Payment Date**” means (a) prior to the service of an Acceleration Notice, 2 April, 2 July, 2 October and 2 January of each year or if any such day is not a Business Day, the immediately following Business Day or (b) following the service of an Acceleration Notice, the day falling 10 Business Days after the Accumulation Date.

“**Accumulation Date**” means, following the service of an Acceleration Notice, the earlier of (i) each date on which the amount of the moneys at any time available to the Guarantor or to the Representative of the Covered Bondholders for the payments to be made in accordance with the Post-Guarantor Event of Default Priority of Payments shall be equal at least to 2 per cent. of the aggregate Outstanding Principal Balance of all Series of Covered Bonds, (ii) each day falling 10 Business Days before the day that, but for the service of an Acceleration Notice, would have been a Guarantor Payment Date and (iii) each Business Day designated as such by the Representative of the Covered Bondholders.

“**Expense Required Amount**” means Euro 50,000.

“**Seller’s Claims**” means, collectively, the monetary claims that the Seller may have from time to time against the Guarantor under the Master Transfer Agreement (other than in respect of the purchase price of the relevant Receivables) and the Warranty and Indemnity Agreements.

#### **Pre-Issuer Event of Default Principal Priority of Payments**

On each Guarantor Payment Date, prior to the service of a Notice to Pay, the Guarantor will use Principal Available Funds, as calculated in respect of the relevant Guarantor Payment Date, to make payments or provisions in the order of priority set out below (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 due and payable under items (i) to (vi) of the Pre-Issuer Event of Default Interest Priority of Payments, to the extent that the Interest Available

Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;

- (ii) *second*, to pay the purchase price of Subsequent Receivables (other than those funded through the proceeds of the Subordinated Loan) in the context of a Revolving Assignment (as defined below) or an Integration Assignment (as defined below), as the case may be;
- (iii) *third*, to pay, the amounts (in respect of principal) due and payable under the Subordinated Loan Agreement, provided that in any case the Mandatory Tests and, where applicable, the Asset Coverage Test are still satisfied after such payment; and
- (iv) *fourth*, to retain any remaining amounts to the credit of the Transaction Account, provided that, upon reimbursement of all outstanding Series of Covered Bonds, any remaining amounts shall be paid *pari passu* to the Subordinated Loan Provider as amounts due under the Subordinated Loan Agreement and not yet paid under item (iii) of the Pre-Issuer Event of Default Principal Priority of Payments,

(the “**Pre-Issuer Event of Default Principal Priority of Payments**”).

On each Guarantor Payment Date the “**Interest Available Funds**” shall include:

- (A) any interest component collected by the Servicer in respect of the Receivables and credited into the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date together with any amount retained in the Transaction Account from the Interest Available Funds on the preceding Guarantor Payment Date (if any);
- (B) without duplication of (A) above, an amount equal to the interest components invested in Eligible Investments (if any) during the Collection Period preceding the relevant Guarantor Payment Date, following liquidation thereof;
- (C) all recoveries in the nature of interest and penalties received by the Servicer and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (D) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts and on the Eligible Deposits during the Collection Period preceding the relevant Guarantor Payment Date;
- (E) all interest amounts received from the Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;

- (F) any amount standing to the credit of the Reserve Account in excess of the Required Reserve Amount at the end of the Collection Period preceding the relevant Guarantor Payment Date;
- (G) (i) prior to the service of an Acceleration Notice on the Guarantor, any amount standing to the credit of the Reserve Account (but excluding item (B)(b) of the definition of Required Reserve Amount calculated as at the relevant Guarantor Payment Date), at the end of the Collection Period preceding the relevant Guarantor Payment Date; (ii) following the service of an Acceleration Notice on the Guarantor, any amount standing to the credit of the Reserve Account; and (iii) on the Guarantor Payment Date on which all Covered Bonds have been redeemed or cancelled in full and no more Covered Bonds may be issued under the Programme, any amount standing to the credit of the Reserve Account;
- (H) on the Guarantor Payment Date on which all Covered Bonds have been redeemed or cancelled in full and no more Covered Bonds may be issued under the Programme, any amount standing to the credit of the Expenses Account; and
- (I) any amount (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period.

**“Required Reserve Amount”** means, in respect of each relevant Guarantor Payment Date:

- (A) if the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least “P-3” by Moody's, nil or such other amount as agreed between the Issuer and the Guarantor from time to time; otherwise
- (B) an amount to be determined on each relevant Calculation Date which will be equal to the aggregate amount of:
  - (a) the aggregate amount payable on the immediately following Guarantor Payment Date in respect of items (ii) and (iii) of the Pre-Issuer Event of Default Interest Priority of Payments;
  - (b) the interest amount due under all outstanding Series of Covered Bonds in the immediately following three months; and

(c) Euro 200,000.

On each Guarantor Payment Date, the “**Principal Available Funds**” shall include:

- (a) all principal amounts collected by the Servicer in respect of the Receivables and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date together with any amount retained in the Transaction Account from the Principal Available Funds on the preceding Guarantor Payment Date (if any);
- (b) all other recoveries in the nature of principal collected by the Servicer and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (c) all proceeds deriving from the sale, if any, of the Receivables during the Collection Period preceding the relevant Guarantor Payment Date;
- (d) without duplication with any of the proceeds deriving from the sale of the Receivables under (c) above, all proceeds deriving from the liquidation of Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;
- (e) on the Guarantor Payment Date falling immediately after the service of a Notice to Pay, amounts standing to the credit of the Pre-Maturity Account at the end of the Collection Period preceding the relevant Guarantor Payment Date;
- (f) any amount to be transferred pursuant to item (v) of the Pre-Issuer Event of Default Interest Priority of Payments;
- (g) any amount (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period; and
- (h) all amounts of principal standing to the credit of the Eligible Deposits at the end of the Collection Period preceding the relevant Guarantor Payment Date.

“**Collection Period**” means (a) prior to the service of an Acceleration Notice, each period commencing on (and including) the first calendar day of March, June, September and December and ending on (and including) the last calendar day of May, August, November and February, and in the case of the first Collection Period, commencing on (and including) the Initial Valuation Date and ending on (and including) 29 February 2012, and (b) following the service of an Acceleration Notice, each period commencing on (but



excluding) the last day of the preceding Collection Period and ending on (and including) the immediately following Accumulation Date.

“**Initial Transfer Date**” means 13 January 2012.

“**Initial Valuation Date**” means 7 January 2012.

“**Valuation Date**” means (i) in respect of the Initial Receivables, the Initial Valuation Date and (ii) in respect of any portfolio of Subsequent Receivables, the date indicated as such in the relevant offer for the purchase of Subsequent Receivables.

#### **Post-Issuer Event of Default Priority of Payments**

On each Guarantor Payment Date following the service of a Notice to Pay, but prior to the service of an Acceleration Notice, the Guarantor will use the Available Funds, as calculated in respect of the relevant Guarantor Payment Date, to make payments or provisions in the order of priority set out below (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 and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation;
- (ii) *second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable to the Representative of the Covered Bondholders, the Successor Account Bank (where applicable), the Italian Account Bank, the Cash Manager, the Calculation Agent, the Corporate Servicer, the Administrative Servicer, the Investment Agent, the Asset Monitor, the Italian Paying Agent, the Registered Paying Agent (if any), the Registrar (if any), the Cover Pool Manager (if any) and the Servicer;
- (iii) *third*, *pro rata* and *pari passu* to (a) pay, *pro rata* and *pari passu*, interest due under the Covered Bond Guarantee in respect of each Series of Covered Bonds; and (b) credit to the Reserve Account an amount required to ensure that the Reserve Account is funded up to an amount equal to item (B)(b) of the definition of Required Reserve Amount;
- (iv) *fourth*, to pay, *pro rata* and *pari passu* principal due under the Covered Bond Guarantee in respect of each Series of Covered Bonds;
- (v) *fifth*, after each Series of Covered Bonds has been fully repaid or repayment in full of each Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series or Tranche of Covered Bonds), in or towards satisfaction, *pro rata* and *pari passu*, according

to the respective amounts thereof, of (i) all amounts due and payable to the Seller in respect of the Seller's Claims (if any) under the terms of the Master Transfer Agreement and the Warranty and Indemnity Agreements and (ii) all amounts due and payable to the Servicer under clause 10.4.5 of the Servicing Agreement; and

- (vi) *sixth*, after each Series of Covered Bonds has been fully repaid or repayment in full of each Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series or Tranche of Covered Bonds), any remaining moneys will be applied in and towards repayment in full of the amounts outstanding under the Subordinated Loan Agreement and/or the Master Transfer Agreement, and/or other Transaction Documents,

(the “**Post-Issuer Event of Default Priority of Payments**”).

“**Required Redemption Amount**” means, in respect of a Series of Covered Bonds, the amount calculated as the Outstanding Principal Balance of the relevant Series of Covered Bonds in accordance with the Cover Pool Administration Agreement.

On each Guarantor Payment Date, the “**Available Funds**” shall include (i) the Interest Available Funds, (ii) the Principal Available Funds and (iii) the amounts received by the Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, paragraph 3 of the MEF Decree (the “**Excess Proceeds**”).

#### **Post-Guarantor Event of Default Priority of Payments**

On each Guarantor Payment Date following the service of an Acceleration Notice, the Available Funds, as calculated in respect of the relevant Guarantor Payment Date, will be used to make payments in the order of priority set out below (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 and taxes;
- (ii) *second*, to pay, *pro rata* and *pari passu*, any amount due and payable to the Representative of the Covered Bondholders, the Servicer, the Cash Manager, the Successor Account Bank (where applicable), the Italian Account Bank, the Investment Agent, the Calculation Agent, the Italian Paying Agent, the Registered Paying Agent (if any), the Registrar (if any), the Corporate Servicer, the Administrative Servicer, the Asset Monitor and the Cover Pool Manager (if any);
- (iii) *third*, to pay, *pro rata* and *pari passu*, interest and principal due under the Covered Bond Guarantee in

respect of each Series of Covered Bonds;

- (iv) *fourth*, to pay, *pro rata* and *pari passu* according to the respective amounts thereof, (i) all amounts due and payable to the Seller in respect of the Seller's Claims (if any) under the terms of the Master Transfer Agreement and the Warranty and Indemnity Agreements and (ii) all amounts due and payable to the Servicer under clause 10.4.5 of the Servicing Agreement; and
- (v) *fifth*, to pay any remaining moneys towards repayment of amounts outstanding under the Subordinated Loan Agreement and/or other Transaction Documents,

(the "**Post-Guarantor Event of Default Priority of Payments**") and, together with the Pre-Issuer Event of Default Principal Priority of Payment, the Pre-Issuer Event of Default Interest Priority of Payment and the Post-Issuer Event of Default Priority of Payments, are collectively referred to as the "**Priorities of Payments**").

## 5 Creation and Administration of the Cover Pool

### Transfer of the Cover Pool

The Seller (also as successor to Credito Bergamasco S.p.A.) and the Guarantor have entered into a master transfer agreement pursuant to which the Seller (a) has transferred to the Guarantor an initial portfolio of monetary receivables arising from Mortgage Loans (the "**Initial Receivables**") and (b) may assign and transfer further monetary receivables arising from Mortgage Loans (the "**Subsequent Receivables**") and/or Integration Assets (other than Eligible Deposits) to the Guarantor from time to time (the "**Master Transfer Agreement**"), in the cases and subject to the limits on the transfer of Subsequent Receivables and/or Integration Assets, other than Eligible Deposits, referred to below.

The Guarantor may acquire Subsequent Receivables in order to:

- (i) collateralise the issue of further Series or Tranches of Covered Bonds by the Issuer, subject to the limits to the assignment of further Receivables arising under Mortgage Loans set forth by the BoI Regulations (*Limiti alla cessione*; see Section II, paragraph 2 of the BoI Regulations, the "**Limits to the Assignment**") (the "**Issuance Assignment**");
- (ii) invest the Principal Available Funds, subject to the Limits to the Assignment, provided that no Issuer Event of Default or Guarantor Event of Default has occurred and is continuing (the "**Revolving Assignment**"); or
- (iii) ensure compliance with the Mandatory Tests and the Asset Coverage Test in accordance with the Cover Pool

Administration Agreement (the “**Integration Assignment**”), subject to the limits referred to in the section headed “Integration Assets” below.

In the context of Integration Assignments, the Guarantor may also acquire Integration Assets.

Pursuant to the Master Transfer Agreement, and subject to the conditions provided therein, the Seller shall also be allowed to repurchase Initial Receivables and Subsequent Receivables which have been assigned by it to the Guarantor.

The Initial Receivables, the Subsequent Receivables and the Integration Assets will be assigned and transferred to the Guarantor without recourse (*pro soluto*) in accordance with Law 130 and subject to the terms and conditions of the Master Transfer Agreement.

#### **Representations and warranties of the Seller**

Pursuant to two warranty and indemnity agreements entered into between the Guarantor and the Seller (also as successor to Credito Bergamasco S.p.A.) on the Initial Transfer Date, as subsequently amended (the “**Warranty and Indemnity Agreements**” and each of them a “**Warranty and Indemnity Agreement**”), the Seller has made certain representations and warranties regarding itself and the Receivables transferred and to be transferred by it including, *inter alia*:

- (a) its status, capacity and authority to enter into the Transaction Documents and assume the obligations expressed to be assumed by it therein;
- (b) the legality, validity, binding nature and enforceability of the obligations assumed by it;
- (c) the existence of the Receivables, the absence of any lien attaching the Receivables, and, subject to the applicable provisions of laws and of the relevant agreements, the full, unconditional, legal title of the Seller to the Receivables assigned by it; and
- (d) the validity and enforceability, subject to the applicable provisions of laws and of the relevant agreements, against the relevant Debtors of the obligations from which the Receivables arises.

For the purpose hereof:

“**Debtor**” means any person, entity or subject, also different from the Borrower, who is liable for the payment of amounts due, as principal and interest, in respect of a Receivable.

“**Borrowers**” means, collectively, the borrowers under the Mortgage Loans and “**Borrower**” means any one of them.

#### **General Criteria**

Each of the Receivables arising under the Mortgage Loans comprised in the Cover Pool shall comply, as at the relevant Valuation Date (unless otherwise provided), with all of the general criteria set out in the section headed “*Description of*

*the Cover Pool – Credit and Collection policies – The General Criteria*” below (the “**General Criteria**”).

The Receivables shall also comply with the Specific Criteria.

“**Specific Criteria**” means the criteria for the selection of the Receivables deriving from the Mortgage Loans to be included in the portfolios to which such criteria are applied, set forth in Annex 1, Part 2 to the Master Transfer Agreement for the Initial Receivables and in the relevant offer for the sale of Subsequent Receivables.

“**Criteria**” means jointly the General Criteria and the Specific Criteria.

## **Integration Assets**

In accordance with the provisions of the MEF Decree and the BoI Regulations, “**Integration Assets**” shall include:

- (a) Eligible Deposits; and
- (b) securities issued by banks residing in Eligible States with residual maturity not longer than one year,

in each case, meeting the requirements set out in the definition of Eligible Investments.

The integration of the Cover Pool may be carried out through the Integration Assets, provided that the Integration Assets shall not be allowed within, at any time, higher than 15 per cent. of the aggregate outstanding principal amount of the assets comprising the Cover Pool (the “**Integration Assets Limit**”). The Integration (whether through Integration Assets or through Receivables arising under Mortgage Loans qualifying as eligible assets pursuant to the OBG Regulations) shall be allowed exclusively for the purpose of complying with the Mandatory Tests and the Asset Coverage Test.

“**Eligible States**” means any States belonging to the European Economic Space, Switzerland and any other State attracting a zero per cent. risk weight factor under the “*Standardised Approach*” provided for by Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions.

## **Eligible Investments**

The Cash Manager may invest funds standing to the credit of the Investment Account in investments having the following characteristics:

- (a) Euro denominated government securities and (b) other short-term instruments meeting the requirements set out under article 2 of the MEF Decree, provided that in all cases such investments shall from time to time comply with Moody’s criteria so that, *inter alia*: (i) the relevant exposures shall have certain minimum long-term and short-term ratings from Moody’s, as specified by Moody’s from time to time (if so specified by Moody’s); and (ii) the maximum aggregate total exposures in general to classes of assets with certain ratings

by Moody's will, if specified by Moody's, be limited to the maximum percentages specified by Moody's; and (iii) all investments shall be denominated in Euro and have a maturity not longer than the Liquidation Date immediately preceding the next Guarantor Payment Date or be disposable at any time at no loss,

(the "**Eligible Investments**").

## **Subordinated Loan**

On the Initial Transfer Date, the Seller and the Guarantor have entered into a subordinated loan agreement, as subsequently amended (the "**Subordinated Loan Agreement**"), pursuant to which the Seller has granted to the Guarantor a subordinated loan (the "**Subordinated Loan**") with a maximum amount equal to the Commitment Limit. Under the provisions of such agreement, the Seller shall make advances to the Guarantor in amounts equal to the relevant price of the relevant Receivables transferred from time to time to the Guarantor by it, including the relevant Subsequent Receivables or Integration Assets to be transferred in order to prevent or cure a breach of the Mandatory Tests and the Asset Coverage Test. Each advance granted by the Seller pursuant to the Subordinated Loan Agreement shall be identified in (a) a term loan advanced to fund the purchase price of the relevant Receivables to be sold in the framework of an Issuance Assignment (the "**Issuance Advance**"); (b) a term loan advanced for the purpose of purchasing further relevant Subsequent Receivables and/or Integration Assets in the framework of an Integration Assignment (the "**Integration Advance**"); (c) a term loan advanced for the purpose of paying any amount required to be paid as a result of an adjustment to be made to the purchase price of the relevant Initial Receivables and/or Subsequent Receivables in accordance with the Master Transfer Agreement (the "**Price Adjustment Advance**"); and (d) financing the creation of Eligible Deposits (the "**Eligible Deposits Advance**").

(See the section headed "*Description of the Transaction Documents – Subordinated Loan Agreement*", below).

## **Tests**

### **The Mandatory Tests**

In accordance with the Cover Pool Administration Agreement and the provisions of the MEF Decree, for so long as any Covered Bond remains outstanding, Banco Popolare as Issuer and Seller shall procure on a on-going basis (and, without prejudice of the OBG Regulations, such obligation shall be deemed to be complied with if the tests are satisfied on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the relevant tests are to be carried out pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be) and until the Programme Expiry Date that each of the following

Mandatory Tests is met:

- (a) the Nominal Value Test;
- (b) the NPV Test; and
- (c) the Interest Coverage Test.

For a more detailed description of the Mandatory Tests, see the section headed “*Credit structure*” below.

#### **The Asset Coverage Test**

Starting from the Calculation Date falling in September 2013 and until the earlier of:

- (a) 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 the Conditions; and
- (b) the date on which a Notice to Pay is served on the Guarantor,

Banco Popolare in its capacity as Issuer and Seller shall procure that on any Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Outstanding Principal Balance of the Covered Bonds. For a more detailed description, see the section “*Credit structure*” below.

#### **The Amortisation Test**

For so long as any Series of Covered Bonds remain outstanding, Banco Popolare as Issuer and Seller will ensure that following the service of a Notice to Pay (but prior to the service of an Acceleration Notice), on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Amortisation Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Amortisation Test Aggregate Loan Amount is equal to or higher than the Outstanding Principal Balance of the Covered Bonds (the “**Amortisation Test**”).

For a more detailed description, see the section headed “*Credit structure – Tests*” below.

Compliance with the Mandatory Tests, the Amortisation Test and the Asset Coverage Test will be verified by the Calculation Agent on each Calculation Date and/or Monthly Calculation Date and/or on any other date on which the verification of the relevant Tests is required pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be. The calculations performed by the Calculation Agent in respect of the

Mandatory Tests, the Amortisation Test and the Asset Coverage Test will be verified from time to time by the Asset Monitor in accordance with the provisions of the Asset Monitor Agreement and the Asset Monitor Engagement Letter, as the case may be. For a detailed description see the section headed “*Credit Structure – Tests*” below.

### **Curing a Breach of the Tests**

In order to cure the breach of a Mandatory Test and/or the Asset Coverage Test:

- (a) prior to the occurrence of an Issuer Event of Default, the Guarantor shall to any possible extent use the Available Funds to purchase Subsequent Receivables and/or Integration Assets (other than Eligible Deposits) in order to cure the relevant Test; or
- (b) the Seller shall sell, as soon as possible and by the last day of the month during which the Test Performance Report assessing that a breach of Test has occurred has been delivered, Subsequent Receivables and/or Integration Assets (other than Eligible Deposits) to the Guarantor, which shall purchase such assets, in accordance with the Master Transfer Agreement, and, to this extent, the Seller shall grant the funds necessary for payment of the purchase price of the assets to the Guarantor in accordance with the Subordinated Loan Agreement (and, if needed, it will increase the relevant Commitment Limit), provided that none of the events indicated in clause 8.2 (*Cause specifiche di estinzione dell’Obbligo di Acquisto dal Cedente*), paragraphs (i) (*Inadempimento di obblighi da parte del Cedente*), (ii) (*Violazione delle dichiarazioni e garanzie da parte del Cedente*), (iii) (*Mutamento Sostanzialmente Pregiudizievole*) and (v) (*Crisi*) of the Master Transfer Agreement has occurred with respect to the Seller,
- (c) following the occurrence of one of the events indicated in clause 8.2 (*Cause specifiche di estinzione dell’Obbligo di Acquisto dal Cedente*), paragraphs (i) (*Inadempimento di obblighi da parte del Cedente*), (ii) (*Violazione delle dichiarazioni e garanzie da parte del Cedente*), (iii) (*Mutamento Sostanzialmente Pregiudizievole*) and (v) (*Crisi*) of the Master Transfer Agreement with respect to the Seller, or failing the Seller to cure the Tests within the last day of the month during which the Test Performance Report assessing that a breach of Test has occurred has been delivered, the Seller shall procure that any third party seller sells, and the Guarantor shall purchase, as soon as possible, Subsequent Receivables and/or Integration Assets (other than Eligible Deposits), provided that the conditions set out in the Cover Pool Administration Agreement are satisfied;



- (d) failing the Seller to cure the relevant Tests, within the last day of the month during which the Test Performance Report assessing that a breach of Test has occurred has been delivered, the Guarantor shall purchase, as soon as possible, Subsequent Receivables and/or Integration Assets (other than Eligible Deposits) from any entity belonging to the Banco Popolare Group willing to act as Additional Seller, provided that the conditions set out in the Cover Pool Administration Agreement are satisfied, in an aggregate amount sufficient to ensure that the relevant Tests are met as soon as practicable and in any event by not later than the date provided for in the Cover Pool Administration Agreement.

If the relevant breach is not remedied by the immediately following Monthly Calculation Date, as evidenced by the following Test Performance Report, the Representative of the Covered Bondholders will serve a notice on the Issuer and the Guarantor stating that the breach of the relevant Tests has not been cured (a “**Breach of Tests Notice**”).

Prior to the service of a Notice to Pay, as a result of the delivery of a Test Performance Report assessing a breach of any of the Tests:

- (I) no further Series or Tranche of Covered Bonds may be issued; and
- (II) no payments under the Subordinated Loan Agreement will be effected, unless the relevant breach is remedied.

If, following the service of a Breach of Tests Notice, the breach of relevant Tests has not been cured within the immediately following Monthly Calculation Date, an Issuer Event of Default shall occur and the Representative of the Covered Bondholders shall be entitled to deliver a Notice to Pay on the Guarantor, pursuant to the provisions of the Intercreditor Agreement.

Following the service of a Notice to Pay, a breach of the Amortisation Test shall constitute a Guarantor Event of Default.

After the service of a Notice to Pay on the Guarantor, but prior to the service of an Acceleration Notice, the Guarantor shall sell Receivables and/or Integration Assets in accordance with the provisions set out in the Cover Pool Administration Agreement.

“**Commitment Limit**” means the maximum amount of the subordinated loan granted by Banco Popolare as indicated in the Subordinated Loan Agreement, save for the further increase that may be determined unilaterally by Banco Popolare through a written notice to the Guarantor.

## **Pre-Maturity Test**

“**Test Performance Report**” means the report to be delivered, on each Calculation Date and/or Monthly Calculation Date and/or on any other day on which the Test Performance Report is to be delivered pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, by the Calculation Agent pursuant to the terms of the Cover Pool Administration Agreement.

The Pre-Maturity Test is intended to provide liquidity for any Hard Bullet Covered Bonds when the Issuer’s credit ratings fall below a certain level. The applicable Final Terms will set out whether the relevant Series of Covered Bonds is a Series of Hard Bullet Covered Bonds. On each Pre-Maturity Test Date prior to the service of a Notice to Pay, the Calculation Agent will determine if the Issuer satisfies the Pre-Maturity Test, and, if the Pre-Maturity Test is not so satisfied, it shall immediately notify the Issuer, the Guarantor and the Representative of Covered Bondholders thereof. For a more detailed description, see the section headed “*Credit structure*”, below.

“**Pre-Maturity Test Date**” means any Business Day falling during the Pre-Maturity Rating Period, prior to the occurrence of an Issuer Event of Default

“**Pre-Maturity Rating Period**” means the period of 12 months preceding the Maturity Date of the relevant Series of Hard Bullet Covered Bonds.

## **Role of the Asset Monitor**

The Asset Monitor will perform specific agreed-upon procedures set out in an engagement letter entered into with the Issuer on or about the Initial Issue Date. The Asset Monitor will also perform the other activities provided under the Asset Monitor Agreement.

## **Sale of Receivables following the service of a Notice to Pay**

Following the service of a Notice to Pay (and prior to the service of an Acceleration Notice) or in order to comply with the Pre-Maturity Test, the Guarantor shall (only if necessary in order to (i) effect timely payments under the Covered Bonds or (ii) to comply with the Pre-Maturity Test) direct the Servicer to sell Receivables and/or Integration Assets (other than Eligible Deposits) in accordance with the provisions of the Cover Pool Administration Agreement, subject to the pre-emption right of the Seller pursuant to the Master Transfer Agreement. The proceeds from any such sale shall be credited to the Transaction Account and applied as set out in the applicable Priority of Payments.

## **Sale of Receivables following the service of an Acceleration Notice**

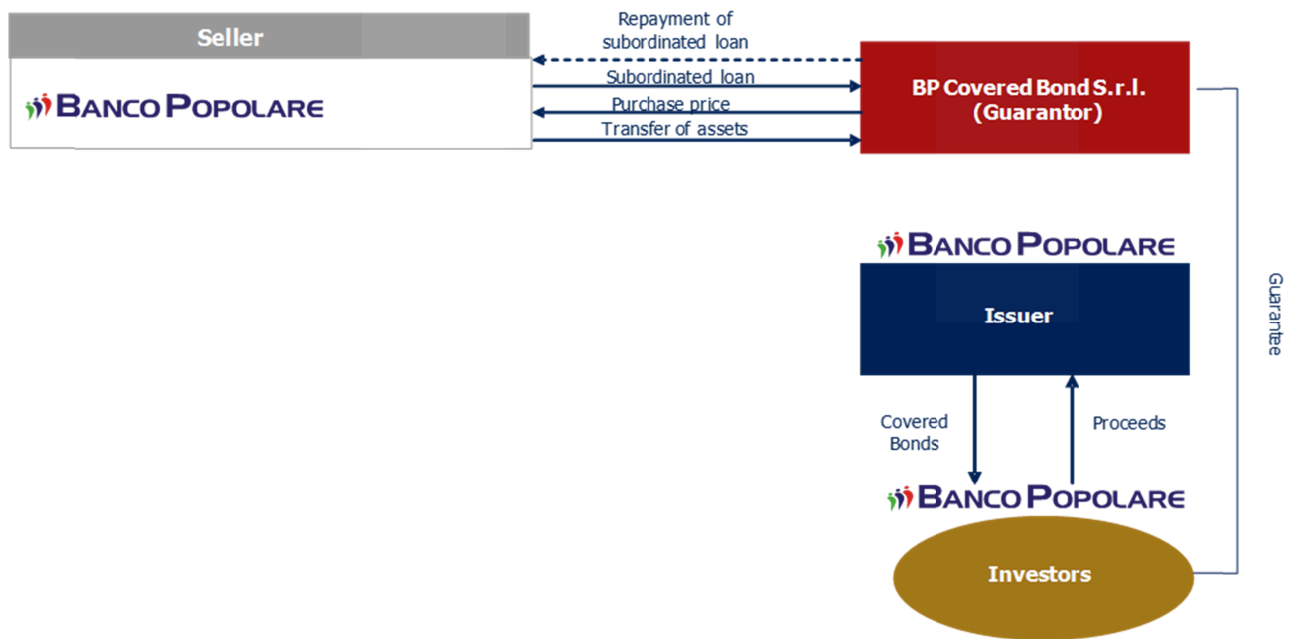
Following the service of an Acceleration Notice on the Guarantor, the Representative of the Covered Bondholders shall, in the name and on behalf of the Guarantor, direct the Servicer or, in the absence of the Servicer, the Cover Pool Manager, to sell Integration Assets (other than Eligible Deposits) and/or Receivables in accordance with the

provisions of the Cover Pool Administration Agreement, subject to any pre-emption right of the Seller pursuant to the Master Transfer Agreement. The proceeds of any such sale shall be credited to the Transaction Account and applied in accordance with the relevant Priority of Payments.

For further details, see the section headed “*Description of the Transaction Documents – Cover Pool Administration Agreement*” below.

## STRUCTURE DIAGRAM

*The following structure diagram does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus. Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this structure diagram.*



## DESCRIPTION OF THE ISSUER

### BANCO POPOLARE SOCIETÀ COOPERATIVA

#### **INCORPORATION**

Banco Popolare Società Cooperativa (the “**Issuer**” or “**Banco Popolare**” or “**Company**” or “**Parent Company**”) was incorporated on 1 July 2007 as a result of the merger (the “**Merger**”) between Banco Popolare di Verona e Novara società cooperativa a responsabilità limitata (“**BPVN**”) and Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa (“**BPI**”), which came into effect on 1 July 2007. Banco Popolare, together with its subsidiaries, is referred to as the “**Banco Popolare Group**” or the “**Group**”. The Issuer's term of duration has been established as up until 31 December 2040, and may be extended.

#### **NAME AND LEGAL FORM OF THE ISSUER**

Banco Popolare Società Cooperativa is incorporated as a cooperative bank in the Republic of Italy under enrolment number 03700430238 at the Register of Companies at the Chamber of Commerce of Verona and operates subject to Legislative Decree No. 385 of 1 September 1993 (as amended) (the “**Italian Banking Act**”).

#### **CORPORATE REGISTERED AND HEAD OFFICES**

Banco Popolare has its registered office and head office in Verona, Piazza Nogara 2, 37121, Italy, with telephone number +39 045 867 5537.

#### **TERM OF THE ISSUER**

The Issuer's term, pursuant to the provision of Article 2 of the Issuer's Articles of Association (the “**Articles**”), ends on 31 December 2040, subject to extensions under Italian law.

#### **CORPORATE PURPOSES**

The Issuer's corporate purpose is to collect savings and provide loans in various forms, for the benefit of both shareholders and non-shareholders, in accordance with the principles of cooperative lending. In compliance with applicable regulations and subject to obtaining the necessary authorisations, the Issuer may carry out all banking, financial and insurance transactions and services, including the setting up and managing of open or closed-end pension funds, and other activities that may be performed by lending institutions, including bond issues, financing activity regulated by special laws and the purchase and sale of business receivables.

The Issuer may implement any other transaction that is useful or in any way related to the achievement of its corporate purpose. In order to pursue its objectives, the Issuer may take up membership of associations and consortia.

In its capacity as the bank exercising the activity of management and coordination of the Banco Popolare Group pursuant to Article 61(4) of Italian Legislative Decree No. 385 of 1 September 1993, the Issuer provides guidelines to Group members, including for the purpose of executing instructions issued by the supervisory authorities and in the interest of Group stability.

#### **SHARE CAPITAL OF THE ISSUER**

The share capital is variable and is represented by ordinary shares without nominal value that can be issued without limitation. The shares are registered.

The issue of new shares may be decided:

- (a) on an extraordinary basis, by the Extraordinary Shareholders' Meeting, pursuant to laws in force, with the quorums and the majorities established by the Articles for constitution and resolutions of the Extraordinary Shareholders' Meeting; or
- (b) on an ordinary basis, by the Board of Directors pursuant to laws in force.

For as long as the Company's shares are listed on regulated markets, the Board of Directors shall not issue new shares pursuant to point b) of the second paragraph of this article.

Pursuant to Articles 2443 and 2420-ter of the Italian Civil Code, the Extraordinary Shareholders' Meeting may assign the Board of Directors the power to increase the share capital or to issue convertible bonds pursuant to laws in force within the limits set forth in Article 33.2, paragraph 2, point n).

Within the limits established by laws in force and without prejudice to obtaining any administrative authorisations that may be required, the Company may issue categories of shares provided with different rights, determining their content.

All shares belonging to the same category assign equal rights.

Shares are indivisible. In the event of joint-ownership of shares, the rights of the joint owners must be exercised by a common representative, in compliance with laws in force.

As at the date of this Base Prospectus, the Issuer has an authorised and issued share capital of Euro 6,092,996,076.83 consisting of 362,179,606 shares.

#### **PRINCIPAL SHAREHOLDERS**

Article 30 of the Italian Banking Act limits the aggregate amount of ordinary shares that can be held by a shareholder in a cooperative bank to a maximum of 0.50 per cent. of the share capital. In the event that this threshold is exceeded, the relevant shareholder must sell the amount of shares in excess of such limit within one year of notice being given by Banco Popolare of the breach of this limit. However, higher limits apply to certain funds and other entities that invest in securities on behalf of groups of investors (organismi d'investimento collettivo in valori mobiliari).

In addition, pursuant to Article 120 of Italian Legislative Decree No. 58 of 24 February 1998, as amended, (the "**Italian Finance Act**") shareholders who hold more than 2 per cent. of the share capital of a listed company are obliged to notify that company and the Italian regulator, CONSOB, of their holding.

As at 25 September 2015 (source: CONSOB), the shareholders holding, directly or indirectly, a stake of over 2 per cent. of the ordinary share capital of Banco Popolare are as follows:

	<b>% of the Ordinary Shareholder Share Capital</b>
BLACKROCK INC	5.374
FONDAZIONE CASSA DI RISPARMIO DI LUCCA	2.891
NORGES BANK	2.167

## **CORPORATE GOVERNANCE SYSTEM**

The corporate governance of Banco Popolare is based on a “traditional” corporate governance system based on a Board of Directors and a Board of Statutory Auditors<sup>1</sup>.

The Board of Directors is responsible for managing the corporate business of the Issuer, as well as for implementing the Issuer’s strategic guidelines and objectives, and is assisted by the Executive Committee, the Managing Director and the General Management.

The Executive Committee, which is vested with a series of delegated powers in respect of day-to-day operations, consists of seven directors, including by right the Chairman of the Board of Directors, the two Deputy Chairman and the Managing Director. Two of the other three members are chosen from the Board Members who meet the requirements specified in the first paragraph of Article 29.1 of the Articles (for further details please see the paragraph entitled “*Board of Directors*” below).

The Board of Statutory Auditors is appointed by the Shareholders’ Meetings based on a list of nominees. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list.

## **BOARD OF DIRECTORS**

Pursuant to Article 29.1 of the Articles, management of the Issuer is exercised by the Board of Directors appointed by the Shareholders' Meeting.

The Board of Directors is composed of 24 (twenty-four) Board Members, of whom no less than 3 (three) and no more than 4 (four) are chosen from amongst the high-ranking executives of the Company or of the Group banking companies or amongst persons who hold or have held for more than 12 months the office of Managing Director of the Company or of any of the Group banking companies.

The remaining members of the Board of Directors shall not receive powers of attorney or individually perform, even on a *de facto* basis, duties pertaining to corporate management, unless they participate in the Executive Committee.

Without prejudice to the above, 16 (sixteen) Board Members other than those meeting the requirements specified in the first paragraph of the Article 29.1 of the Articles shall be chosen as follows:

- (i) 6 (six) from amongst shareholders resident in regions of Veneto and Emilia-Romagna, but not residing in the provinces of Parma and Piacenza (the “**Traditional Verona Area**”);
- (ii) 6 (six), of whom 1 (one) resident in the provinces of Lucca, Pisa or Livorno, from amongst shareholders resident in the regions of Lombardy (but not residing in the province of Pavia), Tuscany and in the provinces of Parma, Piacenza, Genoa and La Spezia (the “**Traditional Lodi Area**”);
- (iii) 4 (four) from amongst shareholders resident in regions of Piedmont, Valle d’Aosta, Lazio, in the southern regions of Italy, in the islands or in the provinces of Pavia, Savona and Imperia (the “**Traditional Novara Area**”).

Hereinafter the Traditional Verona Area, the Traditional Lodi Area and the Traditional Novara Area shall be jointly referred to as the “**Traditional Areas**”.

The Chairman of the Board of Directors is elected by the Shareholders' Meeting from among shareholders residing in any one of the Traditional Areas. The two Deputy Chairmen are chosen from among non-

<sup>1</sup> On 26 November 2011, the Extraordinary and General Meeting of the Shareholders of Banco Popolare approved the amendments to its by-laws (Statuto) that enabled the transition from the dualistic system of corporate governance (i.e., Supervisory Board and Management Board) to the traditional corporate governance system based on a Board of Directors and a Board of Statutory Auditors. As a result, the Supervisory Board of the Issuer is no longer in existence.

executive directors and drawn from the same list as the Chairman from among shareholders residing in one of the three Traditional Areas, provided that the Chairman and the Deputy Chairmen shall each come from a different area.

The Board of Directors comprises three Board committees, made up by a majority of independent directors pursuant to the Corporate Governance Code of Borsa Italiana S.p.A.: the Internal Audit and Risk Committee, the Compensation Committee, and the Nominating Committee.

The Board of Directors of Banco Popolare is currently composed of the following members:

<b>Office</b>	<b>Name</b>	<b>Principal Activities outside the Issuer</b>
Chairman	Carlo Fratta Pasini (*)	—
Vice Chairman	Guido Duccio Castellotti (*)	—
Vice Chairman	Maurizio Comoli (*)	<p>Standing Statutory Auditor Loro Piana S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Mirato S.p.A.</p> <p>Chairman of the Board of Statutory Auditors De Agostini Scuola S.p.A.</p> <p>Standing Statutory Auditor PPG Univer S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Monviso S.p.A.</p> <p>Director Istituto Europeo di Oncologia S.r.l.</p> <p>Chairman Centro Interportuale Merci – CIM S.p.A.</p> <p>Standing Statutory Auditor Gessi S.p.A.</p> <p>Standing Statutory Auditor Herno S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Siirtec Nigi Holding S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Siirtec Nigi S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Biscotteria Tonon S.p.A.</p>
C.E.O.	Pier Francesco Saviotti (*)	<p>Director Moncler S.p.A.</p> <p>Director Tod's S.p.A.</p>
Director	Patrizia Codecasa	—
Director	Luigi Corsi	<p>Chairman of the Board of Statutory Auditors Lazzari Auto S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Fenzi S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Lazzari S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Agricola Sementi S.r.l.</p> <p>Standing Statutory Auditor Consorte S.r.l.</p> <p>Standing Statutory Auditor Finmeccanica S.p.A.</p>



Office	Name	Principal Activities outside the Issuer
		Chairman of the Board of Statutory Auditors Lodigiana Maceri S.r.l. Standing Statutory Auditor Ferrari Giovanni Industria Casearia S.p.A. Sole Director Consulenti Associati S.r.l. Chairman Studio Corsi Curioni S.r.l.
Director and Co- General Manager	Domenico De Angelis (*)	—
Director and General Manager	Maurizio Faroni (*)	Director Palladio Finanziaria S.p.A.
Director	Gianni Filippa	Chairman PPG Univer S.p.A. C.E.O. Univer Italiana S.p.A. Vice Chairman Monterosa 2000 S.p.A. Chairman S.V.A.L.T.U.R. S.r.l.  Director Catografica Galeotti S.p.A. Director Galefin S.r.l. Director Immobiliare G S.r.l.
Director	Cristina Galeotti	
Director	Andrea Guidi	C.E.O. Impresa Costruzioni Guidi Gino S.p.A. Chairman S.E.I.T. Società Elettrica Idroturrite
Director	Valter Lazzari	Vice Chairman Prelios SGR S.p.A.
Director	Maurizio Marino	—
Director	Daniela Montemerlo	Director Rubelli S.p.A.
Director	Giulio Pedrollo	Director Gread Elettronica S.r.l. Sole Director Linz Electric S.p.A. C.E.O. Pedrollo S.p.A. Director Società Agricola Villa Merighi S.r.l. Director Athesis S.p.A. Chairman Telearena S.p.A. Director HYPERTEC SOLUTION S.r.l. C.E.O. and Vice Chairman 2VFIN S.p.A. Advisor Verfin S.p.A.
Director	Enrico Perotti	—
Director	Claudio Rangoni Machiavelli	Director Cooperativa Modenese Essicazione Frutta – Società Agricola Cooperativa
Director	Fabio Ravanelli	Vice Chairman and Director Mirato S.p.A. C.E.O. Mil Mil 76 S.p.A. C.E.O. Moltiplica S.p.A.
Director	Cecilia Rossignoli	Chairman Cesbe S.r.l.

<b>Office</b>	<b>Name</b>	<b>Principal Activities outside the Issuer</b>
Director	Sandro Veronesi	<p>Director Società Gestione Servizi BP</p> <p>Chairman Calzedonia Holding S.p.A.</p> <p>Chairman Calzedonia S.p.A.</p> <p>Chairman Calzificio Trever S.p.A.</p> <p>Chairman Intimo 3 S.p.A.</p> <p>Chairman Ti-Bel S.p.A.</p> <p>Manager Luxottica Group S.p.A.</p> <p>Sole Director Zalli S.r.l</p> <p>Sole Director Alibrent B.V.</p>
Director	Franco Zanetta	<p>Director Consorzio Mutue (Società di Mutuo Soccorso)</p> <p>Director Mirato S.p.A.</p>
Director	Tommaso Zanini	<p>Chairman of the Statutory Auditors Forgreen S.p.A.</p> <p>Chairman of the Board Statutory Auditors Agsm Verona S.p.A.</p> <p>Chairman of the Board Statutory Auditors H.P.M. – S.p.A.</p> <p>Chairman of the Board Statutory Auditors Multi Greenpower S.p.A.</p> <p>Standing Statutory Auditor Multiutility S.p.A.</p> <p>Chairman of the Board Statutory Auditors Traconf S.r.l.</p> <p>Standing Statutory Auditor NLMK Verona S.p.A.</p> <p>Chairman of the Board Statutory Auditors Fashion Logistic S.r.l.</p> <p>Chairman of the Board Statutory Auditors Fedrigoli Costruzioni S.p.A.</p> <p>Chairman of the Board Statutory Auditors Finval S.p.A.</p> <p>Sole Director Giorizga S.r.l.</p> <p>Advisor Società Agricola Ripa della Volta S.r.l.</p> <p>Chairman of the Board Statutory Auditors Neurimpulse S.r.l.</p> <p>Chairman of the Board Statutory Auditors Olivi Agricoltura S.r.l.</p> <p>Standing Statutory Auditor Park Arsenale S.r.l.</p> <p>Chairman Società Agricola La Tendina S.r.l.</p>
Director	Cesare Zonca (*)	<p>Standing Statutory Auditor QIS S.p.A.</p> <p>Director Equipe Group S.r.l.</p> <p>Director and member of the Executive Committee S.A.C.B.O. S.p.A.</p>

Office	Name	Principal Activities outside the Issuer
Director	Cristina Zucchetti	Director STOMER S.p.A.
		Chairman of the Board Statutory Auditors Pietro Pozzoni & C. S.a.p.A.
		Chairman Zucchetti Group S.p.A.
		Director Apri S.p.A.
		Director Zucchetti Consult S.r.l.
		Director Zucchetti S.p.A.
		Sole Director Zeta & Partners Società tra Professionisti S.r.l.

(\*) Member of the Executive Committee.

The business address of each member of the Board of Directors is Piazza Nogara No. 2, 37121 Verona, Italy.

As at the date of this Base Prospectus, to the knowledge of the Issuer, none of the members of the Board of Directors has any actual or potential conflicts of interest between their duties to the Issuer and their private interests and/or other duties.

#### **BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors, which is made up of five standing and two alternate auditors and carries out its auditing duties in compliance with current regulations and the Articles, is appointed by the Shareholders' Meeting based on list voting. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list.

The Board of Statutory Auditors is appointed for the three year term 2014, 2015 and 2016.

The Board of Statutory Auditors is currently composed of the following members:

Office	Name	Principal Activities outside the Issuer
Chairman	Pietro Manzonetto	Chairman of the Board of Statutory Auditors Buccellati Holding S.p.A.
		Chairman of the Board of Statutory Auditors CIR S.p.A.
		Chairman of the Board of Statutory Auditors Humanitas Mirasole S.p.A.
		Standing Statutory Auditor RCS Mediagroup S.p.A.
Standing Auditor	Maurizio Calderini	Chairman of the Board of Statutory Auditors IGEAS S.r.l.
		Chairman of the Board of Statutory Auditors Nuova Casarile S.r.l.
Standing Auditor	Gabriele Camillo Erba	Chairman of the Board of Statutory Auditors Molino Pagani S.p.A.
		Chairman of the Board of Statutory Auditors Casa di Cura Privata S.Giacomo S.r.l.

<b>Office</b>	<b>Name</b>	<b>Principal Activities outside the Issuer</b>
		Standing Statutory Auditor Release S.p.A.
		Standing Statutory Auditor Line-Servizi per la Mobilità S.p.A.
Standing Auditor	Claudia Rossi	Director Ateneo Bergamo S.p.A.
Standing Auditor	Alfonso Sonato	Chairman of the Board of Statutory Auditors Banca Aletti & C. S.p.A.
		Chairman of the Board of Statutory Auditors Arda S.p.A.
		Standing Statutory Auditor Autostrada del Brennero S.p.A.
		Chairman of the Board of Statutory Auditor Tecres S.p.A.
		Chairman of the Board of Statutory Auditors Immobiliare Caselle S.p.A.
		Standing Statutory Auditor Società Athesis S.p.A.
		Standing Statutory Auditor Verfin S.p.A.
		Chairman of the Board of Statutory Auditors Quadrifoglio Verona S.p.A.
		Chairman of the Board of Statutory Auditors Società Editrice-Arena SEA S.p.A.
		Chairman of the Board of Statutory Auditors Casa di Cura Privata Polispecialistica Pederzoli S.p.A.
		Standing Statutory Auditor TI-BEL S.p.A.
		Standing Statutory Auditor Veronamercato S.p.A.
		Standing Statutory Auditor Promofin S.r.l.
		Standing Statutory New Twins S.r.l.
		Advisor Burgo Group S.p.A.
		Chairman of the Board of Statutory Auditors 2VFIN S.p.A.
		Chairman of the Board of Statutory Auditors Quadrifoglio Brescia S.p.A.
		Chairman of the Board of Statutory Auditors Salus S.p.A.
		Chairman of the Board of Statutory Auditors Società Italiana Finanziaria Immobiliare S.I.F.I. S.p.A.
		Director Zenato Azienda Vitivinicola S.r.l.
		Director Zenato Holding S.r.l.
Alternate Auditor	Marco Bronzato	Chairman of the Board of Statutory Auditors Aletti Fiduciaria S.p.A.
		Chairman of the Board of Statutory Auditors

Office	Name	Principal Activities outside the Issuer
		<p>Aletti Gestielle SGR S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Calzedonia Holding S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Calzedonia S.p.A.</p> <p>Standing Statutory Auditor Calzificio Trever S.p.A.</p> <p>Standing Statutory Auditor Catalina S.p.A.</p> <p>Standing Statutory Auditor Erreci S.r.l.</p> <p>Chairman of the Board of Statutory Auditors Holding di Partecipazione Finanziarie Banco Popolare S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Intimo 3 S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Uteco Converting S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Panasonic Electric Works Italia S.r.l.</p> <p>Chairman of the Board of Statutory Auditors EFFEGI STYLE S.p.A.</p> <p>Standing Statutory Auditor FERRARI Group S.r.l.</p>
Alternate Auditor	Paola Pesci	<p>Chairman of the Board of Statutory Auditors Effeh S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Gruppo Pizzolo S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Enoitalia S.p.A.</p> <p>Standing Statutory Auditor Archivvia S.r.l.</p> <p>Standing Statutory Auditor Agrifap S.r.l.</p>

The business address of each member of the Board of Statutory Auditors is Piazza Nogara No. 2, 37121 Verona, Italy.

As at the date of this Base Prospectus, to the knowledge of the Issuer, none of the members of the Board of Statutory Auditors has any actual or potential conflicts of interest between their duties to the Issuer and their private interests and/or other duties.

#### ***BOARD OF ADVISERS (COLLEGIO DEI PROBIVIRI)***

The Board of Advisers is comprised of five members, three standing and two alternate members, appointed from among the shareholders. Members remain in office for a term of three financial years and can be re-elected for further terms.

The Board of Advisers is the board to which registered shareholders or applicants may turn for the interpretation or execution of the Articles and for any other resolution or decision passed by company

boards in the field of corporate relations. The recourse to the Board of Advisers is facultative and its opinions are not binding on the parties, nor can the decisions of the Board of Advisers hinder proceedings in a court or with any other competent authority.

The Board of Advisers is currently comprised of the following members:

<b>Position</b>	<b>Name</b>
Standing	Aldo Bulgarelli, Luciano Codini and Giuseppe Germani
Alternate	Matteo Bonetti and Donato Vestita

### ***INDEPENDENT AUDITORS***

Reconta Ernst & Young S.p.A. has been appointed by Banco Popolare as independent auditors of its consolidated and non-consolidated annual financial statements until 31 December 2015 and for the review of its interim consolidated financial statements until 30 June 2015.

Reconta Ernst & Young S.p.A. whose registered office is in Rome, Via Po 32, is currently the auditor of the Issuer and 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.

The historical financial statements as of and for the years ended 31 December 2014 and 31 December 2013 of Banco Popolare, incorporated by reference in this Base Prospectus, have been audited by Reconta Ernst & Young S.p.A.

Reconta Ernst & Young S.p.A. did not refuse to issue its audit reports on the financial statements as of and for the years ended 31 December 2014 and 31 December 2013, nor the audit reports of Reconta Ernst & Young S.p.A. contained any qualifications or disclaimers of opinion.

### ***HISTORY OF THE GROUP***

#### **BPVN**

BPVN was formed in 2002 following the merger between Banca Popolare di Verona – Banco S.Geminiano e S.Prospiero Società cooperativa di credito a responsabilità limitata (“**BPV**”) and Banca Popolare di Novara Società cooperativa a responsabilità limitata (“**BPN**”). BPV was founded as Banca Mutua Popolare di Verona on 21 June 1867 as the seventh cooperative bank to be incorporated in Italy. Since then, BPV expanded, starting in 1935 with the acquisition of Banca Cattolica Veronese, and with the opening of branches and acquisitions of other lending institutions. In Italy, BPV merged with the Modena-based Banco S.Geminiano e S.Prospiero S.p.A. in 1995 and, in 1997, took control of Credito Bergamasco S.p.A., a banking institution in the North of Italy, whose shares are listed on the screen-based market of the Italian Stock Exchange Mercato Telematico Azionario (the “**MTA**”). In 1998, BPV shares were admitted to trading on the MTA. On the international front BPV opened a Luxembourg branch in 1991, and in 1994 founded Banca Popolare di Verona International S.A.

BPN was incorporated as a limited cooperative lending company by Royal Decree on 17 September 1871. Since the early 1900s, BPN grew in northern and central Italy through the opening of branches as well as

through the consolidation of several small-sized local banks. This continued through to the 1970s, together with the opening of representative offices in various foreign cities (for example, London and Frankfurt). In 1978 BPN shares were admitted to trading on the Italian Stock Exchange. In the 1980s, BPN opened branches outside Italy (Banca Interpopolare di Zurigo e Lugano), as well as in Central and Southern Italy (the consolidation of Banca Popolare di Pisa, Banca Popolare di La Spezia e Lunigiana, Banca Popolare di Nola, Banca Popolare di Catania and Credito Campano). BPN also acquired equity investments in ancillary lending sectors (INCE, Efibanca, Sogepo and Compagnia Finanziaria Ligure Piemontese), and took control of Banca Popolare di Lecco, Banca Sannitica and Banque de l'Union Maritime et Financière de Paris. In 1991, Banca Novara International S.A. was formed in Luxembourg. In the early 1990s, BPN undertook a reorganisation and rationalisation process, which included the consolidation of INCE and Banca Sannitica and the disposal of a range of equity investments.

## **BPI**

BPI was incorporated in 1864 and was the first cooperative bank established in Italy. It was formed to promote savings by local customers and to provide banking services to support their business activities. BPI was listed on the Mercato Ristretto of the Italian Stock Exchange in 1981 and has been listed on the MTA since 1998. In June 2005, BPI changed its name from Banca Popolare di Lodi S.c.a.r.l. to Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa. BPI together with its consolidated subsidiaries (the “**BPI Group**”), has a strong presence in the Italian banking sector with significant operations in several Italian regions. Since 1995, BPI has expanded its operations into most regions of Italy, including Tuscany, Sicily, Liguria and Abruzzo and, as at 31 December 2006, the BPI Group conducted operations through 971 branches in Italy and two branches outside of Italy.

The BPI Group's business mainly involves the provision of commercial banking products and services. To complement its traditional banking activities, the BPI Group has, over the past years, expanded the products and services it offers to customers through various fee-generating activities, including retail banking, investment banking, consumer lending, asset management and real estate activities. Individuals, income generating households and small to medium-sized enterprises (“**SMEs**”) constitute the core of its customer base.

## **THE MERGER**

Banco Popolare was incorporated on 1 July 2007 as a result of the Merger between BPVN and BPI.

The Merger and the incorporation of the Issuer were approved at meetings of the respective shareholders of BPVN and BPI, each held on 10 March 2007. The Merger involved: (i) the establishment of Banco Popolare as a new company, with ordinary shares listed on the Italian Stock Exchange; (ii) the contribution of part of BPI's business, comprising the BPI branch network located predominantly in areas where BPI originated and all controlling interests in other banks that constitute the BPI Group, into a newly incorporated joint stock company (Banca Popolare di Lodi S.p.A.) wholly owned by Banco Popolare, with its registered office and administrative head office in Lodi; (iii) the contribution of part of BPVN's business, comprising the BPVN branch network located mainly in the areas where BPVN originated, into a newly incorporated joint stock company (Banca Popolare di Verona – San Geminiano e San Prospero S.p.A.) wholly owned by Banco Popolare, with registered office and administrative head office in Verona; and (iv) finally, the registration with the relevant companies registers (i.e. Lodi and Verona) of the deed of merger with effect from 1 July 2007.

The deed of merger contains all the information required by Italian law for the Merger to take place and to incorporate Banco Popolare as a new company. The contribution of part of the business of BPVN to Banca Popolare di Verona – S. Geminiano e S. Prospero S.p.A. and of BPI to Banca Popolare di Lodi S.p.A. described above took place immediately before the Merger came into effect.

According to Article 2504-bis of the Italian Civil Code, Banco Popolare, as the company resulting from the Merger, has assumed all rights and liabilities of BPVN and BPI as at the date of the Merger and has replaced BPVN and BPI in all their respective contractual relationships and judicial proceedings commenced before the Merger.

### **Approval of the New Model of Major “Banca Popolare”**

On 15 July 2011, the Supervisory Board and the Management Board of Banco Popolare approved the guidelines of a project aimed at the realisation of a new model of major “*banca popolare*” at the service of the territory, resulting from the integration process – by way of mergers by incorporation – in Banco Popolare of the following so-called territory banks: Banca Popolare di Verona – S.Geminiano e S.Prospiero, Banca Popolare di Novara, Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Cremona and Banca Popolare di Crema.

Credito Bergamasco S.p.A. has been merged into Banco Popolare with effect from 1 June 2014. Detailed information about the evolution of this project can be found on the section “*Significant events during the year*”.

Banca Italease S.p.A. has been merged into Banco Popolare on 16 March 2015 with effect for accounting and tax purposes as of 1 January 2015. Detailed information about the evolution of this project can be found on the section “*Significant events during the year*”.

## **GROUP FINANCIAL HIGHLIGHTS AND RATIOS**

### **Financial highlights**

The highlights and main ratios of the Group, calculated on the basis of the reclassified financial statements, are presented below.

In previous years, the Banco Popolare Group exercised the option of designating financial liabilities issued by the bank at fair value (“*fair value option*”) as an alternative to hedge accounting, also for issues classified as institutional.

Measuring the financial liabilities placed on the institutional market at fair value also entails measuring the impact of the change in its own creditworthiness following the date of issue of the liability. Due to the above mentioned fair value option, the Group’s profit (loss) is influenced to a significant extent by its creditworthiness measured on the basis of market quotations of the specific credit default swap. Given the fact that the economic impact of the fair value option has no value in terms of analysing the Group’s effective profitability, in the tables below, it was considered appropriate to show the impact of the aforementioned fair value option in a separate item, also showing the profit (loss) of previous periods compared net of said impact<sup>2</sup>.

<b>Income statement figures</b>	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>Change</b>
	<i>(in millions of Euro)</i>		
Financial margin .....	1,645.6	1,619.6	1.6%
Net fee and commission income .....	1,385.4	1,387.1	(0.1%)

- 2) It should also be noted that on 24 July 2014, the International Accounting Standard Board (“**IASB**”) issued the final version of the new accounting standard “IFRS 9 – Financial Instruments”. One of the changes introduced by the new standard is the elimination of income statement volatility resulting from changes in creditworthiness. The latter changes will now be recognised directly as changes in shareholders’ equity, without passing through the income statement. Companies may apply this new approach for recognition of the same even before implementing the other changes introduced by the new accounting standard. The standard must be applied from 1 January 2018, however early application will be permitted as soon as the same has become part of community regulations. The proposed presentation of income statement figures therefore anticipates the expected change in the accounting recognition of this particular phenomenon, immediately providing an income statement result that is free of the impact of changes in creditworthiness.



<b>Income statement figures</b>	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>Change</b>
	<i>(in millions of Euro)</i>		
Operating income .....	3,385.9	3,584.6	(5.5%)
Operating expenses .....	(2,269.3)	(2,253.8)	0.7%
Income (loss) from operations .....	1,116.6	1,330.7	(16.1%)
Income (loss) before tax from continuing operations .....	(2,760.8)	(543.5)	407.9%
Net income (loss) without FVO .....	(1,919.9)	(510.5)	276.1%
FVO Impact .....	(26.0)	(95.8)	(72.9%)
Net income (loss) .....	(1,945.9)	(606.3)	220.9%

<b>Statement of financial position figures</b>	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>Change</b>
	<i>(in millions of Euro)</i>		
Total assets .....	123,081.7	126,042.7	(2.3%)
Loans to customers (gross) .....	87,661.2	91,582.8	(4.3%)
Financial assets and hedging derivatives .....	26,190.6	24,590.1	6.5%
Shareholders' equity .....	8,064.2	8,173.6	(1.3%)
<b>Customers' financial assets .....</b>			
Direct funding .....	86,513.5	90,017.7	(3.9%)
Indirect funding .....	66,476.0	63,843.2	4.1%
-Asset management .....	32,552.6	28,761.7	13.2%
- Mutual funds and SICAVs .....	15,539.4	12,868.2	20.8%
- Securities and fund management .....	6,716.1	6,530.6	2.8%
- Insurance policies .....	10,297.1	9,362.8	10.0%
-Administered assets .....	33,923.4	35,081.5	(3.3%)
<b>Information on the organisation .....</b>			
Average number of employees and other staff <sup>(1)</sup> .....	17,575	18,038	
Number of bank branches <sup>(2)</sup> .....	1,858	1,990	

Note:

(1) *Weighted average calculated on a monthly basis. This does not include the Directors and Statutory Auditors of Group companies.*

(2) *Including treasury and foreign branches.*

### **Financial and economic ratios and other Group figures**

The tables below set out the Group's main financial ratios calculated on figures extracted from the audited annual consolidated financial statements of the Issuer for the years ended 31 December 2014 and 31 December 2013.

	31/12/2014 <sup>(1)</sup>	31/12/2013 <sup>(1)</sup>
<b>Profitability ratios (%)</b>		
Financial margin / Operating income.....	48.60%	45.18%
Net fee and commission income / Operating income.....	40.92%	38.70%
Operating expenses / Operating income .....	67.02%	62.88%
<b>Operational productivity figures (000s of Euro) .....</b>		
Loans to customers (gross) per employee <sup>(2)</sup> .....	4,987.8	5,077.2
Annualized operating income per employee <sup>(2)</sup> .....	192.7	198.7
Annualized operating expenses per employee <sup>(2)</sup> .....	129.1	124.9
<b>Credit risk ratios (%) .....</b>		
Net bad loans / Loans to customers (net) .....	7.52%	6.42%
Net substandard loans / Loans to customers (net).....	8.34%	7.69%
Net bad loans / Shareholders' equity .....	74.40%	67.64%
<b>Capitalisation ratios<sup>(3)</sup> .....</b>		
Common equity tier 1 ratio (CET1 capital ratio) .....	11.87%	n.a.
Core tier 1 ratio .....	n.a.	9.70%
Tier 1 capital ratio .....	12.26%	10.60%
Total capital ratio .....	14.62%	13.3% <sup>4</sup>
Tier 1 capital ratio / Tangible assets.....	4.86%	4.22%
<b>Other ratios.....</b>		
Financial assets / Total assets.....	21.28%	19.51%
Derivative assets / Total assets .....	2.94%	3.53%
- trading derivatives / total assets .....	3.19%	3.63%
- hedging derivatives / total assets .....	3.04%	0.39%
Net trading derivatives / Total assets.....	2.50%	0.63%
Gross loans / Direct funding .....	101.33%	101.74%
<b>Banco Popolare stock.....</b>		
Number of outstanding shares.....	362,179,606	1,763,730,870
<b>Official closing prices of the stock .....</b>		
- Maximum .....	15.78 <sup>(4)</sup>	1.56
- Minimum .....	8.97 <sup>(4)</sup>	0.89
- Average .....	12.05 <sup>(4)</sup>	1.20

Note:

(1) The ratios were calculated excluding the economic effect of the FVO.

(2) Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies.

(3) From 1 January 2014, new prudential regulations ("Basel 3") came into force, therefore the capital ratios as at 31 December 2014 are not comparable to those that refer to 31 December 2013.

- (4) Stock underwent a grouping operation, at a ratio of 1 new share for every 10 existing ordinary shares. Furthermore, two share capital increases were completed in the first half of the year. The prices of Banco Popolare stock prior to 31 March 2014 (start date of share capital increase and detachment of the relative rights) have been amended by applying the adjustment factor provided by Borsa Italiana (0.757143).

### **GROUP FINANCIAL HIGHLIGHTS AND RATIOS AS AT 30 JUNE 2015**

The highlights and main ratios of the Group, calculated on the basis of the reclassified financial statements, are presented below.

In previous years, the Banco Popolare Group exercised the option of designating financial liabilities issued by the bank at fair value (“fair value option”) as an alternative to hedge accounting, also for issues classified as institutional. Measuring the financial liabilities placed on the institutional market at fair value also entails measuring the impact of the change in its own creditworthiness following the date of issue of the liability. Due to the above mentioned fair value option, the Group’s profit (loss) is influenced to a significant extent by its creditworthiness measured on the basis of market quotations of the specific credit default swap. Given the fact that the economic impact of the fair value option has no value in terms of analysing the Group’s effective profitability, in the tables below, it was considered appropriate to show the impact of the afore-mentioned fair value option in a separate item, also showing the profit (loss) of previous periods compared net of said impact<sup>3</sup>.

<b>Income statement figures</b>	<b>30/06/2015</b>	<b>30/06/2014<sup>(1)</sup></b>	<b>Change</b>
	<i>(in millions of Euro)</i>		
Financial margin .....	850.4	808.6	5.2%
Net fee and commission income .....	771.1	716.3	7.7%
Operating income .....	1,813.6	1,792.8	1.2%
Operating expenses .....	(1,069.0)	(1,083.9)	(1.4%)
Income (loss) from operations .....	744.6	709.0	5.0%
Income (loss) before tax from continuing operations .....	289.8	86.8	233.7%
Net income (loss) without FVO .....	290.3	30.7	844.7%
FVO Impact .....	2.8	(24.7)	
Net income (loss) .....	293.1	6.0	not significant

Note:

- (1) The figures have been restated in compliance with IFRS 5. The attachments contain a statement of reconciliation between the reclassified income statement published in the interim financial report as at 30 June 2014 and that restated in this statement.

<sup>3</sup> It should also be noted that on 24 July 2014, the International Accounting Standard Board (“IASB”) issued the final version of the new accounting standard “IFRS 9 – Financial Instruments”. One of the changes introduced by the new standard is the elimination of income statement volatility resulting from changes in creditworthiness. The latter changes will now be recognised directly as changes in shareholders’ equity, without passing through the income statement. Companies may apply this new approach for recognition of the same even before implementing the other changes introduced by the new accounting standard. The standard must be applied from 1 January 2018, however early application will be permitted as soon as the same has become part of community regulations. The proposed presentation of income statement figures therefore anticipates the expected change in the accounting recognition of this particular phenomenon, immediately providing an income statement result that is free of the impact of changes in creditworthiness.

Statement of financial position figures	30/06/2015	31/12/2014	Change
	<i>(in millions of Euro)</i>		
Total assets.....	125,021.1	123,081.7	1.6%
Loans to customers (gross).....	87,917.0	87,661.2	0.3%
Financial assets and hedging derivatives.....	28,370.6	26,190.6	8.3%
Shareholders' equity.....	8,419.1	8,064.2	4.4%
<b>Customers' financial assets</b>			
Direct funding.....	83,762.3	86,513.5	(3.2%)
Indirect funding.....	71,052.5	66,476.0	6.9%
Asset management.....	35,263.2	32,552.6	8.3%
Mutual funds and SICAVs.....	20,101.9	15,539.4	29.4%
Securities and fund management.....	4,746.6	6,716.1	(29.3%)
Insurance policies.....	10,414.7	10,297.1	1.1%
Administered assets.....	35,789.3	33,923.4	5.5%
<b>Information on the organisation</b>			
Average number of employees and other staff <sup>(1)</sup> .....	17,061	17,543	
Number of bank branches <sup>(2)</sup> .....	1,852	1,858	

Note:

- (1) Weighted average calculated on a monthly basis. This does not include the Directors and Statutory Auditors of Group companies. The figure for the previous period has been restated to enable a like-for-like comparison.
- (2) Including treasury and foreign branches.

### ***Financial and economic ratios and other Group figures***

	30/06/2015	31/12/2014
<b>Profitability ratios (%)</b>		
Annualized ROE.....	7.21%	not significant
Annualized Return on asset (ROA).....	0.47%	not significant
Financial margin/Operating income.....	46.89%	48.60%
Net fee and commission income/Operating income.....	42.52%	40.92%
Operating expenses/Operating income.....	58.94%	67.02%
<b>Operational productivity figures (000s of Euro)</b>		
Loans to customers (gross) per employee <sup>(2)</sup> .....	5,153.0	4,987.8
Annualized operating income per employee <sup>(2)</sup> .....	212.6	192.7
Annualized operating expenses per employee <sup>(2)</sup> .....	125.3	129.1
<b>Credit risk ratios (%)</b>		
Net bad loans/Loans to customers (net).....	7.82%	7.52%
Net substandard loans/Loans to customers (net).....	9.34%	8.34%
Net bad loans/Shareholders' equity.....	74.55%	74.40%
<b>Capitalisation ratios<sup>(3)</sup></b>		
Common equity tier 1 ratio (CET1 capital ratio).....	12.25%	11.87%

Tier 1 capital ratio .....	12.25%	12.26%
Total capital ratio .....	14.21%	14.62%
Tier 1 capital ratio/Tangible assets.....	4.79%	4.86%
<b>Other ratios</b>		
Financial assets/Total assets.....	22.69%	21.28%
Derivative assets/Total assets.....	2.53%	2.94%
- trading derivatives/total assets.....	2.17%	2.42%
- hedging derivatives/total assets.....	0.36%	0.52%
Net trading derivatives/Total assets	3.26%	2.50%
Gross loans/Direct funding.....	104.96%	101.33%
<b>Banco Popolare stock</b>		
Number of outstanding shares.....	362,179,606	362,179,606
Official closing prices of the stock.....		
- Maximum.....	15.80	15.78
- Minimum.....	8.91	8.97
- Average.....	13.58	12.05

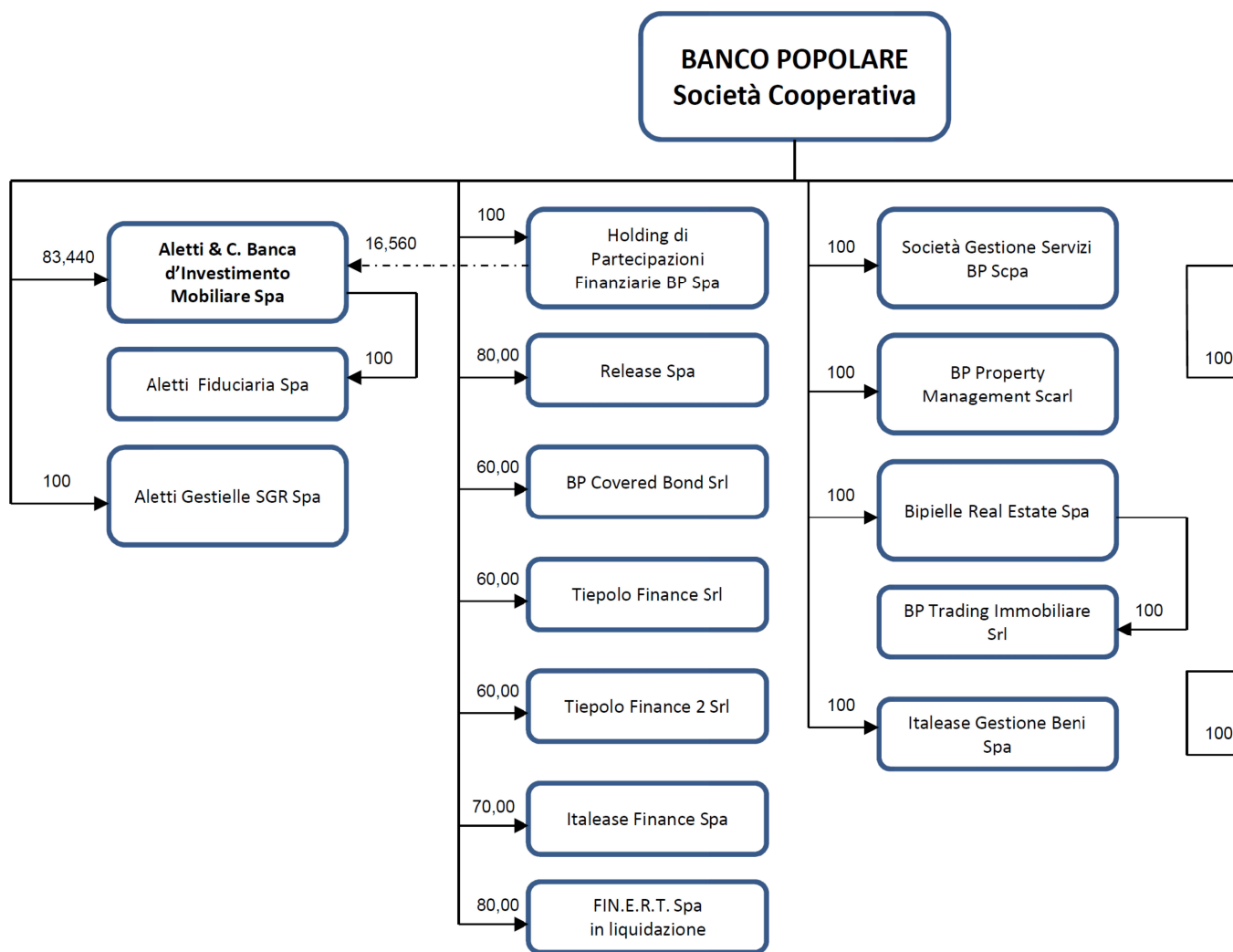
---

Note:

- (1) The ratios were calculated excluding the economic effect of the FVO.
- (2) Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies.

### **Banco Popolare Group**

The structure of the Banco Popolare Group, as at the date of this Base Prospectus, is as follows:



## **ACTIVITIES OF THE BANCO POPOLARE GROUP**

Banco Popolare is the operative parent company of the Banco Popolare Group, with functions of guidance, governance and control of the Group, and exercises the functions of direction and coordination.

In its role as parent company Banco Popolare performs, among others, the following functions:

- direction, coordination and control, by determining the strategic plans of the Group, the industrial and financial planning, the definition of the budget and the consolidated business plan, the organizational structure, the administration, accounting and management guidelines, the credit policies and the human resources management, the management and control of the risks arising from the Group's activities of single business areas;
- treasury management, coordination and control of the management policies relating to the credit and debt account items of Banco Popolare itself and of the other Group's companies, aimed at optimizing the funds available, identifying the funding operations and strategies for the Group, by means of transactions on the domestic and international markets, in addition to the protection of the liquidity need and its dynamics; and
- offering, directly or through its subsidiary companies, control, direction and support services over the activities of the Banco Popolare Group, with a view to facilitating the development of the Group's business activities and an effective customer service and, by optimizing operating costs, the pursuit of economies of scale and the best standard service level.

## **LEGAL DISPUTES**

Banco Popolare and companies within the Group are involved in a series of judicial proceedings of varying natures and legal proceedings deriving from their ordinary course of business.

As at 30 June 2015, provisions for legal disputes underway and clawbacks amounted to Euro 154 million, compared to Euro 168.2 million recorded as at 31 December 2014.

A summary of the main risk positions at Group level relating to clawback actions and pending lawsuits as at 31 December 2014 are detailed below.

### *Area S.p.A. dispute*

In July and September 2009, Banco Popolare (and others) were summoned, by means of separate actions brought by two separate groups of former shareholders of Area S.p.A.

In the first proceedings, 42 plaintiffs and 39 other parties who joined the proceedings requested that the defendants be ordered to pay compensation of Euro 19.11 million, on the assumption of an alleged agreement between the former Banca Popolare di Lodi S.c.a.r.l. ("**BPL**") and Banca Intesa S.p.A., which would have led among other things to the exclusion of Area S.p.A.'s minority shareholders, without the payment which would have been due on exercise of the right to withdraw as a consequence of the merger of Area S.p.A. in Bipielle Investimenti S.p.A.

In the second proceedings, 76 plaintiffs requested the sentencing of Banco Popolare, the former BPL and its former managing director, Mr. Gianpiero Fiorani, subject to ascertaining the alleged criminal liability of the latter and liability pursuant to Article 5 of Italian Legislative Decree No. 231/2001 of the two banks, to compensate the alleged damages of Euro 25.2 million, inferring the same profiles as the first proceedings.

On 20 January 2010, Banca Intesa Sanpaolo S.p.A. (formerly Banca Intesa S.p.A.) summoned BPL and Mr. Fiorani in proceedings filed by 9 plaintiffs to extend the sentence to Banco Popolare. In these proceedings, an

order to pay alleged damages of Euro 1.7 million was requested for the same reasons as the previous two cases.

The three proceedings were concluded, with an order of the Milan Court, which in judgements dated 8-9 May 2013, totally rejected the demands made by the plaintiffs, ordering the same to pay legal expenses; the rulings relating to the first two proceedings have been appealed against by several of the plaintiffs, while the ruling of the third proceeding has been final.

Based on the opinion of external legal experts, Banco Popolare believes that there is only a remote risk of losing.

*Raffaele Viscardi S.r.l.*

The law suit, notified on 30 April 2009 and which has a petitem of around Euro 46 million, concerns the operations of a branch in Salerno relating to the granting of agricultural loans to the plaintiff company, which alleges that it was led to subscribe Banco Popolare bonds to guarantee the sums disbursed and claims damages to its image due to reporting in the Italian Central Credit Register.

Based on the opinion of external legal experts, Banco Popolare believes that there is only a remote risk of losing.

*Pandette S.r.l.*

In a notice dated 13 March 2014, Banco Popolare was summoned to appear before the court by Pandette S.r.l. ("**Pandette**"). The dispute originates from a put and call option contract for no. 25,300,000 shares of RCS Mediagroup S.p.A. ("**RCS**"), signed by the former Banca Popolare Italiana and Pandette in 2006, and amended at the beginning of 2009 with the last exercise period set as February 2014 (the "**Option Agreement**"). Following two different extraordinary transactions on the share capital of RCS in 2007 and 2013, the number of shares covered by the option contract fell to 3,870,900.

In the writ of summons Pandette, is requesting confirmation that (i) the price for the transfer of the RCS shares covered by the Option Agreement is Euro 31,418,985.27 against the claim of the Company of Euro 113,473,670.55; (ii) the cost of the service due from Pandette for the transfer of the RCS shares is excessively high and (iii) Banco Popolare and Pandette have an obligation to renegotiate the terms of the Option Agreement.

Based on the opinion of external legal experts, Banco Popolare believes that there is only a remote risk of losing and has taken measures to safeguard against further credit claims.

*Gruppo Perna-IT Holding S.p.A. in Extraordinary Receivership-PA Investments in Extraordinary Receivership*

In a notice dated 1 July 2014, IT Holding S.p.A. ("**IT Holding**"), in extraordinary receivership, summoned Banco Popolare to appear before the court, as well as the former board directors and statutory auditors of the same IT Holding, the former board directors of the parent company PA Investments S.A. ("**PA Investments**"), and the independent auditors KPMG and Reconta Ernst & Young.

In the Proceedings, Banco Popolare (the incorporating company of Efibanca S.p.A.) is accused of having planned and implemented, in collaboration with the board directors of IT Holding and of PA Investments, a series of allegedly prejudicial operations, related to the acquisition of Gianfranco Ferrè S.p.A., which is alleged to have contributed to the deterioration of the company's financial situation, and is requested to be ordered to pay compensation for damages of not less than Euro 144 million, together with the other accused parties.



On the basis of substantially similar arguments, in a notice dated 29 July 2014, PA Investments, in extraordinary receivership, summoned Banco Popolare to appear before the court, together with the former board directors of PA Investments, requesting that Banco Popolare be ordered to pay compensation for damages of not less than Euro 128 million, together with the other accused parties.

After an overall assessment of the agreements and the documents submitted to the court, Banco Popolare believes it has a valid case to argue against the accusations made.

#### *Maflow S.p.A. in Extraordinary Receivership*

In a notice dated 14 April 2014, Maflow S.p.A. (“**Maflow**”), in extraordinary receivership, summoned Banco Popolare before the court, requesting: (i) a court order, together with others, to pay compensation for damages of Euro 199 million, corresponding to the financial difficulties of Maflow, as calculated by the counterparty; (ii) a court order to return the amount allegedly received by Banco Popolare unlawfully from loans granted to Maflow from establishment to default. The above is all based on the assumption that Banco Popolare played a dominant role by influencing the financial management of Maflow.

Banco Popolare believes that these requests are entirely spurious, based on a reconstruction of the facts that is as far from reality as any proper legal standing.

#### *Giovanni Potenza*

This dispute stems from relations between the former Istituto di Credito delle Casse di Risparmio Italiane (“**ICCRI**”) and a company called CRIA S.r.l. (“**CRIA**”) and regards the renovation of a large building complex in Milan. In 1984, ICCRI granted various credit facilities, all secured with mortgages. The shareholder of CRIA at the time was Giovanni Potenza, who, due to economic difficulties being experienced by the company, agreed with ICCRI to transfer 87 per cent. of the company's shareholding to IMMOCRI S.p.A. (ICCRI's real estate company) by means of a shareholder's agreement.

Following the sale of the real estate assets of CRIA to the Norman Group, Mr. Giovanni Potenza filed, starting on 22 November 2001, a series of lawsuits to demonstrate the damages incurred by the sale of said real estate assets by ICCRI and IMMOCRI S.p.A. at a price he retained as inadequate, as well as to obtain the annulment of the settlement agreements between the Norman Group and ICCRI and of the relative contract of sale of the assets.

Pending the outcome of the civil court of first instance, the plaintiff also initiated criminal proceedings accusing officials of ICCRI and associated companies of extortion. The accusations were then dismissed by the Public Prosecutor's Office (*Ufficio del Pubblico Ministero*).

An appeal has been made against the sentence of the court of first instance in 2009, which ruled in favour of Banco Popolare and ordered the plaintiff to pay legal expenses.

Based on external legal advice, Banco Popolare believes it is likely that the ruling of the first instance will be confirmed.

#### *Administrative Proceedings*

On 17 July 2014, Banco Popolare received a formal written notice, insofar as jointly and severally obliged with those potentially responsible for the alleged infringement, regarding the alleged infringement of anti-money laundering legislation (Italian legislative Decree no. 231/2007). The accusation regards the failure to report a transaction regarded as suspicious, following inspections conducted by the Finance Police; the matter in question dates back to 2009 and regards the paying in of 41 non-transferrable banker's drafts for a total amount of Euro 10,052,000.

With the support of various external legal advisors, Banca Popolare has made the appropriate risk assessments.

#### *Ittierre S.p.A.*

*Ittierre S.p.A.* was placed under extraordinary receivership. By means of a summons, both the former Banca Popolare di Lodi (“**BPL**”) and the former Banca Popolare di Novara (“**BNP**”) were requested to return, pursuant to art. 67 of Royal Decree no. 267 of 16 March 1942, as amended (the “**Italian Bankruptcy Law**”) the total sum of Euro 16.6 million for the principal creditor and Euro 4.9 million for the secondary creditor. An objection was raised as to the erroneous duplication of the request, which in reality referred to the same current account migrated from BPL to BPN following a swap of branches. Furthermore, the grounds of the request were challenged, due to the imprecision of the same insofar as the counterparty had not specified which remittances were being disputed. As regards the former BPN dispute, the judge is currently being replaced, as regards the other, a court-appointed expert witness in accounting has been admitted even though the judge had previously denied the petition of the first instance.

#### *Send S.r.l.*

Send S.r.l. was declared bankrupt in 2009. The receivable results from a pool operation of Euro 49.5 million with the Unicredit head office, allocated to the construction of a shopping centre in Vicenza and secured by a mortgage at the same level on the property complex funded. Banco Popolare’s share was 28.80 per cent. The pool receivables (and therefore also Banco Popolare’s) have been regularly admitted to the bankruptcy proceedings due to the mortgage privilege.

Recently the bankruptcy receiver filed a claim for damages against the pool banks for the amount of the loan. The first hearing will be in 2015.

#### *Criminal proceedings relating to Banca Italease*

In the ruling of the court of first instance on 27 February 2014, Banca Italease was found guilty in its capacity as liable administratively as per Italian Legislative Decree No. 231/2001 and as the civilly liable party in the criminal proceedings relating to the former members of the Executive Committee for the crime of false company communication regarding the approval of the 2008 half-yearly financial statements of the Banca Italease. The ruling ordered the payment of a fine of Euro 450 thousand, the confiscation of the sum of around Euro 59 million and compensation of damages to be paid to several of the civil parties for a total of around Euro 1.8 million.

Banca Italease appealed against the ruling of the court of first instance insofar as it believes it has valid arguments to refute the ruling established by the court of first instance. As stated in the press release issued on 29 May 2015 by Banco Popolare, Banco Popolare (formerly Banca Italease) obtained a favorable outcome for the criminal proceedings for false corporate disclosure in Banca Italease’s 2008 half-yearly report against the former members of the Executive Committee (Lino Benassi, Massimo Mazzega, Massimo Minolfi, Mimmo Guidotti and Massimo Luvì) and against Banco Popolare (formerly Banca Italease). The Court of Appeal of Milan fully rejected the ruling passed by the lower court, because “the facts did not occur”. With the order of full acquittal, also Banco Popolare’s contingent liability has been cancelled, that according to the Lower Court would amount to more than Euro 61 million.

#### *Civil proceedings relating to Banca Italease*

#### *Kevios S.p.A.*

By means of a writ of summons served on 18 December 2009, Kevios S.p.A. summoned Banca Italease before the Milan Court, so as to obtain the upholding of the request for compensation of damages of around

Euro 65 million, founded essentially on the alleged existence of numerous cases represented therein: abuse of economic dependence, abuse of the law and contractual breach, primarily attributable to the bank.

In a ruling dated 26 June 2013, the Court of Milan rejected the requests of the plaintiff company as groundless, ordering the same to pay the legal expenses of the bank. An appeal was submitted against the first instance sentence.

Based on external legal advice, Banca Italease believes it is likely that the favourable ruling of the first instance will be confirmed.

#### *Bankruptcy of Dimafin S.p.A.*

The insolvent company Dimafin has asked the Court of Rome to declare null and void and/or to revoke the “termination agreement by mutual consent” signed on 16 June 2010 by Dimafin, Mercantile Leasing (incorporated into Banca Italease) and Release related to the finance lease contract for the property located in Palazzo Sturzo in Rome.

By virtue of the annulment request, the Judge has been asked to declare that the original finance lease contract is fully in force and effective for the parties, therefore condemning the defendants to immediately make the property available again or, if this is not possible, to pay a corresponding amount in cash, as well as return all instalments of the commercial lease received or to be received as of 1 July 2010.

In a ruling dated 22 April 2013, the Court of Rome rejected the requests made by the insolvent company, ordering it to pay legal expenses. An appeal was submitted against the first instance ruling.

Based on external legal advice, Banca Italease believes that the dispute has a low risk profile.

With regard to the criminal proceedings for fraudulent bankruptcy and preferential bankruptcy relating to the default of the Di Mario Group, on 20 June 2012, Banca Italease received a seizure notice for Euro 7.9 million, corresponding to the sum that is presumed to be preferential or groundless with relation to a mortgage loan granted in 2009 by Banca Italease, in a pool with Unicredit and Cassa di Risparmio di Bolzano, to Raetia SGR, the contract of which was assigned to Release.

The external legal counsel is of the opinion that the accusations made against the defendants are groundless and, therefore, the Company has no liability under art. 2049 of the Italian civil code.

Furthermore, between the end of December 2013 and the beginning of January 2014, the following notices were served:

- four summons to Banca Italease from the insolvent companies of the Dimafin Group requesting compensation of damages and/or clawback actions for bankruptcy totalling Euro 98 million jointly with other banks and companies that are not part of the Banco Popolare Group;
- two warning notices to Banca Italease and Release from Raetia SGR and from the Cassa di Risparmio di Bolzano regarding requests for compensation of damages. Raetia's claim, addressed to 11 counterparties not part of the Banco Popolare Group, held jointly responsible, amounts to a total of Euro 95 million, that of the Cassa di Risparmio di Bolzano addressed to 11 counterparties not part of the Banco Popolare Group, held jointly responsible, amounts to a total of Euro 17.2 million. At present, the share of the petitum pertaining to the Group has not been defined.

On 10 November 2014, Banca Italease and other parties received a further summons relating to three separate financial lease agreements stipulated with Di Mario Group companies (Dimafin S.p.A. and Dimatour). In this case, the plaintiff company, the bankruptcy of Diemme Costruzioni S.p.A., is requesting the annulment of the purchase agreement regarding a group of properties located in Pomezia, as well as the invalidity of the leasing

agreements related to the same, and therefore the repayment of the total amount of Euro 21.2 million by Banca Italease. The first hearing has been postponed to 25 June 2015.

Given the complexity of the dispute, which also involves other banks and companies that are not part of the Banco Popolare Group, based on the opinion of external legal counsel, the risk of losing the above indicated disputes should be classified as possible.

#### *Bankruptcy of S.E.R. S.p.A.*

The insolvent company S.E.R. summoned a series of entities including Mercantile Leasing (incorporated into Banca Italease) seeking to obtain the declaration of invalidity, and, therefore, the unenforceability against the bankruptcy estate, of the transfer deed regarding the property named “Palazzo Sturzo”, entered into between S.E.R., at the time not subject to bankruptcy proceedings, and the Partito Popolare, as well as the transfer deeds which followed, including that which was entered into between Mercantile Leasing, Dima Costruzioni and Dimafin (value of the property around Euro 50 million).

The Court of Appeal in Rome, in a ruling dated 6 September 2013, confirming the ruling of the court of first instance, fully rejected the bankruptcy application, ordering it to pay legal expenses. An appeal has been submitted to the Supreme Court.

Based on external legal advice, and also on the outcome of the rulings of the court of first and second instance, Banca Italease believes that the dispute has a low risk profile.

#### *Letter from Generali Immobiliare Italia SGR*

On 5 November 2013, Banco Popolare received a letter from Generali Immobiliare Italia SGR, the manager of the closed-end mutual property investment fund reserved to qualified investors called the “Eracle Fund”, regarding the completion of a tax assessment of the same. The VAT claim amounted to a total of Euro 35.1 million. In its letter, the management company advised that indemnity would have been sought from the Banco Popolare Group for any liability incurred by the Fund and by the management company itself. The letter from Generali Immobiliare Italia SGR is based on the guarantees made by Banco Popolare to the above-mentioned management company at the time of the assignment of the properties owned by the subsidiary Immobiliare BP S.r.l to the above Eracle Fund and the subsequent signature of the lease agreements between the Fund and the subsidiary BP Property Management. In 2014, the dispute with the Tax Authority – Regional Headquarters of Friuli Venezia Giulia, in an agreement between Generali Immobiliare Italia SGR and Banco Popolare, also representing its subsidiaries, was settled. The settlement established that Generali Immobiliare Italia SGR would pay the VAT due for tax years 2010, 2011 and 2012 on behalf of the Eracle Fund amounting to Euro 24.7 million in total, plus interest for Euro 2.9 million. By virtue of the guarantee given by Banco Popolare, in 2015, Generali Immobiliare Italia SGR will exercise its right to reclaim the VAT from BP Property Management with relation to the amount of Euro 24.7 million, and to enforce the guarantee made by Immobiliare BP (now incorporated into Bipielle Real Estate S.p.A.) to obtain indemnity for the amount paid in interest. As BP Property Management is a consortium, it will in turn organise for the VAT claimed to be recharged to the shareholders to which it provides services, including the Parent Company.

From last year, allocations for the same amount have been made to other provisions for risks and charges to cover the liabilities that Group companies will be exposed to.

The following paragraphs illustrate the main tax disputes in progress as at 31 December 2014, which have led to the recognition of allocations to provisions for risks and charges of Euro 30.1 million, in addition to the amount of Euro 7.5 million already deducted from the income statement in previous years. Note that the disclosure on the opinion as to whether individual disputes are likely to be lost and/or as to the amount of the allocation has been omitted as considered prejudicial to the outcome of the dispute, as permitted by accounting standard IAS 37.

## Current disputes with the Italian Tax Authority

### *Group tax situation*

#### Current disputes with the Italian Tax Authority as at 31 December 2014

Banco Popolare, the companies that merged to form the same, the incorporated subsidiary companies and the subsidiary companies underwent various inspections by the Tax Authority in 2014 and in previous years. These activities concerned the taxable income declared for the purpose of income tax, VAT, registration tax, and more generally the manner in which the tax legislation in force at the time was applied. As a consequence of said inspections, the Banco Popolare Group is involved in numerous legal proceedings.

The potential liabilities relating to tax disputes underway that involve Banco Popolare and its subsidiaries amounted as at 31 December 2014, to Euro 483.7 million, of which Euro 394.9 million relate to notices of assessment, tax demands and payment notices and Euro 88.8 million relate to formal reports on findings served. In this regard, note that the estimate of said potential liabilities relating to the notices of assessment does not usually consider any interest, while the estimate of potential liabilities relating to formal reports on findings does not usually include interest or fines, insofar as they are not indicated in the latter document.

As at 31 December 2014, the claims of the Tax Authority resulting from the notices of assessment and the formal reports on findings served amounted to Euro 483.7 million.

#### Developments in 2014

The following paragraphs provide an illustration of the disputes that arose during the year 2014.

#### *New disputes that emerged in the period and/or developments of existing disputes following formal reports on findings served*

During 2014, potential liabilities rose by Euro 130.5 million.

The main increase, corresponding to Euro 89.5 million relates to new formal reports on findings, notices of assessment and notifications of fines. The main potential liabilities estimated on the basis of the claims made by the Tax Authority relate to:

- the receipt on 25 June 2014 of a new formal report on findings on conclusion of the inspection relating to tax year 2010, launched on 21 June 2013, and subsequently extended to tax years 2009, 2011 and 2012. The claim contained in the formal report on findings amounts to a total of Euro 20.3 million (Euro 4.8 million of which relates to 2009) and mostly regards the alleged failure to apply (and consequently to pay) withholding tax at source, as set forth in art. 26, paragraph 5 of Italian Presidential Decree no. 600, on the interest due from the former Banca Popolare di Lodi S.p.A. to foreign special purpose entities resident in the American State of Delaware. Note in this regard that the use of foreign special purpose entities represented, prior to the “reform of corporate law” implemented by Italian Legislative Decree no. 6 of 17 January 2003, the only way that banks could issue so-called preference shares (hybrid equity instruments), which Banca Popolare Italiana actually issued in 2000 and 2005 with the specific authorisation of the Bank of Italy to strengthen its equity position. On 22 December 2014, the Tax Authority followed up on the above-cited formal report on findings by issuing a notice of assessment for 2009 only in which, in addition to confirming the claim for the payment of withholding tax of Euro 4.8 million, also establishes a fine of Euro 10.6 million. The Tax Authority’s claims, therefore, currently provisionally amount to a total of Euro 30.9 million. Note that the contention originates from the mere reclassification of the legal nature of the relations between the banks and the foreign special purpose entities from deposits in funding. The claims made can also be classified as part of a series of assessments that the Tax Authority is conducting against the banking system as a whole, given that all of the banks that issued preference shares before the reform of

corporate law, adopted the same frameworks and the same interpretations. The decisions made by Tax Commissions on appeals submitted by other Italian banks indicate rulings that are constantly in favour of the Tax Authority in terms of the fact that the withholding taxes are due. However, the same rulings have always excluded the application of fines;

- the notices of assessment relating to IRES and IRAP taxes for 2009 served to Banco Popolare (as incorporating company of the former Banca Popolare di Lodi S.p.A., of the former Credito Bergamasco S.p.A. and of the former Efibanca S.p.A.) at the end of the fourth quarter of 2014. The claim amounts to a total of Euro 58.4 million. The findings originate from the alleged incorrect application of the reference accounting standards regarding the valuation of financial liabilities designated at fair value (the bond issues made by the banks and placed with retail customers for which the fair value option was exercised at the time of the issue). More specifically, the decision taken at the time of the preparation of the 2009 financial statements is being disputed, in which the criteria for determining the fair value of the above-cited bond issues was changed from a mark-to-model approach to a mark-to-market one. This change was in line with that envisaged by the reference international accounting standard, which privileges the application of the mark-to-market insofar as, as specified in paragraph AG 69 of IAS 39, the best indication of fair value is the existence of “official quotations in an active market”. Precisely in 2009, the Banco Popolare Group set in place, through its subsidiary company Banca Aletti, an organised system to trade the securities issued by Group companies, called the “**MTG Group Securities Market**”. The establishment of this market had been recommended by Consob to guarantee the improved liquidity of these financial instruments; the market represents an efficient organised trading system on the basis of which Banca Aletti has undertaken to continually disclose the quantity and the relative purchase price of the bond issues issued by group companies. Given the existence of prices that can be found on the basis of the transactions performed on the above-cited MTG, and based on that indicated by the reference accounting standards and the internal regulations of the Group, in 2009, all Group banks changed their method for determining the fair value of their bond issues designated at fair value placed with retail customers, using the MTG prices as reference. This change, which was fully illustrated in all of the financial statements of Group banks, was considered correct by all of the internal and external auditing bodies. Note in this regard that all of the financial statements in question have been regularly certified by the respective independent auditing companies, who have issued reports that do not highlight any exceptions. By contrast, the Tax Authority retains that the MTG at that time could not be considered an active market and that therefore the valuation of the above-cited bond issues should have continued to have been made applying the previous mark-to-model approach. The higher taxable income identified by the Tax Authority originates from the fact that, while the mark-to-model approach adopted up until the 2008 financial statements included changes in the creditworthiness of the issuer banks when determining the fair value, the prices adopted on the MTG did not and continue not to take this aspect into account. Note in this regard that this results from a specific decision taken by the Group to protect retail customers who, after having subscribed to a Group bond issue, then decide to sell it. It should also be noted that the contention made by the Tax Authority is also simply a question of accrual accounting. In fact, in its findings, the Tax Authority limits itself to disputing that 2009 is the right year for recovering the higher taxes paid by Group companies in previous years with regard to the deterioration of its creditworthiness, which started from the breakout of the financial crisis at the end of 2008. Lastly, it should be noted that the notices of assessment in question do not result from findings formulated in previous formal reports on findings. More specifically, the notices of assessment refer to the inspections that led to the formal reports on findings being served to the aforementioned companies on 23 July 2012, 24 July 2012 and 28 September 2012 respectively. These formal reports on findings, however, did not include any finding relating to adjustments of the tax returns contained in the

assessment notices served on 23 December 2014. In the light of the above, we believe that we have valid grounds on which to refute the claims made by the Tax Authority;

- the settlement notice served to Banca Italease S.p.A., in which it is alleged to have failed to apply registration tax of 0.50 per cent. on a guarantee to third parties stipulated abroad (Euro 0.2 million).

In addition to the above, Euro 41.0 million of the increase in liabilities is due to disclosure aspects resulting from the notices of assessment received in 2014, which following the formal reports on findings already in existence at the beginning of the year. This change incidentally represents the algebraic balance of the increases in liabilities resulting from the application of fines (not indicated in the Formal Report on Findings – the “**FRF**”) and decreases resulting from findings indicated in the FRF which the Tax Authority decided not to dispute when drawing up the notices of assessment and which consequently were removed from the list of potential liabilities.

#### *Disputes concluded and/or settled during the year 2014*

The management of disputes in progress at the beginning of 2014 enabled the amount of potential liabilities as at the beginning of 2014 to be reduced by Euro 125.1 million, as stated in the annual financial statements of Banco Popolare for the year ended 31 December 2014.

The decrease results:

- mainly, for the figure of Euro 121.5 million, from the settlement, under article 15, paragraph 2 bis of Italian Legislative Decree 218/97 of the notices served to Banca Aletti regarding tax years 2005 to 2009. The settlement finalised is in line with the conditions proposed by the Regional Headquarters of Lombardy and by the Central Assessment Headquarters of the Tax Authority regarding all of the tax years under inspection. A specific allocation to the provision for risks and charges made in previous years was used to honour said payment. The surplus provision recorded (corresponding to Euro 0.6 million) was booked to the income statement;
- from the finalisation of further out-of-court settlements reached with the Tax Authority amounting to Euro 2.1 million. More specifically, several disputes regarding the applicability for VAT purposes of fee and commission income on custodian bank services (Euro 1.6 million) and the dispute regarding the formal report on findings dated 23 July 2012 regarding tax year 2009 served to the incorporated company Banca Popolare di Lodi S.p.A. (Euro 0.5 million) were settled;
- from the extinguishment of several disputes relating to the failure to pay substitute tax under articles 15 of Italian Presidential Decree 601/1973 on loans stipulated abroad amounting to Euro 1.2 million. The settlement notices appealed against before the relevant Provincial Tax Commissions were cancelled by the Office of the Provincial Tax Commissions following an internal review, before the hearing of the first instance;
- from the settlement of a dispute relating to the recovery of taxes for a higher IRAP rate applicable to the taxable income generated in the Veneto region, pending against former Credito Bergamasco S.p.A. for 2006 amounting to Euro 0.3 million. The Regional Tax Commission of Milan issued a favourable final judgement for said dispute.

For the sake of completeness of information, please note that:

- the tax inspection that started on 12 February 2014 by the Tax Authority – Provincial Headquarters of Lodi on the subsidiary company Bipielle Real Estate and relating to tax year 2009 was concluded on 28 March 2014. The dispute was settled immediately by complying with the formal report on findings

pursuant to article 5-bis of Italian Legislative Decree No. 218/1997. The settlement entailed a total cost of Euro 0.4 million, which was charged to the income statement for the first quarter of 2015;

- the tax inspection that started on 19 March 2014 by the Tax Authority – Regional Headquarters of Lombardy on the former subsidiary company Italease Network S.p.A. and relating to tax year 2009 was concluded on 25 July 2014. The formal report on findings indicates limited insignificant amounts. This dispute was also settled immediately by complying with the formal report on findings pursuant to article 5-bis of Italian Legislative Decree No. 218/1997;
- the tax inspection that started on 18 July 2013 by the Tax Authority – Regional Headquarters of Veneto on the subsidiary company BP Property Management and relating to tax years 2009 and 2010 was concluded on 27 October 2014. The formal report on findings indicates limited insignificant amounts. This dispute was also settled immediately by complying with the formal report on findings pursuant to article 5-bis of Italian Legislative Decree No. 218/1997.

*Details of unresolved disputes as at 31 December 2014* Due to the developments illustrated in the paragraph above, the main tax disputes unresolved as at 31 December 2014 (potential liability equal to or exceeding Euro 1 million) are as follows (for further developments which occurred in 2015, please see the section “*Subsequent Events after 31 December 2014*” below):

*Disputes relating to Banco Popolare*

- Banco Popolare (formerly Banca Popolare di Verona e Novara Soc. Coop.) – tax demands regarding IRAP tax paid to the Regional headquarters for Veneto and to that for Tuscany in tax years 2003, 2004, 2005 and 2006. The claims refer to the application of the ordinary rate of 4.25 per cent. to the net value of production resulting from business activities performed in Veneto, and for 2004 only in Tuscany, instead of the higher rate of 5.25 per cent. and amount to a total of euro 20.7 million. The tax demands have been contested. With regard to the various tax years, different rulings have been made at different levels of the court system. As regards tax years 2003 and 2004, a ruling of the Provincial Tax Commission entirely in favour of Banco Popolare was then followed by a ruling of the Regional Tax Commission, which partially admitted the claims of the Tax Authority, retaining a rate of 4.75 per cent. to be applicable. The outcome is still pending, awaiting the ruling of the Supreme Court. With regard to tax year 2005, the Provincial Tax Commission rejected Banco Popolare's appeal, while in a ruling dated 10 March 2011, the Regional Tax Commission partially admitted the appeal and declared that the fines requested were not due. An appeal has been submitted to the Supreme Court. With regard to the tax demand for tax year 2006, in a ruling dated 17 May 2011, the Provincial Tax Commission partially admitted the appeal and declared that the fines requested were not due. The Regional Tax Commission confirmed the ruling of the court of first instance, therefore cancelling the tax claim relating higher IRAP regarding the Tuscany Regional Authority. An appeal has been submitted to the Supreme Court. For further developments which occurred in 2015 please see the section “*Development of disputes underway with the Government Tax Authorities*” below.
- Banco Popolare (formerly Banca Popolare Italiana Soc. Coop.) – notice of correction regarding the registration tax applicable to the disposal of a business segment in 2004 between Banca Eurosystemi S.p.A. (later incorporated into Banca Popolare Italiana Soc. Coop.) and Banca Popolare di Lodi Soc. Coop. The claim resulting from the correction of the value of the business segment amounts to euro 7.4 million. The appeals submitted to the Provincial and Regional Commissions have been rejected. The appeal submitted to the Supreme Court is pending. For further developments which occurred in 2015 please see the section “*Development of disputes underway with the Government Tax Authorities*” below.



- Banco Popolare (formerly Banca Popolare Italiana Soc. Coop.) – notice of settlement regarding registration tax relating to the reclassification of the disposal of a portfolio of securities made in 2002 between Cassa di Risparmio di Pisa and Banca Popolare Italiana as a business segment disposal. The claim amount to Euro 14.5 million. In a ruling dated 18 October 2011, the Regional Tax Commission of Florence fully upheld the appeal submitted by Banco Popolare. An appeal submitted to the Supreme Court is still pending.
- Banco Popolare (formerly Banca Popolare Italiana Soc. Coop.) – notices of assessment relating to tax year 2005 regarding the claimed non-deductibility for IRES and IRAP purposes of costs and value adjustments to receivables relating to facts or actions classified as offences (it regards offence of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Popolare Italiana with relation to the attempted takeover of Banca Antonveneta). The claims amount to Euro 170.5 million. In separate rulings filed on 15 October 2014, no. 8562 (IRES) and no. 8561 (IRAP), the Provincial Tax Commission of Milan, Section 22, fully rejected the appeals submitted by the Banco Popolare, although providing no reasons underlying its confirmation of the tax claim. We have appealed against the above ruling to the Regional Tax Commission of Lombardy. In this regard, it should be noted that the valuation of the relative potential tax liabilities has not been affected by the above rulings. In fact, these rulings can be rebuked from a number of perspectives. First of all, the grounds of the rulings are totally insufficient/superficial. More specifically, after having correctly established that the fundamental requirements for doubling the terms for the assessment is the existence of prerequisites for a compulsory criminal complaint for one of the offences envisaged by cited Italian legislative Decree no. 74, the Company's petition was rejected without any explanation as to the grounds for such, where, in the case in hand, the cited prerequisites underlying the obligation to make a criminal complaint did actually exist. Secondly, also with regard to the merits of the dispute, the judges of the first instance made a ruling based on statements that were clearly unsuitable to provide (valid) grounds for the case. The appeals were rejected without explaining the reasons why, in the case in hand, the negative components relating to the tax charges would represent – as expressly requested by the new law – costs sustained for the purchase of goods and services directly used to commit the crimes with criminal intent with regard to which criminal action was taken against several top management figures of the former BPI. An appeal was presented to the Regional Tax Commission. For further developments occurred in 2015 please see section “*Development of disputes underway with the Government Tax Authorities*” below.
- Banco Popolare (formerly Banca Popolare Italiana Soc. Coop.) – notices of assessment served on 22 December 2014 relating to the formal report on findings dated 30 June 2011 for tax years 2006-2009. These notices also regard the claimed non-deductibility for IRES and IRAP purposes of costs retained as relating to facts or actions classified as offences. More specifically, they regard value adjustments on loans already disputed with reference to tax year 2005. These value adjustments, although recognised by Banco Popolare in its financial statements for 2005, were deductible on a straight line basis over the following 18 financial years pursuant to the version in effect at the time of art. 106, paragraph three, of Italian Presidential Decree no. 917 of 22 December 1986. The notices of assessment services therefore dispute the claimed non-deductibility of the quotas of the above-cited adjustments on loans deducted in 2006, 2007, 2008 and 2009. The claims amount in total to Euro 15.8 million. An appeal to the Provincial Tax Commission is currently being prepared.
- Banco Popolare (formerly Efibanca S.p.A.) – notices of assessment served on 23 December 2014 relating to the formal report on findings dated 28 September 2012. The main finding that referred to the recovery of just IRES tax relating to the negative income components recognised in the 2008 income statement against the fair value valuations of financial liabilities issued before 1 January 2007,

was not confirmed in the notice of assessment. We therefore presume that the Tax Authority considered the observations stated in the brief submitted by Banco Popolare following receipt of the formal report on findings, and abandoned the finding. The claim, including taxes and fines, amounts to Euro 1.7 million, against Euro 8.5 million requested for higher taxes only in the formal report on findings. The main remaining finding regards a matter of interpretation relating to the tax classification of amounts distributed to Efibanca in 2009 by a Luxembourg Sicar, which Efibanca considered taxable as dividends. An instance for compliance has been submitted to encourage the re-examination of the above-mentioned finding by the Tax Authority before filing formal proceedings.

- Banco Popolare (formerly Banca Popolare di Novara S.p.A, former Banca Popolare di Verona SGSP S.p.A., former Efibanca) – settlement notices regarding the alleged failure to pay substitute tax on loans pursuant to art. 15 of Italian Presidential Decree 601/1973 on several deeds stipulated abroad. The claim amounts to Euro 2.6 million. Appeals have been submitted to the Relevant Provincial Tax Commissions.
- Banco Popolare (formerly Banca Popolare di Novara S.p.A.) – various settlement notices concerning the alleged failure to pay registration tax on finalised deeds related to the operation to restructure the debt of an Italian industrial group. Note in this regard that the claim amounts to Euro 0.6 million and has been cancelled following an internal review conducted by the Tax Authorities in January 2015.
- Banco Popolare – formal report on findings served on 25 June 2014 which contains, relating to tax years 2010, 2011 and 2012, allegations of the failure to apply the withholding tax set forth in art. 26, paragraph 5 of Italian Presidential Decree 600, to interest due on deposits made by foreign subsidiaries resident in the US State of Delaware of amounts received from the placement of the preference shares issued. The claims amount to Euro 15.5 million (this amount is net of the withholding tax related to 2009 of Euro 4.8 million, transferred to the assessment notice dated 22 December 2014, together with the relative fines of Euro 10.6 million, as illustrated below). Considering the “system” nature of the proceedings and the outcomes, which are continually not in favour of the taxpayer, based on rulings made to date by Provincial Tax Commissions, the opportunity of seeking an out-of-court settlement will be evaluated.
- Banca Popolare – Notice of assessment and formal written notice of the sanctions, served on 22 December 2014, which contains findings relating to the failure to apply withholding tax contained in the formal report on findings dated 25 June 2014 regarding tax year 2009. The claims amount to Euro 15.4 million. The same considerations already stated with regard to similar disputes relating to tax years 2010, 2011 and 2012 illustrated above, also apply here.
- Banco Popolare – notices of assessment served on 23 December 2014 regarding 2009 for the former subsidiaries Banca Popolare di Lodi, Credito Bergamasco and Efibanca. The total claim amounts to Euro 58.5 million and has already been extensively illustrated in the paragraph above. Appeals will be submitted to the relevant Provincial Tax Commissions.

#### *Disputes relating to the subsidiary company Banca Italease*

- Banca Italease – settlement notices to recover the mortgage and cadastral taxes on a loan stipulated in 2006. The claim amounts to Euro 3.2 million. The appeal submitted by Banca Italease was upheld in the first and second instance. The Attorney General submitted an appeal to the Supreme Court. The bank has submitted the relative counter-appeal.
- Banca Italease formal report on findings dated 30 November 2012 relating to tax years 2007 and 2008 regarding costs relating to facts or actions that are considered offences (it regards offence of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by

Banca Italease with regard to the incorrect recognition of counterparty risk in derivative contract transactions performed in 2007). The claim amounts in total to Euro 73.1 million. In January 2013, defensive briefs were submitted pursuant to article 12 of Italian Law no. 212 dated 27 July 2000. The assessment notices served in December 2014 did not contain the cited findings. It may therefore be presumed that the Tax Authority considered the observations stated in the brief submitted by Banco Popolare following receipt of the formal report on findings, and abandoned the finding.

- Banca Italease – notices of assessment following the formal report on findings dated 30 November 2012 – tax years 2007, 2008 and 2009 regarding the redetermination of loan ceilings of 0.30 per cent., and for 2009 only to the relevance for tax purposes of a fund taxed at the time of the share capital increase of Release, with transfer of the business division. The claim amounts in total to Euro 40.2 million. An appeal to the Provincial Tax Commission is currently being prepared.
- Banca Italease – notice of assessment and formal written notice of the sanctions, which contains findings relating to the failure to apply withholding contained in the formal report on findings dated 30 November 2012 regarding tax year 2007. The claim amounts in total to Euro 3.2 million. In January 2013, appeals were submitted against the above documents, which are now pending before the competent Provincial Tax Commission. The Tax Authority appeared before the court to submit its counter arguments.
- Banca Italease – notice of assessment and formal written notice of the sanctions, which contains findings relating to the failure to apply withholding contained in the formal report on findings dated 30 November 2012 regarding tax year 2008. The claim amounts in total to Euro 3.9 million. In January 2013, appeals were submitted against the above documents, which are now pending before the competent Provincial Tax Commission.
- Banca Italease – notice of assessment and formal written notice of the sanctions, which contains findings relating to the failure to apply withholding contained in the formal report on findings dated 30 November 2012 regarding tax year 2009. The claim amounts in total to Euro 0.6 million. An appeal has been submitted to the Provincial Tax Commission.
- Banca Italease – Various settlement notices concerning the alleged failure to pay registration tax on finalised deeds related to the operation to restructure the debt of an Italian industrial group. The claim amounts to a total of Euro 3.1 million, Euro 2.9 million of which was cancelled following an internal review.

#### *Disputes relating to other subsidiary companies*

- Bipielle Real Estate S.p.A. – settlement notice for registration tax regarding the reclassification of a business segment conferral involving Reti Bancarie Holding as counterparty (later incorporated into Banca Popolare Italiana Soc. Coop.). The claim amounts to euro 13.6 million. The Provincial and Regional Commissions ruled in favour of the subsidiary company Bipielle Real Estate. The Tax Authority has appealed to the Supreme Court. A counter-appeal has been submitted.
- Bipielle Real Estate S.p.A. – notices of assessment regarding VAT and IRAP taxes for tax year 2005 served to Basileus S.r.l., (a subsidiary company sold in 2008, for which Bipielle Real Estate is fiscally liable for the years prior to the disposal). The claim amounts to Euro 11.3 million. In January 2012, the ruling of the Lodi Provincial Tax Commission was filed. The ruling annulled the notices of assessment issued against the company, ordering the office to pay legal expenses. In a ruling issued in May 2013, the Regional Tax Commission of Milan, changing the ruling in the first instance, upheld the appeal submitted by the Tax Authority, confirming all of the claims. An appeal has been submitted to the Supreme Court.

- Aletti Fiduciaria S.p.A. – notice to recover taxes due by the fiduciary company pursuant to the personal liability of the shareholder under art. 36, paragraph 3, of Italian Presidential Decree no. 602/1973. The claim amounts to Euro 7.9 million. The company's appeal was fully upheld in the first and second instance. In January 2013, the Tax Authority appealed to the Supreme Court.

The list of existing disputes shown above does not include tax disputes regarding the applicability of VAT to custodian bank fees received by the Group as out-of-court settlements are current being negotiated for the same. The residual liability that the Group is expected to incur is estimated to be Euro 0.2 million and is covered by a specific allocation to provision for “risks and charges” (*fondo per rischi e oneri*)

#### Classification and valuation of potential liabilities in accordance with the provisions of accounting standard IAS 37

In the light of the successful outcomes in the courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the Tax Authority with regard to proceedings underway and also considering the specific opinions issued by authoritative external counsel, the potential liabilities classified as possible but unlikely amount to a total of Euro 446.1 million. The potential liabilities classified as probable amount in total to Euro 37.6 million and have already been fully debited from the income statement when the tax demands received were paid (Euro 7.5 million) or are entirely covered by allocations to provisions for risks and charges.

Lastly, with regard to all of the disputes illustrated above, it is to be noted that as at 31 December 2014, tax credit amounting to Euro 43.9 million was due from the Tax Authority, following payments made provisionally for the assessment notices served. In this regard, it is emphasised that these payments are not considered such as to impact the risk of losing the disputes, which have been valued on the basis of the provisions of IAS 37: in fact, these amounts are paid as part of an automatic mechanism, which is unrelated to the groundlessness or otherwise of the related tax claims.

#### Inspections underway as at 31 December 2014

As at 31 December 2014, no inspections were in progress against Banco Popolare or its subsidiaries.

#### *The National Tax Consolidation Scheme*

Banco Popolare and the subsidiaries listed below have opted for the national tax consolidation scheme under Articles 117 to 129 of Italian Presidential Decree no. 917 of 22 December 1986. This option, valid for the tax period 2013-2015, refers to all Group companies which meet the requirements of the aforementioned regulations and, specifically:

- (1) Aletti Fiduciaria S.p.A.;
- (2) Aletti Gestielle SGR S.p.A.;
- (3) Banca Aletti & C. S.p.A.;
- (4) Bipielle Real Estate S.p.A.;
- (5) BP Property Management S.c.r.l.;
- (6) BP Trading Immobiliare S.r.l.;
- (7) BRF Property S.p.A.;
- (8) Holding di Partecipazioni Finanziarie BP S.p.A.;
- (9) Italease Gestione Beni S.p.A.;

- (10) Lido dei Coralli S.r.l.;
- (11) Mariner S.r.l.;
- (12) Nadir Immobiliare S.r.l.;
- (13) P.M.G. S.r.l.;
- (14) Release S.p.A.;
- (15) Sirio Immobiliare S.r.l.;
- (16) Società Gestione Servizi BP S.c.p.A.;
- (17) Sviluppo Comparto 6 S.r.l.;
- (18) Sviluppo Comparto 8 S.r.l.;
- (19) Tecmarket Servizi S.p.A.; and
- (20) Toscana Tissue S.r.l.;

During 2014 and for the first quarter of 2015, following the extraordinary merger operations, the following companies are no longer included in the scope of consolidation:

- Credito Bergamasco S.p.A., insofar as incorporated into Banco Popolare Soc. Coop. effective for tax purposes as of 1 January 2014;
- Aletti Trust S.p.A. insofar as incorporated into Aletti Fiduciaria S.p.A. effective for tax purposes as of 1 January 2014;
- RI. Investimenti 2 S.r.l., insofar as incorporated into Sviluppo Comparto 8 S.r.l. effective for tax purposes as of 1 January 2014;
- Banca Italease S.p.A., insofar as incorporated into Banco Popolare Soc. Coop. effective for tax purposes as of 1 January 2015.

The advantages of exercising the national consolidation option in 2014 are mainly linked:

- to the fact that taxes are levied on one single taxable income, resulting from the summation of the taxable income of the companies listed above that exercised the option;
- to the possibility of offsetting the non-deductible portion of interest expense against the possible Gross Operating Income availability (G.O.I.), pertaining to other companies of the Group, under art. 96, paragraph 4) TUIR (Italian Consolidated Income Tax Law). G.O.I. is the core business gross operating income calculated as the difference between the value of production and the cost of production under letters A) and B) of art. 2425 of the Italian Civil Code, excluding depreciation of property and equipment and amortisation of intangible assets and finance lease payments for capital goods;
- to the full deductibility of interest expense of banks and other financial entities accrued against entities participating in the tax consolidation up to the total amount of interest expense accrued by the participating entities in favour of entities not included in the tax consolidation.

The adoption of Banco Popolare Soc. Coop. of Group taxation along with the subsidiary companies results in an expansion of its administrative liabilities, summarised as follows:

- exclusive liability for the fulfilment of duties associated with the calculation of the group's total consolidated income;

- joint liability for any increased tax, fines and interest on the total taxable income of each consolidated company; and
- joint liability with all the relevant companies for the failure to pay amounts due based on the consolidated income tax return.

To this end, and in compliance with the regulatory changes in force, Banco Popolare prepared the “consolidation agreements” governing its relations with the subsidiaries that joined the consolidated taxation treatment scheme. The agreements were approved by the individual Boards of Directors.

There are no associates for which Banco Popolare opted for the fiscal transparency regime under articles 115 and following of Italian Presidential Decree no. 917 of 22 December 1986.

#### **New disputes that emerged in the first half of 2015 and/or developments of existing disputes following formal reports on findings served**

The only new dispute that arose in the first half of 2015 relates to the appeal submitted for the cancellation of registration on the taxpayers’ roll, set forth in tax demand no. 122 2015 00078464 57 served on 15 April 2015 and associated with the 2011 tax year, whereby payment of a total of euro 1.5 million was requested for IRAP, interest, fines, collection fees and service fees.

The amount refers to the 2012 supplementary IRAP tax return submitted in favour of the merged company Banca Popolare di Verona S.p.A. (return which decreased the total tax originally due): the Tax Authority has objected the submission after the deadline set forth in art. 2, paragraph 8, of Italian Presidential Decree no. 322/1988.

The dispute was initiated considering that case law has taken a stance more than once over time with respect to the possibility to amend tax returns in favour of the taxpayer, and that the largely prevalent orientation is that it should be possible to submit a supplementary return in favour of the taxpayer after the aforementioned deadline.

The further increase of euro 28.2 million results from the update of the amount of the potential liability relating to the notices of assessment for IRES and IRAP regarding the year 2005 of the former Banca Popolare Italiana (claimed non-deductibility of costs associated with the attempted Banca Antonveneta take over). Following the negative ruling handed down on 19 May 2015 by the Milan Regional Tax Commission and the subsequent issue of the associated tax demands, interest on arrears and collection commissions were quantified at euro 24.0 million and euro 4.2 million, respectively.

#### **Risks associated with pending legal proceedings**

The Banco Popolare Group is involved in numerous legal proceedings associated with the natural unfolding of the business activities. The changes in the main risk positions during the first half of 2015 relating to the most significant clawback actions and pending lawsuits at Group level are detailed below.

For the remaining positions, which did not change during the first half of 2015, please refer to section 12 – Provisions for risks and charges in Part B of the Notes to the Consolidated Financial Statements as at 31 December 2014 for more details.

#### *Raffaele Viscardi S.r.l.*

The lawsuit, notified on 30 April 2009 and which has a petitum of around euro 46 million, concerns the operations of a branch in Salerno relating to the granting of agricultural loans to the plaintiff company, which alleges that it was led to subscribe Banco Popolare bonds to guarantee the sums disbursed and claims damages to its image due to reporting in the Italian Central Credit Register. On 5 May 2015, the Court of Salerno issued a ruling in favour of the Bank, in response to which the opponent submitted an appeal.

Based on external legal advice, Banco Popolare believes the adversary claims are groundless.

*Criminal proceeding relating to the former Banca Italease*

In the context of criminal proceedings in which the bank was charged with administrative liability pursuant to Italian Legislative Decree 231/2001 and the former members of the Executive Committee were charged with the crime of false corporate reporting in relation to the approval of the 2008 half-yearly report, on 20 May 2015 the Milan Court of Appeal handed down a ruling acquitting all defendants because “there is no case to answer”. As it has been found that the prerequisite crime was not carried out, the charge relating to the company’s administrative liability pursuant to Italian Legislative Decree 231/2001 has also been dropped, resulting in the revocation of the confiscation and the administrative fine imposed by the judges in the first instance.

*Dimafin – Di Mario Group company bankruptcies*

In the context of the broader dispute with the Dimafin – Di Mario Group, described in detail in the Financial Report as at 31 December 2014, on 23 June 2015 Banco Popolare, as the incorporating company of Banca Italease, was served, along with other banks, with a further summons by 7 bankrupt Di Mario Group companies, concerning the assessment – for the purpose of a possible judgement – of joint and several liability with other banks regarding the restructuring agreements entered into over time by the Di Mario Group.

In this dispute, the plaintiff has requested that the bank be sentenced, jointly and severally with the other defendant banks, to provide estimated compensation for damages of approximately euro 178.6 million, to be divided amongst the seven bankrupt companies.

Given the complexity of the disputes, which also involves other banks and companies that are not part of the Banco Popolare Group, based on the opinions of external legal counsel, Banco Popolare believes it has a valid case against the claims put forth.

In addition, all disputes lodged by Release S.p.A. (formerly Banca Italease S.p.A.) against the various bankrupt companies of the Di Mario Group have now been accepted with measures, which in some cases have been rendered definitive, and currently no action lodged by the bankrupt company against Release S.p.A. and/or the former Banca Italease and other defendant banks and companies has been accepted

***Disputes concluded and/or settled during the period between 31 December 2014 and 30 June 2015***

During the first half of the year 2015, outstanding disputes decreased by a total of euro 114.8 million.

The reduction comprises euro 73.1 million due to the write-off of potential liabilities relating to the alleged non-deductibility of costs relating to facts or actions that are considered offences (the following are regarded as offences: the offence of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Italease with regard to the incorrect recognition of counterparty risk in derivative contract transactions performed in 2007), contained in the report on findings of 30 November 2012.

The decision to consider said potential liabilities as no longer existing results from the reading of the deed of certification of pending charges of Banca Italease issued on 2 March 2015 by the Milan Regional Headquarters of the Tax Authority. Different from the previous deeds, this deed no longer mentions the report on findings of 30 November 2012. As illustrated in the Annual Financial Report 2014, the assessment notices served in December 2014 did not include said findings. In light of this situation, the Company reasonably believes that the Tax Authority considered the observations stated in the brief submitted by Banco Popolare following receipt of the formal report on findings, and abandoned the findings. In relation to the claim, no provisions were recorded, as losing the dispute was deemed only a possibility.

A further significant reduction (euro 34.6 million) refers to disputes heard before the Supreme Court on 17 March 2015 for which all rulings were handed down in the beginning of May.

- Banco Popolare (formerly Banca Popolare di Verona e Novara) – tax demands regarding IRAP tax paid to the regional headquarters for Veneto in tax years 2003, 2004 and 2005.

The Supreme Court fully confirmed the decisions of the Regional Tax Commission, declaring the legal fees compensated.

The claim referred to the application of the ordinary rate of 4.25 per cent. to the net value of production resulting from business activities performed in Veneto, instead of the higher rate of 5.25 per cent.

With respect to the first two years, taking an orientation different from the other previous decisions regarding similar cases, the Supreme Court recognised that the increased rate of 5.25 per cent. was incorrect but, instead of confirming the applicability of the ordinary rate, it deemed that the rate of 4.75 per cent. was applicable, as the rate applicable to banks in 2002 and therefore to be deemed confirmed and implicitly extended to the years 2003 and 2004.

With reference to the year 2005, the Supreme Court confirmed the application of the rate of 5.25 per cent., cancelling the part of the tax claim relative to fines.

The original liability (totalling euro 13.6 million) was therefore reduced due to the Supreme Court's decisions to approximately euro 10.0 million and has already been charged to the income statement in previous years.

Therefore, there was no impact on the income statement for the year 2015.

- Banco Popolare (formerly Banca Popolare Italiana) – notice of correction regarding the registration tax applicable to the disposal of a business segment in 2004 between Banca Eurosystemi S.p.A. (later incorporated into Banca Popolare Italiana Soc. Coop.) and Banca Popolare di Lodi Soc. Coop.

The Supreme Court fully confirmed the ruling of the Regional Tax Commission that was unfavourable to Banco Popolare, and ordered the Company to pay the legal fees.

The dispute referred to a notice of adjustment and payment relating to the 2004 tax year, received from the Tax Authority – Lodi Office by the former Banca Popolare Italiana on 23 March 2006, whereby higher registration, transcription and cadastral taxes were assessed for a total of euro 7.4 million.

The notice arose from the recalculation of the value of the so-called “Global Custody” business segment, which was sold (on 31 March 2004) by Banca Eurosystemi S.p.A. to Banca Popolare Italiana. In recalculating the monetary value of the business complex subject to the sale, the Tax Authority Office believed that the company asset items should also include the value of goodwill.

The judgement in both instances was unfavourable for the Bank.

The Court fully confirmed the ruling of the Regional Tax Commission.

The related potential liability of euro 7.4 million has already been charged to the income statement in previous years. Therefore, there was no impact on the income statement for the year 2015.

- Bipielle Real Estate S.p.A. – settlement notice for registration tax regarding the reclassification of a business segment conferral involving Reti Bancarie Holding as counterparty (later incorporated into Banca Popolare Italiana Soc. Coop.).



Overtaking the outcome of the previous instances, in both instances favourable for Banco Popolare, the Supreme Court accepted the appeal submitted by the Tax Authority, endorsing the approach according to which Article 20 of the DPR 131/1986 on registration tax allows for an investigation of the “real reason” for the operation in light of the interests pursued by the parties, as this must prevail over that shown in the files/formally in the deeds filed by the parties.

On this basis, the Supreme Court quashed the ruling of the Regional Tax Commission, assigning the examination of the reasons for the appeal, which had not been discussed at the time (as they were absorbed in the quashed decision) and the determination of legal fees to another section of the Regional Tax Commission.

In consideration of the favourable outcomes in the previous instances, no provisions had been allocated for this dispute.

Following the decision of the Supreme Court illustrated above, a specific allocation of euro 17.7 million was made to provisions for risks and charges, charging them to the income statement of the first half of 2015.

The provision covers the amount of taxes due and the estimate of the related interest accrued.

No fines were imposed.

The additional reductions in potential liabilities derive from:

- euro 3.5 million from the termination of the dispute against the former Banca Popolare di Novara S.p.A. and the former Banca Italease concerning the alleged failure to pay registration tax on finalised deeds related to the operation to restructure the debt of an Italian industrial group. The claim was no longer valid due to the cancellation following an internal review of the payment notices previously issued. In relation to the claim, no provisions were recorded, as losing the dispute was deemed only a possibility.
- by the extinguishment of several disputes relating to the alleged failure to pay substitute tax under article 15 of Italian Presidential Decree 601/1973 on loans stipulated abroad amounting to euro 1.8 million. The settlement notices appealed against before the relevant Provincial Tax Commissions were cancelled by the tax office following an internal review, before the hearing of the first instance, or the rulings, favourable for Banco Popolare, handed down by the Provincial Tax Commissions have become final. Also in this case, no provisions were recorded, as losing the dispute was deemed only a possibility.
- euro 1.7 million relating to the finalisation of out-of-court settlements reached with the Tax Authority concerning the dispute regarding the formal notice on findings dated 28 September 2012 regarding tax year 2008 served to the incorporated company Efibanca S.p.A. A specific allocation to the provision for taxes made in previous years (euro 0.6 million) was used to honour this payment. Therefore, there was no impact on the income statement for the year 2015.
- the settlement of a dispute relating to the recovery of taxes for a higher IRAP rate applicable to the taxable income generated in the Veneto region, pending against former Leasimpresa S.p.A. for 2004 amounting to euro 0.1 million. The Supreme Court issued an unfavourable judgement for this dispute.

In addition to the developments illustrated, during the first half of 2015 numerous hearings were held in which the appeals submitted by Banco Popolare or the opponent were discussed. Below, the main disputes under discussion are summarised:

- on 6 May 2015, the appeals lodged by Banco Popolare on 3 February 2015 against negative ruling no. 8562/2014 handed down by the Milan Provincial Tax Commission relating to notices of assessment for 2005 IRES and IRAP of the former Banca Popolare Italiana were heard before the Milan Regional Tax Commission, section 2. The dispute regards the claimed non-deductibility of costs associated with the attempted Banca Antonveneta takeover due to the affirmed generic association of such costs with the criminal offences claimed in relation to the aforementioned attempted takeover. The Tax Authority's claim, which amounts to euro 56.8 million in higher taxes (plus fines of euro 113.7 million, interest on arrears of euro 24 million and collection commissions of euro 4.2 million) was based on an illegitimate extensive interpretation of the provisions of article 14, paragraph 4 bis of Law no. 573/1993 and, from the procedural perspective, was made via the issue of payment orders after the statute of limitations set forth for the exercise of tax assessment activities. By ruling no. 670 handed down on 19 May 2015, the Milan Provincial Tax Commission rejected the combined appeals submitted and confirmed the challenged rulings. Furthermore, the company was ordered to pay legal expenses, calculated at euro 10,000.
- The Provincial Tax Commission also came to a decision with respect to the disputes regarding the 2007 and 2008 tax years of the incorporated Banca Italease. The disputes concern the applicability of withholding to interest paid in the aforementioned years to the subsidiary special purpose vehicle resident in Delaware for amounts deriving from the placement of financial instruments calculated as part of regulatory capital (preference shares). The Provincial Tax Commission partially rejected Banco's appeals, ordering it to pay the withholding, but cancelling the application of fines. The dispute regarding 2008 had no impacts on the income statement for the first half of 2015, as the amount of withholding had already been allocated on drawing up the financial statements as at 31 December 2014. With reference to the withholdings of euro 1 million due for the year 2007, although it was decided to submit an appeal to the Regional Tax Commission, a specific provision was recognised in the income statement for the first half of this year.

For details on disputes still pending as at 30 June 2015 refer to the paragraph "Risks associated with current disputes with the Tax Authority" in the Notes to the Consolidated Financial Statements as at 31 December 2014.

In addition to the aforementioned disputes, on 22 July 2014, Banco Popolare was notified – by the Tax Authority – Provincial Headquarters of Novara – with 2 refund rejection notices regarding IRPEG and ILOR credits for which Banca Popolare di Novara s.c.a.r.l. had requested a refund for 1995, prior to the merger with Banca Popolare di Verona – SGSP s.c.a.r.l. which established Banco Popolare di Verona e Novara s.c.a.r.l. The credit rejected, recognised in the financial statements as at 31 December 2014, amounts to a total of euro 86.5 million, euro 52.6 million of which as principal and euro 33.9 million of which is interest accrued. Retaining that the grounds stated by the Tax Authority are totally illegitimate and groundless, on 5 November 2014, the company submitted an appeal against said measures before the competent Tax Commission within the terms set by law. The hearing to discuss the disputes before the Provincial Tax Commission was held on 7 April. The Provincial Tax Commission accepted both combined appeals, also ordering the Tax Authority to pay legal fees.

## **Classification and valuation of potential liabilities in accordance with the provisions of accounting standard IAS 37**

### ***Potential liabilities associated with the proceedings regarding the claimed non-deductibility of costs associated with the attempted take over of Banca Antonveneta by the former Banca Popolare Italiana***

The potential liability regarding only the year 2005 amounts to euro 198.8 million, in addition to the potential liability relating to the associated notices of assessment for the years 2006, 2007, 2008 and 2009, estimated at euro 15.8 million, excluding interest and collection commissions.

With regard to the dispute, as at 30 June 2015, tax credits amounting to euro 130.5 million were due from the Tax Authority, following payments made provisionally. The amount paid is recognised in the consolidated financial statements as at 30 June 2015 under “other assets”.

The aforementioned potential liabilities were carefully assessed in light of the new negative ruling handed down by the Milan Regional Tax Commission for the year 2005.

As specified above in the section dedicated to significant events during the period, an analysis of the order and the content of the ruling shows that the Milan Regional Tax Commission’s decision on the merits of the case contains no specific justification and is based on a mere reference to the Tax Authority’s claims, with no express indication of the reasons for its decision not to accept the precise arguments laid out by Banco Popolare in support of its appeal. On this basis, it is believed that there are grounds to challenge the ruling before the Supreme Court, as it is possible to re-submit to the court all defensive arguments already submitted during the cases in the first and second instances. Therefore a mandate was granted to a team of professionals to prepare an appeal to be submitted to the Supreme Court.

The detailed analyses carried out on this situation with the support of the advisors engaged to prepare the appeal, as well as the additional opinion requested from another authoritative expert on the topic, have confirmed the conviction that the Tax Authority’s claim is illegitimate and that it is still possible for the defensive arguments to be considered and accepted in the case before the Supreme Court. These same analyses led the Board of Directors to confirm the classification of the potential liability as possible but not probable.

In light of the evaluations carried out, no provision has been recognised for the potential liabilities in question in the consolidated financial statements as at 30 June 2015.

### ***Potential liabilities associated with other existing proceedings***

The remaining potential liabilities associated with tax disputes amount to a total of euro 184.1 million.

With regard to all of the aforementioned disputes, as at 30 June 2015, tax credits amounting to euro 24.1 million were due from the Tax Authority, following payments made provisionally. This amount is also recognised in the consolidated financial statements as at 30 June 2015 under “other assets”.

In the light of the successful outcomes in the courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the Tax Authority with regard to proceedings underway and also considering the specific opinions issued by authoritative external firms, the potential liabilities classified as possible but unlikely amount to a total of euro 148.7 million.

The potential liabilities classified as probable amount in total to euro 35.4 million and were fully debited from the income statement when the tax demands received were paid or are entirely covered by provisions allocated to the item “other provisions for risks and charges – other”.

### **Exposure to Sovereign Risk as of 31 December 2014**

In the first half of 2014, the process of normalising and stabilising the financial situation in peripheral EU countries (so-called “PIIGS”) experienced a critical acceleration, indicating a turning point and the beginning of a recovery: following Ireland’s departure from the European Union rescue programme, Spain followed suit at the beginning of the year, and Portugal made the same decision in May. The stabilisation of financial markets in these two countries was followed by improvement in their access to foreign markets, with significant benefits for liquidity in their respective banking systems, which led authorities to request the suspension of the EU assistance programme.

Financial operators responded positively to the announcement, triggering the aforementioned recovery that, due to more available liquidity in international financial markets, had positive effects on government debt securities in the peripheral European countries by reducing the country risk of each and bringing about successful auctions of government bonds, with demand much greater than supply, as well as by markedly strengthening the Euro exchange rate, which against the Dollar, reached 1.3925 at the beginning of May, its highest level for the year. The improvement in the Spanish economy led to yields on the 10-year Spanish Bonos that were even lower than those of the 10-year U.S. treasury bonds. For its part, Greece has managed to re-launch itself on the international capital markets with an issue of medium-long term securities, attracting demand that was significantly higher than the quantity offered. However, internal political factors subsequently had a negative impact on the spread of Greek government bonds in the second half, differentiating Greece’s performance from those of the other peripheral countries.

The aforementioned factors had a catalytic and dynamic effect, and support to peripheral countries’ government bonds through the Outright Monetary Transactions (so-called “OMT”) plan continued, initiated by the ECB in September 2012 but never activated. The flow of capital to government bonds of these countries, characterised by particularly appealing yields, was then reflected in a generalised closure of the gap with the 10-year German Bund in the first part of the year. In Italy, the appointment of the new Renzi administration, mentioned previously, and the results of the European elections held in May, to the advantage of the Italian government, provided a boost to the process of convergence towards German interest rates.

Lastly, the decisions adopted by the Executive Committee of the ECB on 5 June regarding the introduction of refinancing operations, the objective of which is to disburse credit to the non-financial sector of the Eurozone, (Targeted Longer-Term Refinancing Operations, “TLTRO”), gave the final boost to the narrowing of spreads, fuelling expectations of the reactivation of the credit cycle and a step towards a more sustained economic recovery in the region.

During the second half of 2014, diminishing forecasts for economic recovery and weak inflationary dynamics led to expectations of an even more expansionary monetary policy from the ECB, which hastened to confirm its intention to use new, unconventional measures to fully reactivate the bank lending channel and sustain the EU economy.

Hence, the ECB’s determination kept the pressure on treasury yields under control in the peripheral countries, which are still facing significant imbalances in public accounts and weak economic growth hampered by the tax system, causing the yields of Italian government bonds to continue their downward trend for the rest of the year, even after reform measures were enacted by the government. In the meantime, the Euro exchange rate with the US Dollar began a depreciation phase, particularly beginning in September.

The absence of tangible effects on the yields of Italian government bonds after the downgrading of sovereign debt in December by Standard & Poor’s in light of uncertain growth prospects, was a striking manifestation of this “protective shield” deployed by the Central Bank.

However, the volatility was still present, although at contained levels, in financial markets in the Eurozone toward the end of the year, after the announcement of political elections in Greece at the end of January. The possible repercussions of any changes in economic policies and the management of public debt generated uncertainty about the cohesion of the Eurozone. Interest rates on 3-year Greek bonds began to show high volatility, reaching more than 15 per cent. The tensions on the spreads of peripheral countries were incited also by the violation of the 3 per cent. limit for the deficit/GDP ratio by France in the last quarter of the year. This reawakened concerns about the Italian government's ability to comply with the limit. However, the statements by the Executive to ensure that the limits would be respected along with the agreement reached on the 2015 budget within the Eurozone at the beginning of December, both for Italy and France, dispelled these concerns.

More specifically, with regard to the trend in interest rate spreads over the year, the BTP-Bund spread, after starting the year at 202 b.p., reached its highest level of 224 b.p. in the first few weeks of the year, then began a downward trend, hitting its lowest level of 117 b.p. at the beginning of December. At the same time, the interest rates on the Bonos reached its highest level of 220 b.p. at the beginning of 2014, and then fell to its minimum of 103 b.p., at a position consistently lower than Italian interest rates (Bonos-BTP spread -14 b.p.). The fall in the spread of Portuguese securities was even more surprising, which, after having opened the year at a high of 425 b.p., then recorded a drop of more than half of the interest rate spread, recording a minimum of 193 b.p. at the beginning of June, before the difficulties of the main Portuguese bank, Banco di Santo Espirito, drove the spread up to 240 b.p. in subsequent months, closing 2014 at 215 b.p. However, Greece experienced the opposite trend: the spread against the 10-year Bund, after closing at 423 b.p. at the beginning at June, began to rise again in the second half, reaching its highest level of 908 b.p. in the final days of the year as a result of the aforementioned tensions

The Group's total exposure in sovereign debt securities as at 31 December 2014 was Euro 16,740 million, and is provided below, broken down by country (in thousands of Euro):

Countries	Debt securities	of which Banco Popolare	Loans	of which Banco Popolare	Total
Italy.....	16,445,111	15,659,330	157,404	156,512	16,602,515
Spain.....	104,292	103,637	—	—	104,292
Austria .....	1,645	—	—	—	1,645
<b>Other EU Countries.....</b>	<b>1,937</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,937</b>
<b>Total EU Countries.....</b>	<b>16,552,985</b>	<b>15,762,967</b>	<b>157,404</b>	<b>156,512</b>	<b>16,710,389</b>
USA.....	29,593	—	—	—	29,593
Argentina .....	60	—	—	—	60
<b>Total other countries .....</b>	<b>29,653</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>29,653</b>
<b>Total.....</b>	<b>16,582,638</b>	<b>15,762,967</b>	<b>157,404</b>	<b>156,512</b>	<b>16,740,042</b>

More specifically, the exposure is represented by:

- loans granted to the Italian State of Euro 157.4 million;
- debt securities issued by central and local governments of Euro 16,582.6 million, Euro 16,553 million of which was issued by EU Member States. This position is held mostly by the Parent Company Banco Popolare which, as at 31 December 2014, held a total of Euro 15,763 million, Euro 15,659.3 million of which related to Italian government securities.

The tables below provide more detailed information on the breakdown of the exposure in debt securities to EU nations, which represented nearly the entire exposure, by accounting portfolio, residual life brackets and fair value hierarchy.

#### Financial assets held for trading

Country	Matures by 2015	Matures between 2020 and 2025	Matures between 2020 and 2025	Matures beyond 2025	Total fair value as at 31.12.14	Total fair value by hierarchy		
						LEVEL 1	LEVEL 2	LEVEL 3
Italy.....	740,622	639,045	30,688	5,730	1,416,085	1,416,083	—	2
Spain.....	—	—	655	—	655	655	—	—
Other EU Countries .....	—	3	—	—	3	3	—	—
<b>Total .....</b>	<b>740,622</b>	<b>639,048</b>	<b>31,343</b>	<b>5,730</b>	<b>1,416,743</b>	<b>1,416,741</b>	<b>—</b>	<b>2</b>
<b>Of which Banco</b>								<b>2</b>
<b>Popolare.....</b>	<b>1</b>	<b>630,267</b>	<b>34</b>	<b>7</b>	<b>630,309</b>	<b>630,307</b>	<b>—</b>	

#### Financial assets available for sale

Country	Matures by 2015	Matures between 2015 and 2020	Matures between 2020 and 2025	Matures beyond 2025	Total fair value as at 31.12.14	Net AFS Reserve	Value adjustmen ts	Total fair value by hierarchy		
								LEVEL 1	LEVEL 2	LEVEL 3
Italy.....	2,870,097	5,479,297	1,121,887	626,671	10,097,952	105,505	—	10,059,682	38,270	—
Spain.....	103,637	—	—	—	103,637	47	—	103,637	—	—
<b>Total.....</b>	<b>2,973,734</b>	<b>5,479,297</b>	<b>1,121,887</b>	<b>626,671</b>	<b>10,201,589</b>	<b>105,552</b>	<b>—</b>	<b>10,163,319</b>	<b>38,270</b>	<b>—</b>
<b>of which Banco</b>	<b>2,973,734</b>	<b>5,479,297</b>	<b>1,121,887</b>	<b>626,671</b>	<b>10,201,589</b>	<b>105,552</b>	<b>—</b>	<b>10,163,319</b>	<b>38,270</b>	<b>—</b>
<b>Popolare.....</b>										

#### Investments held to maturity

Country	Matures by 2015	Matures between 2015 and 2020	Matures between 2020 and 2025	Matures beyond 2025	Total book value as at 31.12.14	Total fair value	Total fair value by hierarchy		
							LEVEL 1	LEVEL 2	LEVEL 3
Italy.....	—	4,413,361	517,712	—	4,931,073	5,214,187	5,214,187	—	—
Other EU Countries.....	—	3,579	—	—	3,579	3,587	3,587	—	—
<b>Total.....</b>	<b>—</b>	<b>4,416,940</b>	<b>517,712</b>	<b>—</b>	<b>4,934,652</b>	<b>5,217,774</b>	<b>5,217,774</b>	<b>—</b>	<b>—</b>
<b>of which Banco Popolare</b>	<b>—</b>	<b>4,413,361</b>	<b>517,709</b>	<b>—</b>	<b>4,931,070</b>	<b>5,214,184</b>	<b>5,214,184</b>	<b>—</b>	<b>—</b>

Investments in sovereign debt securities of EU Member States, in terms of book value, represent 77.5 per cent. of the Group's total portfolio invested in debt securities. Around 8.6 per cent. of said investments have been allocated to the trading portfolio and 61.6 per cent. to the financial assets available for sale portfolio, while 29.8 per cent. has been classified as investments held to maturity. Around 86 per cent. of total exposure is represented by debt securities that mature before 2020.

### *Exposure towards Greece, Portugal and Ireland*

As regards the Group's exposure to the sovereign debt of countries defined as “euro-peripheral”, note the absence of positions vis-à-vis Greece, Portugal and Ireland, while the exposure towards Spain has remained unchanged at Euro 103.6 million.

### ***Significant Events during the year 2014***

The main events which characterised the Group's operations and results in 2014 are without a doubt the entry into force of the new prudential supervisory provisions and the entry into operation of the Single Supervisory Mechanism (the “SSM”). As regards supervisory legislation, over the course of 2013, Community institutions approved directive 2013/36/EU, known as “CRD IV”, and (EU) Regulation no. 575, known as “CRR”, which transpose the standards established by the Basel Committee for bank supervision (so-called “Basel 3 Framework”) into the European Union. The new provisions came into force on 1 January 2014 in accordance with the instructions established by the Bank of Italy in circulars 285 (“*New Supervisory Provisions for banks*”) 286 (“*Instructions on preparing prudential reports for banks and asset management companies*”) published at the end of 2013. Starting from reporting as at 31 March 2014, “Own Funds” are calculated according to the new regulations.

In terms of supervision, starting from 4 November 2014, in accordance with EU Regulation no. 1024/2013, the ECB), with the assistance of the Bank of Italy, became responsible for the prudential supervision of banks identified as “significant” in the list published by the same ECB on 4 September 2014. Banco Popolare is on said list. The impact of this very important event, which was felt even before the formal launch of the SSM, insofar as it was anticipated by the performance, by the ECB, in collaboration with national supervisory authorities, of a preventive Comprehensive Assessment exercise addressed to verifying the adequacy of the capitalisation levels of “significant” banks. Given the above, Banco Popolare's prime objective in the first half of the year 2014 was to finalise the measures to strengthen its capital base that had already been launched at the end of the previous year and which are illustrated below.

### **Redemption of the convertible bond and share capital increase**

At the meeting held on 24 January 2014, Banco Popolare's Board of Directors resolved to fully redeem the Banco Popolare 2010/2014 4.75 per cent. convertible bond through payment in cash. At the natural maturity date of the loan (24 March 2014) each outstanding convertible bond was therefore redeemed through payment of an amount equal to the nominal value (Euro 6.15 each), for a maximum total of Euro 996 million in addition to interest at the rate set out in the regulations of the loan. At the same meeting, the Board approved a share capital increase for a maximum amount of Euro 1.5 billion, through the issue of ordinary shares to be offered under a payment option to shareholders. Furthermore, to simplify the administrative processes of managing the high number of shares issued, the Board of Directors resolved on a reverse share split of 1 new ordinary share with standard entitlement for each 10 existing ordinary shares, to be executed prior to the launch of the offer under option.

The proposed share capital increase was submitted to the Extraordinary Shareholders' Meeting on 1 March 2014, which approved the same with a large majority, assigning the Board of Directors the power, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital by up to the maximum amount previously indicated, by the end of 24 months from the date of the shareholders' meeting resolution, and the power to establish, closer to the offer, the issue price of newly-issued ordinary shares, the option ratio and entitlement.

On 4 March 2014, the Board of Directors resolved, in accordance with the resolution of the Extraordinary Shareholders' Meeting on 1 March and following the approval issued by the Bank of Italy, to proceed with the share capital increase for the total amount of Euro 1.5 billion, and at a subsequent meeting held on 27 March 2014, it approved the final conditions for the offer under option. More specifically, the Board of Directors resolved to increase the share capital, on a splittable basis, for a maximum counter value of Euro

1,498,263,975 in a single tranche, to be allocated entirely to the share capital, through the issue of a maximum of 166,473,775 ordinary Banco Popolare shares to be offered under option to shareholders, at a swap ratio of 17 shares for each 18 shares held, at a price of Euro 9 each, corresponding to a discount of 30.70 per cent. with respect to the “theoretical ex right price”. The new shares have standard entitlement (1 January 2014) and the same characteristics as the ordinary shares in circulation at the time of issue. The offer under option ended on 17 April with the subscription of 99.138 per cent. of the total shares offered, at a total counter value of Euro 1,485,346,797. In the space of just two days, all of the 1,519,668 rights not exercised during the option period were then also sold. The share capital increase was therefore successfully concluded on 29 April 2014 with the full subscription of the 166,473,775 shares at a total counter value of Euro 1,498,263,975, without the intervention of the consortium of banks that had guaranteed the placement. In accounting terms, the above operation led to an increase of the Group’s capital resources (share capital and share premium) of Euro 1,459.4 million; in actual fact, both the transaction costs directly incurred for the share capital increase and the income resulting from the sale of unopted rights, both net of the relative tax, are recognised in the share premium reserve. As at 31 December 2014, the cited components led to a net deduction from the share premium reserve of Euro 39 million.

#### **Share capital increase following the incorporation of the subsidiary company Credito Bergamasco**

The operations, which is also illustrated in more detail in the next chapter on “*Events relating to the process to simplify corporate structure and organisation*”, became effective as of 1 June 2014 and entailed a further share capital increase for Banco Popolare totalling Euro 300,582,215 through the issue of 19,332,744 new ordinary shares allocated to shareholders of Credito Bergamasco. In accounting terms, the cited exchange operation represents a transaction between shareholders in accordance with accounting standard IFRS 10 and therefore led to a reduction of minority shareholders’ equity (namely minority shareholders of Credito Bergamasco) and a corresponding increase in group equity of Euro 289.3 million. The net transaction costs directly related to the merger operation, which amounted to Euro 2.8 million, were deducted as a balancing entry from other reserves of shareholders’ equity. As a result of this operation, Common Equity Tier 1 Capital (“**CET1 Capital**”), a key indicator in the valuation of the level of capitalisation of a bank pursuant to Basel 3, was strengthened, as a component subject to a calculation threshold (minority shareholders’ equity) was replaced by a component which is not subject to a calculation threshold (share capital).

#### **Bank of Italy authorisation for the use of the internal model to calculate the capital requirement for operating risk**

In a notice dated 5 August 2014, the Bank of Italy informed Banco Popolare of its authorisation for the use of the internal model to calculate the capital requirement for operating risk (Advanced Measurement Approach – AMA). Banco Popolare had submitted a formal request in April 2014, accompanied by an implementation plan, in which the use of AMA methods is initially envisaged for the Parent Company and the subsidiaries Credito Bergamasco, Banca Aletti, SGS BP and BP Property Management, to be later extended to Aletti Gestielle SGR and to Banca Italease, on the basis of a gradual programme of application, which is envisaged to be completed by December 2015. The authorisation has been given for individual and consolidated reporting related to 30 June 2014, enabling the weighted risk assets resulting from the assessment of the above type of risk to be reduced and therefore guaranteeing a reduction in the capital requirement, estimated to be over Euro 100 million.

#### **The Results of the Comprehensive Assessment**

On 26 October 2014, the Supervisory Board and the Governing Council of the ECB approved the Final Report and Results of the Comprehensive Assessment exercise. The publication of the results at European level by the ECB and the EBA was followed by the publication of the results of the Italian banks participating in the exercise by the Bank of Italy.



On the basis of the actual figures taken from the disclosure submitted to the markets by the Bank of Italy, Banco Popolare passed the exercise by a wide margin, obtaining the following indicators:

- CET1 ratio post AQR of 11.50 per cent. compared to a minimum threshold required of 8.0 per cent. (a surplus of +350 b.p. corresponding to over Euro 1.8 billion);
- CET1 ratio post Stress Test impact conducted according to the baseline scenario of 10.26 per cent. compared to a minimum threshold required of 8.0 per cent. (a surplus of +226 b.p.);
- CET1 ratio post Stress Test impact conducted according to the adverse scenario of 8.29 per cent. compared to a minimum threshold required of 5.5 per cent. (a surplus of +279 b.p.).

As indicated by the ECB in its notice, the shortfalls that emerged as regards the equity situation of Banco Popolare as at 31 December 2013, have been totally recovered by the capital strengthening measures taken in the first half of 2014, including the share capital increase of Euro 1.5 billion completed in April 2014 and the sale of the foreign subsidiary BP Croatia, finalised in April 2014. The comprehensive assessment exercise, which Banco Popolare passed, with surplus regulatory capital estimated to be around Euro 1.2 billion, nevertheless represented the starting point for the supervisory activities performed by the ECB. In fact, the Supervisory Body invited the banks that participated in the exercise to conduct a careful analysis of the detailed results of the Asset Quality Review (“AQR”). This analysis, combined with further recommendations made by the Supervisory Body and considerations on the new competitive arena in which Banco Popolare will have to operate, are behind the significant negative economic results recorded in the fourth quarter of the year and illustrated below.

#### **The launch of the Single Supervisory Mechanism and the impact of the analysis of the Asset Quality Review results**

As requested by the Supervisory Body, in the fourth quarter, after receiving details of the AQR results from the ECB, Banco Popolare conducted an in-depth analysis of the prudential adjustments totalling Euro 1,603 million (gross figure before tax) emerging from the exercise. After establishing that almost all of the above-cited adjustments related to the level of coverage of credit exposures towards customers (Euro 1,561 million), taking the recommendations made by the Supervisory Body into due account, the existence of a significant “regulatory shortfall” (Euro 1.3 billion as at 30 September 2014) and given the new competitive scenario, it decided to make a series of interventions on the processes usually applied to classify and value loans, by adopting from the range of approaches relating to estimation processes permitted by the reference accounting standards, policies, models and valuation parameters that were partially different to those used prior to the preparation of the financial statements as at 31 December 2014. In line with that recommended by the Supervisory Body, the changes adopted were addressed to eliminating as far as possible the misalignment between valuations made for financial statement purposes and the so-called “ECB thresholds”. The changes introduced, together with the usual revisions of the estimates of expected losses on loans in light of more recent information that has become available, led to the recognition in the fourth quarter of 2014 of net value adjustments on loans of Euro 2.5 billion, generating, together with the recognition of the adjustments on goodwill and other assets, a net loss for the period of Euro 1.8 billion, which brought the loss for the year as a whole to Euro 1.9 billion.

Although the conservative valuation approach adopted had a significant negative impact on profitability for the period, it had a much lesser impact on CET1 Capital and the relative “fully phased” ratio. Against a loss in the fourth quarter of Euro 1.8 billion, “fully phased” CET1 Capital fell in the same period by only Euro 358 million and the CET1 ratio accordingly recorded a reduction of 35 bps, settling at 11.3 per cent. against 11.7 per cent. as at 30 September 2014.

This is due to the fact that credit exposures, based on prudential metrics, had already been valued at a lower level than the value allocated in the financial statements, by using the different rules envisaged by the reference accounting standards, giving rise to the so-called “shortfall”. The decision to increase the level of coverage of exposures in the financial statements with the consequent negative impact on the economic result for the year was therefore significantly offset by the cancellation of the shortfall. The same principle applies, even more so, to goodwill and the other intangible assets that have always been wholly deducted from regulatory capital ratios. In the end, the sacrifice in terms of profit resulting from the substantial full implementation of the quantitative indications emerging from the AQR, as regards valuation models – necessarily different to prudential ones – should be seen in the light of the Group’s different positioning in the new supranational competitive arena. The capital base continues to be particularly solid, even after having significantly increased the average level of coverage of credit exposures relating to both non performing and performing loans. The coverage ratio for the aggregate of non performing loans as a whole, including bad loans, which are partially derecognised, is 44.6 per cent. (showing a net increase both against the 37.6 per cent. recorded in December 2013 and against the 38.4 per cent. recorded in September 2014). The coverage ratio for performing loans also increased considerably, rising from 0.40 per cent. as at 31 December 2013 to the current 0.64 per cent. Excluding exposures relating to repurchase agreements, securities lending and related parties from the calculation, which are substantially risk-free, the coverage ratio rises to 0.73 per cent. against 0.46 per cent. as at 31 December 2013.

The following paragraphs illustrate the other main events which characterised 2014.

#### **Events relating to the process to simplify corporate structure and organisation**

##### **Merger of Credito Bergamasco into Banco Popolare**

###### *Verification of the Exchange ratio and decision on the formula for adjustment of the exchange ratio*

Following the approval of the share capital increase of Banco Popolare described above, at the meeting of 17 February 2014, the Board of Directors assessed the impacts of the same on the Exchange Ratio and, more generally, on the merger by incorporation of Credito Bergamasco into Banco Popolare resolved previously. Given that the final ratio could only have been expressly established at the end of the reverse share and share capital increase transactions underway at the time, after in-depth analyses conducted with the assistance of the advisor, the Board of Directors verified that the Exchange Ratio, on the assumption that the share capital increase and the related reverse share transaction are carried out, had been calculated on the basis of the following formula.

$$\text{Exchange Ratio} = [(1,763,730,870 + N) / 61,726,847 \times 1 / 3.935] \times 1 / \text{Reverse Share Split Ratio}$$

Where:

- (1) 1,763,730,870 = Banco Popolare shares issued at 14 February 2014;
- (2) “N” = new Banco Popolare shares issued for the share capital increase of Euro 1.5 billion;
- (3) 61,726,847 = Credito Bergamasco shares issued at 14 February 2014;
- (4) 3.935 = ratio of the absolute value attributed to Banco Popolare to the absolute value attributed to Credito Bergamasco by the Board of Directors of Banco Popolare;
- (5) reverse share split ratio for Banco Popolare shares: corresponding to 10, i.e. 1 new ordinary share with standard entitlement for each 10 existing ordinary shares, to be executed prior to the launch of the offer under option.

The final Exchange ratio, established according to the above formula, was set by the Board of Directors of Banco Popolare at a meeting held on 27 March 2014 as 1.412 ordinary Banco Popolare shares for each ordinary Credito Bergamasco share offered in exchange. None of the Credito Bergamasco shareholders exercised its right to withdraw.

On the effective date of the merger, 1 June 2014, Banco Popolare increased its share capital by a total amount of Euro 300,582,215, through the issue of 19,332,744 new ordinary shares allocated to Credito Bergamasco shareholders. The ordinary shares of Credito Bergamasco were withdrawn from trading as of 2 June 2014. The finalisation of the above operation marks the completion of the project to simplify the corporate and administrative structure, launched by Banco Popolare in 2011 with the integration of the network banks into the company. The integration of Credito Bergamasco lays the foundations for the full enjoyment of the benefits resulting from the reduction of corporate complexity by fully rationalising Banco Popolare's distribution network and reducing administrative costs, also resulting from centralising duplicate functions and tax burdens. On 22 September 2014, the IT migration of Credito Bergamasco to the target system of Banco Popolare was successfully completed and, on the same date, 9 branches of the Division were closed, as envisaged in the plan to rationalise the Group's branch network.

### **Merger of Banca Italease into Banco Popolare**

In a meeting held on 1 April 2014, the Board of Directors of the Parent Company approved the proposal for the merger by incorporation of Banca Italease into Banco Popolare, made at the end of 2013. On 28 March, the Shareholders' Meeting of Banca Italease, in extraordinary session, had resolved to approve the proposed merger and therefore to proceed with the incorporation of the same into Banco Popolare. The incorporation of Banca Italease will be performed with the simplified procedure envisaged by the Italian Civil Code for wholly-owned companies, insofar as Banco Popolare, following the transfer of the share of 14.657 per cent. of the share capital from Holding di Partecipazioni Finanziarie BP to the Parent Company finalised in April and the subsequent incorporation of Credito Bergamasco, in which Banca Italease held 2.923 per cent., currently holds 100 per cent. of Banca Italease's share capital. The merger, which did not result in any share exchange or issues of new shares by Banco Popolare, took effect as of 16 March 2015 in statutory terms, through the reintegration of the deed on the relevant company registers; while in accounting and fiscal terms, the effect of the merger was moved back to 1 January 2015. At the same time, the integration of Banca Italease into Banco Popolare, from an organisational and IT perspective is also envisaged, through the establishment of a "Leasing Division", directly reporting to the Managing Director.

### ***Merger of Aletti Trust into Aletti Fiduciaria***

On 31 March 2014, the merger by incorporation of Aletti Trust S.p.A. into Aletti Fiduciaria S.p.A. was finalised and is effective, for accounting and tax purposes, as of 1 January 2014. The merger took place without an exchange ratio, or cash payment, and did not entail any share capital increase for the incorporated company, insofar as both companies are wholly owned by the parent company Banca Aletti.

### **Merger of RI Investimenti Due into Sviluppo Comparto 8**

On 30 June 2014, the merger by incorporation of RI Investimenti Due S.r.l. into Sviluppo Comparto 8 S.r.l. was finalised. The merger, which took place without the exchange of shares or cash, resulted in the termination of the incorporated company, and the cancellation of its share capital; the merger is effective for accounting and tax purposes from 1 January 2014.

### ***Evolution of the network distribution model***

In 2014, the project pertaining to the evolved form of the network distribution model, to reduce customer service costs, among other benefits, was able to provide proof of its effectiveness with the implementation of the numerous measures, including:

- the introduction of a more flexible network distribution structure, with the use of a new “Hub and Spoke” model in about 70 per cent. of the Group network;
- the conversion of over 110 branches into “Business Branches” and the consequent elimination of 76 business centres in the BPV, BPL and BPN Divisions;;
- the closure of 9 business areas;
- the continuation of efforts to simplify and develop the chain of responsibility by adopting an approach of “Private Individuals” and “Enterprises”, abandoning the “Retail” and “Corporate” classification and centralising the management of Large Corporate customers (national and local) with revenues exceeding euro 250 million, previously in the hands of the Business Areas of the Departments, to the Business Department at Banco Popolare's Head Office.

A project to streamline the Group's Branch Network was also undertaken, relating to the closure of 114 branches belonging to Banco's four divisions, also considering the above-mentioned merger of Credito Bergamasco into the Parent Company.

Branches to be closed regarded those with a profile that meets one or more of the following conditions:

- territorial overlap with respect to other Group branches;
- limited contribution to net interest and other banking income, also due to its small size;
- location in isolated provinces with respect to the other branches;
- problematic credit situation.

At the end of the project to rationalise the Group's branch network as a whole, the net reduction made over the course of 2014 was 112 branches.

### **Events relating to the management of investments in subsidiaries, associates and joint ventures**

#### *Sale of the subsidiary Banco Popolare Croatia*

In January 2014 Banco Popolare and OTP Banka Hrvatska, a subsidiary of the Hungarian Group OTP, signed an agreement for the sale to the latter of the entire investment held by the Parent Company in the share capital of Banco Popolare Croatia d.d. The transaction, conditional to obtaining all the necessary authorisations from the competent supervisory authorities, envisaged the payment of a consideration of around 107 million Kunas (equal to about Euro 14 million) relating to the entire share held by Banco Popolare, equal to around 99 per cent. of the ordinary share capital. At the time of the preparation of the consolidated financial statements for the year ending 31 December 2013, the assets and liabilities belonging to the Croatian subsidiary were reclassified under “Assets and relative liabilities relating to disposals” aligning their total net value to the sale price, after the relative expenses. On 24 April 2014, after obtaining authorisation from the competent Authorities, Banco Popolare executed the contract of sale; a cash payment was received for the same. Following the sale, BP Croatia is no longer part of the Banking Group. The operation did not have an impact on the statement of financial position or income statement for the current year. In line with the strategies established by Group management, the above-illustrated operation completed the process of focusing on its core business of domestic banking, launched with the previous sales of subsidiaries in the Czech Republic, Romania and Hungary.

#### *Winding-up of Group companies*

On 24 January 2014, to complete the winding-up procedure, the striking off of the company Seefinanz AG in liquidation from the Commercial Register of Canton Ticino became effective. The strike-off was published in

the Swiss Official Trade Journal on 29 January 2014. On 31 March 2014, the winding-up of the associated company Phoenix S.p.A. (in liquidation), in which the Parent company held a 40 per cent. stake, was completed, following the striking off of the same from the Company Register of Verona, while in May, its 99 per cent. stake in the Irish subsidiary Royle West was wound up following the completion of the liquidation procedure. Lastly, in June 2014, the associated company Estates Capital Venture S.A. in liquidation, in which the Parent Company held 43.368 per cent. of share capital, was wound up, and was consequently struck off the Company Register of Luxembourg.

#### *Sale of Eurovita Assicurazioni and Finoa*

After obtaining the approval of the competent Authorities, on 30 June 2014, Banco Popolare, Aviva Italia Holding and Finoa executed the contract to sell 79.62 per cent. of Eurovita Assicurazioni S.p.A. to JCF III Eurovita Holdings S.a.r.l., a special purpose vehicle of the Private Equity Fund JC Flowers & Co LLC for a total consideration of Euro 47 million. The 77.55 per cent. stake in Eurovita's share capital, an insurance company that distributes its products through a widespread network of local and regional Italian banks, was the only significant asset of Finoa S.p.A., and was held jointly by Banco Popolare and Aviva. Banco Popolare also directly held a further share of 2.07 per cent. in Eurovita's capital. At the same time as the sale of Eurovita, Banco Popolare and Aviva started the procedure to wind up the joint venture in Finoa, through the initial distribution, in July, of the available reserves, which was completed in December with the distribution of all of the residual reserves to the shareholders. The distribution of the reserves made by Finoa to shareholder Banco Popolare totalled Euro 16.3 million. On 23 December 2014, Banco Popolare then sold its shareholding in Finoa, corresponding to 50 per cent. of share capital, to Aviva Holding, at a price of Euro 50,000. The entire operation did not have an impact on the statement of financial position or income statement, as the value of the shareholdings in Eurovita Assicurazioni and Finoa were already aligned to the sale price, net of accessory charges.

#### **Acquisition of equity investments for credit collection operations**

Following the signature of the new Restructuring plan for the Aedes Group on 23 December 2014, Banco Popolare purchased equity investments corresponding to 100 per cent. of the share capital of Manzoni 65 S.r.l., Sviluppo Comparto 2 S.r.l. and Terme Ioniche S.r.l. from Aedes through its subsidiary company Bipielle Real Estate. The original purchase price of the equity investments (corresponding to Euro 25 thousand, Euro 29 thousand and Euro 16.1 million) was paid by offsetting a receivable for the same amount held by Bipielle Real Estate vis-à-vis Aedes. This receivable had been assigned without recourse by Banco Popolare to Bipielle Real Estate on the same date. The equity investments acquired will be included in the scope of consolidation of consolidated companies using the line-by-line method and will contribute to the consolidated financial statements starting from 31 December 2014. The operation did not have any further negative impacts on the income statement for the year with respect to the value adjustments on loans that had already been recognised. Banco Popolare also acquired 25 per cent. of the share capital of Motia Compagnia di Navigazione S.p.A., following agreement to the closure of the "ex chapter 11" proceedings, filed with the Court of New York by Marco Polo Sea Trade BV. The allocation of the Motia shares, classified as an equity investment in an associated company, was made by means of a *datio in solutum* against a loan from Banco Popolare originally for Euro 25 million to Marco Polo Sea Trade, a credit position which was secured by a lien on the Motia shares. The book value of the above-mentioned shares, also based on an evaluation made by PricewaterhouseCoopers Advisory S.p.A., corresponds to zero. The operation did not have any further negative impacts on the income statement for the year with respect to the value adjustments on loans that had already been recognised.

## **Other events in the year 2014**

### **Exercise of put option on RCS Media Group S.p.A. ordinary shares**

On 18 February 2014, as a result of the Board of Directors resolution of 17 February 2014, Banco Popolare exercised the put option (“**Put Option**”), granted by Pandette Finanziaria S.r.l. (“**Pandette**”) to Banco Popolare concerning the sale of 3,870,900 ordinary shares of RCS Media Group S.p.A., (the “**RCS Shares**”) and therefore under the sale and purchase option contract signed by Banco Popolare and Pandette on 29 November 2006, and partially amended by the agreement signed on 21 February 2009. In the press release relating to the exercise of the Put Option, the sale price of RCS shares was established by Banco Popolare at Euro 113.5 million. With regard to the exercise of the Put Option, and until said option is settled, Banco Popolare boasts a receivable from Pandette corresponding to the consideration for the sale of the RCS Shares, recorded in the accounts under “financial assets held for trading”. In the summons notice dated 12 March 2014, Banco Popolare was summoned to appear before the court by Pandette, which is requesting confirmation that: (i) the excessively high amount charged by Banco Popolare as consideration for the transfer of the RCS shares be ascertained; (ii) the price for the transfer of the RCS Shares under the Put Option be re-established as Euro 31.4 million and (iii) Banco Popolare and Pandette are obliged to renegotiate the contractual terms. Please refer to the Notes to the Financial Statements, Part B, section 12 of Liabilities for further details. Based on the opinion of external legal experts engaged to protect its interests, Banco Popolare believes that there is only a remote risk of losing the abovementioned dispute, as it believes the quantification of the price that Pandette has stated it is willing to pay inconsistent and illogical. In the light of said consideration and of the valuation of the financial profile of the debtor, the receivable of Euro 113.5 million has been established existing in full and as recoverable.

### **Upper Tier II subordinated loan “Banca Caripe Euribor 6M + 0.50 per cent. 28/09/2006 – 28/09/2016”**

On 14 March 2014, the Official Receiver of Banca Tercas S.p.A. in Extraordinary Receivership, parent company of the Tercas Banking Group and the company that controls Banca Caripe S.p.A., holding a stake of 89.20 per cent. in the share capital of the same, informed Banco Popolare, underwriter of the subordinated bond loan issued by Caripe called Upper Tier II “Banca Caripe Euribor 6M + 0.50 per cent. 28/09/2006 – 28/09/2016” (the “**Bond Loan**”), of the suspension of the right of payment of the Bond Loan relating to the coupon currently becoming due (entitlement 28 September 2013 – 28 March 2014). According to the Official Receiver of Tercas, the decision not to pay Banco Popolare the interest on the current coupon was due to the serious situation of the losses recorded by Caripe as at 31 December 2013 and to the confirmation of capital ratios that are below the minimum regulatory thresholds for the continuation of banking activity. The subordinated bond loan with a nominal value of Euro 80 million is recorded in the statement of financial position under “Receivables due from banks”. Following the finalisation of the operation that entailed Banca Popolare di Bari obtaining control of Banca Tercas, as part of a recovery plan, which also involved the Interbank Deposit Guarantee Fund, the Extraordinary Receivership procedure against Banca Tercas and the subsidiary Banca Caripe was concluded on 30 September 2014. Following this operation, the above-mentioned receivable due to Banco Popolare from Banca Caripe became legally payable, both as regards the principal and the coupons that had matured and not been paid. At the present time, negotiations are underway with the new controlling shareholder to obtain the payment of the amount owed by Banca Caripe.

### **Change in substitute tax on the revaluation of the equity interest held in the Bank of Italy**

On 23 June 2014, Law no. 89 converting Italian Decree Law no. 66/2014 (“*spending review*”) was approved, on the basis of which the substitute tax rate for the revaluation of the stake in the Bank of Italy was re-established as 26 per cent., with respect to that of 12 per cent. established by Italian Law no. 147/2013 and taken as reference for financial year 2013 for the recognition of tax on income generated by the above-cited revaluation.

Based on the new legislative provisions, and on the income fully recognised in the previous year, the higher amount of Euro 14.5 million had to be deducted from the income statement in the second quarter of 2014. For further details, please consult the paragraph entitled “Accounting policies and uncertainties with regard to the use of estimates for drawing up the financial statements” in Part A of the Notes to the consolidated financial statements.

### **Agreements relating to employees**

In 2014, negotiations already launched in previous years continued. The purpose of these is to cut operating expenses, also making use of possible levers to cut labour costs by adopting measures to defend employment and with a view to generational renewal. Furthermore, these negotiations, closely related to the lines of action envisaged in the 2014-2016/2018 business plan, also entailed agreeing upon a series of measures that seek to achieve operating and production efficiency with a view to social sustainability in terms of the action taken *vis-à-vis* personnel. The numerous agreements signed since the beginning of the year, which are contributing to meeting the above objectives are illustrated below.

#### *Reduction of employment levels, organisational measures to rationalise the Network and to simplify the Group structure*

Agreements relating to cutting the workforce made on 23 January, 31 July and 26 November 2014, which also confirmed the use of part-time work, envisaged, on a voluntary basis, access to the extraordinary income support provisions of the sector Solidarity Fund, and the retirement of a very large category of workers (over 1000 resources), who meet the relative social security requirements, and who, with the exception of those who already left the company in 2014, will leave the company within a period of time consistent with the timing for the reduction of the workforce established in the current business plan. The agreements to reduce the workforce were made alongside specific understandings relating to the social and economic repercussions on workers following the measures to reorganise the network – both as a whole, by introducing the New Network Model (*Nuovo Modello di Rete*), and with regard to specific production companies located in specific areas (Sicily and Rome) – where a total number of 114 branches will be gradually closed. Measures to simplify the corporate structure, which entailed the merger of Credito Bergamasco and Banca Italease into Banco Popolare, also entailed negotiations to harmonise the economic and legislative arrangements already in place for employees that work in the companies merged, or to be merged, with those applied to Banco Popolare employees.

#### *Recruitment/Stabilisation*

The agreements reached in 2014 regarding the reduction of the workforce entail the implementation, in 2014 and 2015, of detailed plans to recruit and stabilise new young employees, setting a total maximum threshold of 325 resources once the objectives to reduce the workforce have been met, both with a view to generational renewal, and in order to better balance the territorial distribution of the workforce.

#### *Implementation of suspension from work measures with use of the ordinary provisions of the Solidarity Fund*

With regard to measures to safeguard employment, the suspension from work arrangements were agreed for the two year period 2014-2015 for all Group company employees which specifically envisages taking 2 days of compulsory suspension from work in 2014 and 1 day in 2015, as well as the option, on a voluntary basis, of taking further variable periods of suspension, based on the different categories of activation.

#### *Company bonus, outstanding holiday leave, accumulated hours and permits for bank holidays*

Although the agreement signed for the disbursement of the company bonus in 2015, necessarily had to take the economic situation of the industry into account, and therefore entailed a change to disbursement criteria, resulting in an average bonus which is lower than previous years, in any event it managed to ensure the

payment of amounts that can still be considered reasonable. At the same time as the Company Bonus was established, again in 2015, the full use of holiday leave, permits for bank holidays and accumulated hours is envisaged.

#### *Supplementary welfare*

Agreements relating to significant socially-oriented measures entailed the further development of the Group's complementary Welfare system, through the introduction of the so-called individual Welfare Account, related to the crediting of "figurative" amounts, both individual and corporate, with which each worker may access the following Welfare services:

- Supplementary pension arrangements;
- Healthcare;
- A.H. (Additional Healthcare);
- Instruction and Education.

The agreements drawn up in this regard also permitted further specific "figurative" amounts to be established, to be paid into the Welfare account and used for the above mentioned social services, benefitting from special treatment in terms of tax and social security contributions envisaged by the law.

#### *Funded training*

Again in 2014, negotiations continued with a view to funding training courses that are important and essential to the development of human capital and addressed to a very high number of workers, through a specific industry fund, called the "Bank and Insurance Company Fund".

#### *Video surveillance systems, traceability of bank transactions*

Negotiations regarding video surveillance and the traceability of bank transactions entailed the establishment of the respective agreements, which are standard and apply to all Group companies, enabling the rational and non onerous compliance with the requirements of art. 4 of the workers statute relating to guaranteeing the remote control of working activities.

#### *Detaxation of productivity pay*

The application of the tax break (so-called "detaxation") on productivity pay, within the new limits set by the relevant legislation in force was also confirmed for 2014, with the necessary agreement of the trade union.

### **Covered Bond transactions and securitisations**

For the existing Covered Bond ("CB") Programmes, Banco Popolare acts as the Issuing Bank of the CB and, following the merger of Credito Bergamasco into Banco Popolare, acts as the Bank Assigning the assets (pursuant to art. 7-bis of Italian Law no. 130 of 30 April 1999) and as sole Lending Bank.

Under the Residential CB Programme, following the redemption of the Fifth Series of the CB issued, which expired on 31 December 2013, for a nominal value of Euro 1.75 billion, on 8 January 2014, Banco Popolare issued the Seventh Series of CB for a nominal value of Euro 1.5 billion, at a floating interest rate (3m Euribor + 100 bps) maturing on 31 March 2016. The bond was entirely subscribed by Banco Popolare and used as collateral in refinancing operations with the ECB. On 31 March 2014, the Third Series of CB issued was fully redeemed for a nominal value of Euro 1.25 billion. On 19 September 2014, Banco Popolare issued the Eighth Series of CB for a notional amount of Euro 1.5 billion, at a floating interest rate (3m Euribor + 100 bps) maturing on 30 September 2017. Also in this case, the bond was entirely subscribed by Banco Popolare and used as collateral in monetary policy operations. Under this Programme, the bonds issued by Banco Popolare



and outstanding as at 31 December 2014 therefore amount to Euro 7.45 billion (the securities are listed on the Luxembourg Stock Exchange, rating assigned by Fitch “BBB+”, while the Moody’s rating is “A3”).

On 21 May 2014, Banco Popolare and Credito Bergamasco (“**Assigning Banks**”) sold a new portfolio of eligible assets (the ninth) to BP Covered Bond S.r.l. (the “**Covered Bond SPE**”) with a residual debt of Euro 866.3 million, comprised of residential and property mortgage loans originated by the Assigning Banks. To honour the purchase price of the loans portfolio, made on 30 June 2014, the Covered Bond SPE utilised available liquidity deposited in its current accounts at the London Branch of Banco Popolare. Following the latter assignment, the total residual value of the receivables sold to the Special Purpose Vehicle was Euro 10.1 billion as at 31 December 2014.

Under the Commercial CB Programme, following the full redemption of the First and the Second Series of the CB issued, which expired on 31 March 2014, for a total nominal value of Euro 1.7 billion, on 4 April 2014, Banco Popolare issued the Fourth Series of CB for a nominal value of Euro 1.5 billion, at a floating interest rate (3m Euribor + 30 bps) maturing on 2 July 2016. Therefore, the bonds issued by Banco Popolare under this programme and outstanding as at 31 December 2014 amount to Euro 1.7 billion (the securities are listed on the Luxembourg Stock Exchange, rating assigned by Moody’s “Baa2”, subscribed by Banco Popolare and used as collateral for refinancing operations with the ECB).

On 7 November 2014, Banco Popolare sold a new portfolio of eligible assets (the fifth) to the Covered Bond SPE with a residual debt of Euro 215.2 million, comprised of commercial and residential landed and mortgage loans originated by Banco Popolare itself. The purchase price was paid by the Covered Bond SPE on 2 January 2015 by using available liquidity deposited in its current accounts at the London Branch of Banco Popolare. On the same date of 7 November 2014, Banco Popolare also repurchased a portion of mortgage loans previously sold to the Covered Bond SPE and not “eligible” for a total residual debt of Euro 380.7 million, the payment for which was made on 2 January 2015 by offsetting the partial early repayment of the subordinated loan granted to the “Assigning Banks” to the SPE.

Lastly, in order to bring the level of cash below the threshold envisaged by Italian law on Covered Bonds, Banco Popolare asked the Covered Bond SPE to advance part of the subordinated loan in cash corresponding to Euro 220 million, in addition to that relating to the repurchase price on the non eligible mortgage loans. The date of the early repayment was 2 January 2015. The total residual value of the receivables sold to the Covered Bond SPE was Euro 2.1 billion as at 31 December 2014.

On 21 February 2014, the rating agency Moody’s, mainly due to the change in the rating for the outlook of Italian Government bonds from “negative” to “stable”, upgraded the rating attributed to the CB issued under the Residential Programme from “Baa2” to “Baa1” and that attributed to the CB issued under the Commercial CB Programme from “Baa3” to “Baa2”; furthermore, on 12 March 2014, following several changes to the rating method adopted, Moody’s further upgraded the rating of the Residential CB Programme from “Baa1” to “A3”.

Instead, with regard to securitisation transactions, on 27 May 2014, Banco Popolare and Credito Bergamasco (“**Originator Banks**”) sold a new portfolio of receivables resulting from mortgage, landed, agrarian and other loans disbursed to SMEs (Small Business Enterprises) to BPL Mortgages S.r.l. (“**BPL SPE**”), with a total residual debt of around Euro 1.8 billion (“**BPL Mortgages 7**”). To fund the purchase of the receivables, on 30 June 2014, the BPL SPE issued three classes of Asset Backed notes with limited recourse: a class of Senior Notes for a total nominal value of Euro 1.077 billion, listed on the Irish Stock Exchange, (rated “A2” by Moody’s and “A” by DBRS), a class of Mezzanine Notes for a total nominal value of Euro 269.3 million, listed on the Irish Stock Exchange, (rated “Baa2” by Moody’s and “BBB (Low)” by DBRS), and a class of unrated, unlisted Junior Notes for a total nominal value of around Euro 448.9 million. All of the classes of

notes were underwritten by Banco Popolare. Note that in August 2014, the Senior Notes were classified as allocable and were used by Banco Popolare for refinancing operations with the ECB.

With regard to the “BP Mortgages 1” operation, in February 2014 Fitch downgraded the Senior Note (Class C Notes) from a rating of “BBB+” to “BBB” and then, in November 2014, further downgraded the Senior Note (Class C Notes) from “BBB” to “BBB-” and downgraded the rating of the Senior Note (Class B Notes) from “AA+” to “AA”. With regard to the “BP Mortgages 2” operation, in November 2014, Fitch downgraded the Senior Note (Class B Notes) from “AA+” to “AA” and changed the outlook on Class A2 and Class C Notes from “Stable” to “Negative”. Furthermore, during the year, Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies Inc. (“S&P”) downgraded the rating of the Senior Note (Class A Notes) relating to “BPV Mortgages” operation from “A” to “BBB”, while the rating agency Fitch instead upgraded the Class C security of the Bipitalia Residential” operation from “BBB” to “A”. Following the downgrading of Banco Popolare in the previous year by Moody’s, in June and July 2014, with a view to maintaining the rating of the notes issued, several changes were made to the contractual documentation of the “BPL Mortgages 5”, “BPL Mortgages 6” and “Bipitalia Residential”, “BP Mortgages 2007-1” and “BP Mortgages 2007-2” operations, agreed with the relative rating agencies and with the noteholder representatives. For further developments which occurred in 2015, please see section “*Subsequent events after 31 December 2014*” below.

### **Exposure to the Sorigenia Group**

At the end of 2013, the Sorigenia Group announced to the group of banks that the market scenario had changed and that it was undergoing a situation of financial tension which meant that it was in difficulty in repaying its debts. In December 2013, Sorigenia informed the lending banks that it was drawing up a business and financial plan, with the help of its advisors, one of the aims of which was to identify ways of recapitalising and improving its economic and financial situation. The main features of the Plan, which is part of a debt restructuring agreement pursuant to art. 182 bis of the Italian Bankruptcy Law, are as follows:

- liberation from unpaid debts by the banks for a total of around Euro 600 million (Banco Popolare’s share of which corresponds to around 11.6 per cent.), of which around Euro 400 million by means of the assignment, without recourse of a part of the MLT receivables held by several banks against Sorigenia S.p.A. to a “Holdco” held by the banks in question, while the remainder through the conversion, by the group of banks, of medium-long term receivables into a 10-year convertible bond (as well as an option to further extend the deadline by 2 years);
- the postponement of the payment deadline to 2023 (in addition to an option of a further 2 years extension of the deadline) of the residual medium-long term debt of Sorigenia S.p.A., net of the amount of Euro 600 million subject to conversion, corresponding to a total of Euro 241 million;
- confirmation of the short-term credit lines for a total of around Euro 344 million;
- disbursement of a new loan during the Plan for a total of Euro 256 million;
- the postponement of the payment of debts due to SPE Sorigenia Power (2025 + an option of a further 2 year’s extension) and to Sorigenia Puglia (2021 + an option of a further 1 year’s extension), as well as below market level pricing.

Following the signature of the debt restructuring agreement under art. 182 of the Italian Bankruptcy Law, on 12 November 2014, Banco Popolare purchased a share of a nominal value Euro 1,665 for a total price of Euro 6,660, corresponding to 16.65 per cent. of the share capital of 8 Marzo 91 S.r.l. The remaining amount of the capital was purchased by a further five banks, which signed the Restructuring Agreement, with equal shares. When approval for the Restructuring Agreement for Sorigenia S.p.A. is received, envisaged for the first half of

2015, the company will obtain control of the same Sorgenia S.p.A., subject to the transformation of the same into a joint stock company and the subsequent issue of Participating Financial Instruments of which Banco Popolare will also be an assignee. Banco Popolare's exposure to the companies covered by the restructuring arrangement (namely, Sorgenia S.p.A., Sorgenia Power S.p.A. and Sorgenia Puglia S.p.A.) which as at 31 December 2014 totalled Euro 157.5 million, Euro 136.3 million of which in cash, Euro 20.5 in unsecured loans and Euro 0.7 million in derivatives. The above exposures in cash and unsecured loans have been classified as non performing restructured loans with total provisions of Euro 52.4 million. The exposure relating to the liberation arrangement is that of Sorgenia S.p.A., amounting to Euro 117.9 million as at 31 December 2014, Euro 97.4 million of which relate to two medium-long term pool loans and Euro 20.5 million to unsecured loans. The exposure to the other two companies, with total cash drawdowns of Euro 38.9 million (Euro +0.7 million in derivatives), instead regard the participation in two pool project financial arrangement to sustain part of the investment costs of two projects to construct thermoelectric power stations. For further developments which occurred in 2015, please see the section "*Subsequent events after 31 December 2014*" below.

### **Change in corporate offices**

The Shareholders' Meeting held on 29 March 2014, among other resolutions, appointed the members of the Board of Directors, including the Chairman and the Deputy Chairmen, who will remain in office for the three-year period 2014-2016. The following were elected: Carlo Fratta Pasini (Chairman), Guido Castellotti (Deputy Chairman), Maurizio Comoli (Deputy Chairman), Patrizia Codecasa, Giovanni Francesco Curioni, Gianni Filippa, Andrea Guidi, Maurizio Marino, Giulio Pedrollo, Enrico Perotti, Claudio Rangoni Machiavelli, Fabio Ravanelli, Cecilia Rossignoli, Sandro Veronesi, Franco Zanetta, Cristina Zucchetti, Pier Francesco Saviotti, Maurizio Faroni, Domenico De Angelis, Enrico Fusi, Cristina Galeotti, Valter Lazzari, Daniela Montemerlo and Tommaso Zanini.

The members of the Board of Statutory Auditors were also appointed: Pietro Manzonetto (Chairman), Maurizio Calderini, Gabriele Camillo Erba, Claudia Rossi, Alfonso Sonato and, as alternate auditors, Marco Bronzato and Paola Pesci. At the meeting held on 1 April 2014, the Board of Directors confirmed Pier Francesco Saviotti as Managing Director and appointed the members of the Executive Committee, the Internal Control and Risks Committee, the Emoluments Committee and the Appointments Committee. The Shareholders' Meeting also acknowledged the resignation of Board Director Giovanni Francesco Curioni. On 29 April 2014, to make up its quorum, the Board of Directors co-opted Luigi Corsi, who will remain in office until the next Shareholders' Meeting. Note also that on 11 June 2014, board director Enrico Fusi resigned; at a meeting held on 24 June, the Board of Directors resolved to co-opt Cesare Zonca, who will remain in office until the next Shareholders' Meeting. In compliance with the provision of the Articles, which came into force on 1 June 2014, raising the number of Executive Committee members from 6 to 7, at the same meeting, board director Zonca was appointed a member of said Committee.

### **Subsequent events after 31 December 2014**

#### **Exposure to Sovereign Risk as of 30 June 2015**

The central event characterising the economic and financial performance of peripheral European countries in the first half of the year was the eruption of the Greek crisis: the fall of the administration at the end of 2014 was followed by political elections on 25 January 2015 which brought an anti-austerity coalition to office. This immediately placed in doubt the agreements with the European Union to realise the macroeconomic adjustment programme to rebalance public finances, which is a prerequisite for the disbursement of the last tranche of aid from the European Financial Stability Facility, requiring an extension – until 30 June 2015 – to complete the aforementioned programme. The request was accepted by the Eurogroup on 20 February 2015.

Extended negotiations between the Greek administration and the European authorities began at that time. The Greek administration required a new, less burdensome and sustainable agreement for the weak Greek economy, while the European authorities, which were concerned with the consequences of relaxing the rigour of recovery actions, demanded that Athens comply with the central points of the previous agreement. The commitment, subsequently made by the Greek government, to propose a new list of structural reforms did not meet the requirements set out by the European authorities and no agreements were reached with creditors. The Eurogroup thus suspended the disbursement of the new tranche of aid. In early May, Greece paid the euro 750 million instalment due on the loan from the International Monetary Fund only thanks to an accounting artifice, using the SDR (special drawing rights) held by the same international organisation, while on 5 June 2015 it was unable to pay a euro 310 million instalment also due to the IMF. To give the parties time to come to an agreement on the new list of reforms, the IMF granted Athens an extension on all of its payments due to that organisation in June to the end of the month, corresponding to the expiry of the four-month extension of the bailout programme noted above.

Uncertainty increased significantly after no payment was made at the end of the month and negotiations with creditors and European institutions were suspended following the announcement of a surprise referendum called by the Greek authorities for 5 July 2015, which would pass judgement on the agreement plan presented by the European Commission, the European Central Bank and the International Monetary Fund during the Eurogroup meeting on 25 June 2015. The referendum results against the agreement and other developments in subsequent weeks drove volatility on Eurozone financial and equity markets to higher levels.

However, market turbulence did not significantly impact the risk premiums required on the sovereign securities of peripheral countries. The inevitable increase remained limited on the whole thanks to the ECB's monetary policies, broken down over a broad range of instruments, including extraordinary measures. The ECB's monetary policies leveraged successfully on the one hand, the recent positive results of reforms implemented by individual countries and the improved situation especially in Spain, and on the other hand, the progress made in the area of governance at European level.

Although the resumption of negotiations was full of obstacles and characterised by particular complexity, they finally led to an agreement between Euro area leaders and Greece on 13 July 2015. This required the Greek Parliament's approval of a package of particularly rigorous and detailed measures, which were passed partially on 15 July 2015, as a condition for the initiation of negotiations relating to a third bailout. After the agreement was announced, financial market conditions improved considerably and volatility started quickly to wane.

Despite the intensity of Greek economic and financial difficulties, which have at times led some experts to surmise about the country's exit from the Monetary Union, the government security markets of other peripheral European countries were not impacted, and tensions have remained under control. Indeed, in the first half of the period the positive trend that characterised sovereign debt prices of the peripheral European countries starting in September 2012 gained further strength and, with the exception of Greece, sovereign returns continued to converge towards the benchmark represented by German government securities.

In detail, until halfway through the period and with the exception of Greek securities, average spreads with the ten-year German Bund narrowed further compared to the end of 2014: Spanish securities reached the period minimum of 88 b.p. on 6 March 2015 and Portuguese securities reached a minimum of 109 b.p. on 16 March 2015, when the spread of ten-year Italian BTP securities also reached its lowest level of 90 b.p. The spread with Irish securities continued on the contrary to decrease until it reached 33 b.p. on 5 May 2015. After a few weeks of mounting tensions accompanying the increasing uncertainty about the Greek crisis and in particular after the payment defaults to the International Monetary Fund and the interruption of negotiations with the European authorities, spreads increased with a certain rapidity and reached, in almost all cases, period highs: the spreads of Spanish and Portuguese sovereign securities reached 160 and 240 b.p.,

respectively, on 15 June 2015, the spread of ten-year Italian securities reached 155 b.p. on 29 June 2015 and, lastly, the spread of Irish government securities reached 72 b.p. on 30 June 2015. The spread of Greek government securities reached 1463 b.p. on this last date.

As noted previously, only around mid-July when an agreement was reached between the Greek government and the European authorities did spreads begin to quickly decrease once again towards more balanced levels.

The Group's total exposure in sovereign debt securities as at 30 June 2015 was euro 18,835.6 million, and is provided below, broken down by country (in thousands of euro):

<b>Countries</b>	<b>Debt securities</b>	<b>Loans</b>	<b>Total</b>
Italy .....	18,647,739	176,783	18,824,522
Austria.....	1,600	—	1,600
Other EU countries.....	1,875	—	1,875
<b>Total EU Countries .....</b>	<b>18,651,214</b>	<b>176,783</b>	<b>18,827,997</b>
USA .....	7,526	—	7,526
Argentina.....	64		64
Total other countries.....	7,590	—	7,590
<b>Total.....</b>	<b>18,658,804</b>	<b>176,783</b>	<b>18,835,587</b>

More specifically, the exposure is represented by:

- loans granted to the Italian State of euro 176.8 million;
- debt securities issued by central and local governments of euro 18,658.8 million, euro 18,651.2 million of which was issued by EU Member States. This position is mostly held by the Parent Company Banco Popolare which, as at 30 June 2015, held a total of euro 16,843.3 million related to Italian Government securities.

The tables below provide more detailed information on the breakdown of the exposure in debt securities to EU countries, which represented nearly the entire exposure, by accounting portfolio, residual life brackets and fair value hierarchy.

### **Exposure to the Sorgenia Group**

The restructuring agreement for the total debt of the Sorgenia Group was endorsed in February 2015. During the first quarter of 2015, implementing the provisions of the restructuring agreement, Banco Popolare subscribed its portion of the share capital increase of Nuova Sorgenia Holding S.p.A. (formerly 8 Marzo 91), as well as the participating financial instruments of Euro 110,000, which were posted under financial assets available for sale at a fair value of zero. Moreover, Banco Popolare subscribed the “Convertendo” bond loan (Class A bonds) issued by Sorgenia S.p.A. in a nominal amount of Euro 23.1 million by offsetting the amount using receivables of the same amount due from said company, recording the loan under financial liabilities designated at fair value through profit and loss as at 31 March 2015. The difference between the nominal value of the receivable and the fair value of the instruments acquired was posted to losses on receivables and covered using provisions for value adjustments previously allocated and, in any event, with no impacts on the Group's quarterly income statement. Lastly, Banco Popolare transferred a portion of the residual payables due

to Sorgenia S.p.A. to Nuova Sorgenia Holding S.p.A. for a total of Euro 46.1 million, along with the provisions for value adjustments to ensure net exposure in line with the fair value of the receivable, as established by the fairness opinion for the restructuring plan. As at 30 June 2015, the exposure of the Banco Popolare Group to the companies Sorgenia S.p.A. and Nuova Sorgenia Holding S.p.A. amounted to a total of Euro 107 million, of which Euro 81.1 million in cash and Euro 25.9 million unsecured, with value adjustments of Euro 36.3 million and Euro 4.7 million, respectively.

### **Events relating to the process to simplify corporate structure and organisation**

#### **Merger of Banca Italease into Banco Popolare**

Banca Italease S.p.A and Banco Popolare, in execution of the resolutions of the Extraordinary Shareholders' Meeting of Banca Italease S.p.A. and of the Board of Directors of Banco Popolare, signed the deed of merger by incorporation of the subsidiary Banca Italease S.p.A. into the Parent Company Banco Popolare on 9 March 2015.

The merger, which did not result in any share exchange or issues of new shares by Banco Popolare, took effect as of 16 March 2015 in statutory terms, through the registration of the deed on the relevant company registers; while in accounting and fiscal terms, the effect of the merger was moved back to 1 January 2015.

At the same time, the relative organisational and IT integration activities were completed, and the Leasing Division, reporting directly to the Chief Executive Officer, was established within the Parent Company.

In particular, the following responsibilities were assigned to the Leasing Division:

- overseeing the credit risk underlying the portfolio of loan transactions originated by Banca Italease;
- implementing organised governance, policy-making and control activities for the same portfolio;
- coordinating the companies formerly controlled by Banca Italease (Release S.p.A. and Italease Gestione Beni S.p.A.);
- providing the outsourced services previously provided by Banca Italease to Release S.p.A. and Alba Leasing S.p.A.

#### **Evolution of the network distribution model**

Continuing with the distribution network streamlining and optimisation efforts started in previous years, in 2015 network-related activities continue to be carried out to implement the Project to develop the distribution model.

In this context, the decision was made to close the London branch, the activities of which have been gradually reduced in recent years and now include mostly administrative duties carried out for Banco Popolare and the subsidiaries.

The United Kingdom's entry into the SEPA has made it easier for Italian companies to make payments directly from Italy. In addition, it is now less or no longer necessary to identify counterparties on the London market to meet liquidity requirements. These factors were at the basis of the decision to close the branch by the end of this year.

The required disclosures are being provided to customers and institutions in accordance with a communications plan. Institutional communications are sent to the UK institutions concerned (FCA Financial Conduct Authority, PRA Prudential Regulation Authority and Companies House) as well as Italian institutions (Bank of Italy and Chamber of Commerce).

As regards customers, the accounts of most local customers will be closed. For the remaining customers, consisting mainly of residents of Italy, the accounts will be transferred from London to the Italian network.

However, since this is a bank branch, no contract novation will be required for the accounts to be moved to Italy, as this is merely an accounting re-assignment from one operating unit to another.

#### **Events relating to the management of investments in subsidiaries, associates and joint ventures**

##### **Winding-up of Group companies**

In March 2015 the subsidiary Verona e Novara (France) in liquidation was struck off the Paris Trade and Companies Register and expunged from the Banco Popolare Group, following completion of the liquidation procedure. On 19 February 2015, the subsidiary's shareholders' meeting approved the final liquidation financial statements as at 31 December 2014 along with the voluntary arrangement plan which envisages distribution of net assets to the shareholders. The portion received by Banco Popolare in relation to shares held amounts to Euro 2.9 million. This operation did not have an impact on the statement of financial position or the income statement for the quarter insofar as the consolidated book value of the subsidiary was in line with the outcome of the liquidation procedure.

The liquidation of Italfinance RMBS S.r.l. was completed through the strike off of the company from the Trento Company's Register on 23 January 2015, following the approval of the final liquidation financial statements on 23 December 2014.

Lastly, in January 2015, the liquidation of the associated company Alfa Iota 2002 S.r.l., in which Banco Popolare held a 35 per cent. stake was completed with the cancellation of the company from the Company Register.

These operations also had no impact on the statement of financial position or income statement, as the value of the shareholdings was already aligned with the pro-rata shareholders' equity values in the final liquidation financial statements.

##### **Preliminary agreement signed for the partial disposal of the shareholding in Istituto Centrale delle Banche Popolari**

On 19 June 2015, Banco Popolare, Credito Valtellinese, Banca Popolare di Vicenza, Veneto Banca, Banca Popolare dell'Emilia Romagna, Iccrea Holding, Banca Popolare di Cividale, UBI Banca, Banca Popolare di Milano, Banca Sella Holding and Banca Carige entered into an agreement for the sale to Mercury Italy S.r.l. (SPE indirectly invested in by Bain Capital, Advent International and Clessidra SGR funds) of 85.29 per cent. of the share capital held in Istituto Centrale delle Banche Popolari Italiane S.p.A. (ICBPI). The price will be determined based on a valuation of 100 per cent. of the share capital of ICBPI, of euro 2,150 million or euro 2,000 million, depending on which of two transaction structures is chosen.

According to the agreement, Banco Popolare will transfer 13.876 per cent. of the share capital of ICBPI and will keep an equity investment of 1.5 per cent. Overall, the selling banks will keep an equity investment of 8.40 per cent. of the share capital of ICBPI, with the exception of Banca Popolare di Vicenza, Veneto Banca and Banca Carige, which will transfer their entire equity investments. According to the agreement, the selling banks will enter into a shareholders' agreement with Mercury Italy containing the governance rules and regulations of the ICBPI share circulation regime. Amongst the various exit options, the shareholders' agreement also envisages the granting of put options to the banks that have kept an equity investment in ICBPI, which may be exercised individually by each of the aforementioned banks starting in the fifth year at fair market value.

The completion of the sale is subject to authorisation by the competent authorities.

If the sale is completed for a price proportionate with a valuation of ICBPI of euro 2,000 million, Banco Popolare will recognise a profit from the disposal of approximately euro 140 million net of taxes. If the valuation of ICBPI is euro 2,150 million, the profit from the disposal is estimated at approximately euro 160 million net of taxes.

In order to draw up these interim financial statements, the value of the equity investment in ICBPI has been adjusted to account for the change in fair value that has been identified on a prudent basis, based on the lower of the two values at which the sale may be finalised.

### **Other Events in 2015**

#### **Banco Popolare fully complies with the minimum capital ratios required by the European Central Bank**

On 25 February 2015 the ECB notified Banco Popolare of its final decision on the minimum capital ratios to be complied with by the bank on an ongoing basis. The decision is based on Article 16 (2) (a) of EU Regulation no. 1024 of 15 October 2013, which confers on the ECB the power to require any supervised bank to hold own funds in excess of the minimum capital requirements laid down by current regulations. The minimum ratios required by the Regulator are a Common Equity Tier 1 ratio (CET1 ratio) of 9.4 per cent. and a Total Capital Ratio of 10.5 per cent. The current level of own funds enables Banco Popolare to fully comply with the Regulator's requirements, both with respect to the calculation rules currently applicable in the transition period, as well as when the new capital requirements shall apply in full.

#### **Strategic agreement finalised for real estate assets**

In May 2015, Banco Popolare entered into a strategic partnership agreement with Coima and Hines Italia SGR for the valuation of the Group's non-core real estate assets associated with capital markets activities and for the possible establishment of SPEs to be involved in the valuation process.

This agreement, which represents an innovative pilot project within the banking sector, regards around 60 high-value property units of significant size.

In particular, a long-term property valuation plan will be defined following an initial analysis phase. The plan is expected to be completed in the last quarter of 2015 and will then be submitted to the Banco Popolare decision-making bodies for approval.

For this reason, Banco Popolare and Coima have established a Real Estate Strategies Committee consisting of the Banco Popolare Operations Department head (Mr Ottavio Rigodanza), the Banco Popolare Leasing Division head (Mr Maurizio Riccadonna) and the Coima Chairman and Hines Italia SGR Chief Executive Officer (Mr Manfredi Catella). The committee reports directly to the Banco Popolare CEO (Mr Pier Francesco Saviotti).

In summary, the Committee has the following main functions:

- assessing and approving recommendations proposed by operating working groups;
- submitting the strategic and most important transactions relating to the execution of the Long-Term Valuation Plan to the CEO or to the Board of Directors of Banco Popolare for approval;
- assessing proposals for the valuation and possible sale of individual property units;
- assessing proposals to update the Long-Term Valuation Plan.

In the future, Coima and Hines Italia SGR plan to identify, along with Banco Popolare, domestic and international investors that may therefore participate in the aforementioned Long-Term Valuation Plan.



### **Agreements relating to employees**

The resumption of negotiations in the Group – which had remained suspended for the entire first quarter of the year, pending a difficult renewal of the National Labour Agreement which was signed by the Banking Association and the national trade unions only on 31 March 2015 – involved an agreement entered into on 3 April 2015 concerning the Solidarity Fund for managing redundant staff.

This agreement envisaged, on a voluntary basis, the acceptance of 74 requests for extraordinary benefits in addition to the maximum of 200 participants established in the previous agreement of 26 November 2014. In relation to this increased participation, the youth employment plan involving 100 units already planned for 2015 was re-determined to the extent of one new hire for every three departures, with a view to generational turnover and with particular attention dedicated to areas that are short on staff.

The continuation of negotiations subsequently made it possible to enter into two additional agreements on 13 May 2015: the first regarded the financing of a training plan (“Supporting change and promoting excellence”) dedicated to a large segment of workers; and the second relates to facilitated financial conditions for employees, containing some amendments to the group’s regulations on this topic (introduction of minimum rate levels for mortgages and a new type of mortgage for purchasing a first home, for the children of employees).

Also on 13 May 2015, the parties entered into a specific “project agreement” to launch an important and complex negotiation aiming primarily to adjust a series of regulatory and economic arrangements, with a view to employment protection and the development of the company’s competitiveness, to attenuate the particularly evident structural and business redundancies – in terms of cost, number and average age – relating to Middle Managers.

As explained in more detail in the section dedicated to significant events after the end of the period, the prerequisites and purposes of the aforementioned negotiation were formally agreed upon in the general memorandum of understanding of 23 July 2015.

### **Assignment without recourse of bad loans**

In June 2015, Banco Popolare formalised the assignment without recourse of a portfolio of unsecured bad loans, including around 17 thousand positions for a total nominal value of approximately euro 210 million.

The assignment was completed en bloc pursuant to Law 130/1999 and for the Banco Popolare Group it entails the real and definitive transfer of credit risk associated with the transferred items.

The portfolio was acquired by Marte SPV, an SPE owned by Hoist Finance, one of the most important pan-European financial institutions in the non performing loans market, which is listed on the NASDAQ Stockholm.

The transaction had no negative impact on the income statement for the period.

### **Partial outcomes of some legal disputes**

Banco Popolare has had a dispute ongoing with the Tax Authority for several years regarding notices of assessment issued in 2011 whereby the Tax Authority challenged the deductibility of part of the costs incurred by the former Banca Popolare Italiana in 2005. The Authority claims that the costs are not deductible as they are generically associated with the criminal offences claimed in relation to the attempted take over of Banca Antonveneta. The Tax Authority’s claim, which amounts to euro 56.8 million in higher taxes (plus fines of euro 113.7 million) was based on an illegitimate extensive interpretation of the provisions of article 14, paragraph 4 bis of Law no. 573/1993 and, from the procedural perspective, was made via the issue of payment orders after the statute of limitations set forth for the exercise of tax assessment activities. The Company, trusting that its defence is well-grounded, initiated a formal dispute.

On 19 May 2015, the second section of the Milan Regional Tax Commission rejected the appeal and confirmed the legitimacy of the tax claim.

An analysis of the order and the content of the ruling shows that the Commission's decision on the merits of the case contains no specific justification and is based on a mere reference to the Tax Authority's claims, with no express indication of the reasons for its decision not to accept the precise arguments laid out in support of the appeal.

Therefore, Banco Popolare is deeply convinced that the interpretation of the Tax Authority endorsed by the Commissions is illegitimate, and in this Banco Popolare is also supported by the opinion provided by authoritative professionals and advisors. This conviction is based on the fact that the Tax Authority claims non-deductibility based on a generic association of the costs with the Antonveneta transaction, but fails to identify, as is required by the reference regulation, a specific and qualified direct causal link between such costs and the criminal acts committed during the attempted take over of Banca Antonveneta. In addition, in this case, the Tax Authority evidently self-servingly applied the regulation relating to the doubling of the statute of limitations by alleging that the crime of submitting an inaccurate tax return had been committed, only in order to make its groundless tax assessment claim after it should have been legally allowed to do so. Indeed, the criminal proceedings launched with reference to the alleged crime of submitting an inaccurate tax return have been definitively completed with the absolution of the party that signed the tax return in that "there is no case to answer".

For those main reasons, Banco Popolare continues to believe that the Tax Authority's claim lacks any justification and therefore it granted a mandate to its lawyers to prepare an appeal to be submitted to the Supreme Court.

While the ruling in the dispute described is not definitive, a favourable ruling has been handed down in the criminal proceedings for the crime of false corporate reporting in the 2008 half-yearly financial statements of Banca Italease against the former members of the Executive Committee – Lino Benassi, Massimo Mazzega, Massimo Minolfi, Mimmo Guidotti and Massimo Luvie – and the Company itself. Indeed, the Milan Court of Appeal fully overruled the conviction handed down in the first instance, in that "there is no case to answer". With the full absolution, Banco Popolare's potential liability was also eliminated, which the judge in the first instance had quantified at more than euro 61 million.

### **Covered Bond transactions and securitisations**

As part of the Residential CB Programme, on 5 March 2015 Banco Popolare issued the Ninth Series of CB with a nominal value of euro 1 billion, fixed-rate coupon of 0.75 per cent. (0.803 per cent. only for the first coupon payable as at 31 March 2016), maturity on 31 March 2022, subscribed by institutional investors. Following this last issue, the bonds issued and outstanding under this Programme as at 30 June 2015 therefore amount to euro 8.45 billion (the securities are listed on the Luxembourg Stock Exchange, rating assigned by Fitch "BBB+", while the Moody's rating is "A2"). The total residual value of the receivables sold to the Special Purpose Entity was euro 9.5 billion as at 30 June 2015.

During the period there were no new issues of Covered Bonds under the Commercial CB Programme. Therefore, the bonds issued and outstanding as at 30 June 2015 amount to euro 1.7 billion (the securities are listed on the Luxembourg Stock Exchange, rating assigned by Moody's "A3", subscribed by Banco Popolare and used as collateral for refinancing operations with the ECB). The total residual value of the receivables sold to the Special Purpose Entity was approximately euro 2 billion as at 30 June 2015.

In May 2015, Moody's increased the Residential CB Programme rating from "A3" to "A2" and the Commercial CB Programme rating from "Baa2" to "A3".

On 19 May 2015, Fitch announced the downgrading of the long-term rating of Banco Popolare from “BBB” to “BB” and of short-term rating of Banco Popolare from “F3” to “B”.

Further to such downgrading, in accordance to a consent letter dated 14 August 2015, on the basis of the instructions received pursuant to an extraordinary resolution of the Covered Bondholders adopted on 13 August 2015, the Representative of the Bondholders gave its written consent to the Guarantor to amend certain transaction documents of the Programme. On 25 September 2015, such transaction documents were amended in line with the instructions received pursuant to the extraordinary resolution of the Covered Bondholders.

Furthermore, on 25 September 2015 some amendments were made to the transaction documents for both the Programme and Commercial CB Programme in order to, *inter alia*, terminate the appointment of Banco Popolare Soc. Coop London branch, as account bank for the purpose of the transaction account and to appoint Banco Popolare Soc. Coop. as account bank for the purpose of the transaction account.

However, as regards securitisation transactions, in support of the transactions “BP Mortgages 1” and “BP Mortgages 2” in order to safeguard the rating of the senior notes issued, pursuant to the resolution of the Board of Directors of 27 January 2015, on 17 March 2015 Banco Popolare repurchased (settled on 24 March) a part of the non performing loans, an option envisaged in the contract, so as to transfer the funds needed by the Special Purpose Entity to bring the cash reserves of both operations back up to the target level and to eliminate the shortfall created in the structure of the “BP Mortgages 1” operation. Furthermore, on 10 April 2015 several amendments were made to the contractual documentation for the “BP Mortgages 1” and “BP Mortgages 2” transactions. In particular, the minimum rating level for the definition of “Eligible Institution” was changed from “A1+” to “A1” by S&P to allow the counterparty Bank of New York (Luxembourg) S.A., Italian Branch (“BONY”) to stay in the role, among others, of custodian bank of some accounts of the Special Purpose Entity. Following this amendment, S&P confirmed the rating of the securities issued.

During the first half of the year, Moody’s upgraded the ratings of several securities of securitisation transactions of the SPEs BPL Mortgages S.r.l., BP Mortgages S.r.l. and Bipitalia Residential S.r.l. The action taken on the rating reflects the updating of the method applied to structured finance operations, which specifically implements the improvement in the valuation of country risk for Italy, announced by Moody’s in January 2015. In particular, Moody’s upgraded the Senior Note of the BPL Mortgages 5 operation from “A2” to “Aa2”, the Senior Note of the BPL Mortgages 6 operation from “A2” to “A1” and, with reference to the BPL Mortgages 7 operation, upgraded the rating of the Senior Note from “A2” to “A1” and of the Mezzanine Note from “Baa2” to “A3”. As regards the BP Mortgages 2 operation, Moody’s upgraded the Class A2 Note from “A2” to “Aa2”, the Class B Note from a rating of “Baa1” to a rating of “A1” and the Class C Note from a rating of “Baa3” to a rating of “Baa1”. Lastly, with reference to the “Bipitalia Residential” securitisation transaction, in April 2015 Moody’s upgraded both Class A2 and Class B Notes from “A2” to “A1” and increased the rating of Class C Notes from “Baa1” to “A3”.

In July 2015, Moody’s upgraded the “Mezzanine Note” of the BPL Mortgages 7 transaction from “A3” to “A1”.

In July 2015, in the context of a corporate reorganisation of Banco Popolare Group, several amendments were made to the transaction documents of the “BPL Mortgages 5”, “BPL Mortgages 6” and “BPL Mortgages 7” transactions in order to terminate the appointment of Banco Popolare Soc. Coop London branch as account bank for the purpose of the cash reserve account and to appoint Banco Popolare Soc. Coop. as account bank for the purpose of the cash reserve account.

Furthermore, for both securitisation operations “BP Mortgages 1” and “BP Mortgages 2”, in February 2015, following several updates of the criteria used to assign ratings, S&P downgraded the Class B Note from a rating of “A+” to “A” and upgraded the rating of the Class C Note from “BBB” to “BBB+”.

Lastly, in February 2015, S&P downgraded the Class A Senior Note of the securitisation operation “BPV Mortgages” from “BBB” to “BBB-”.

### **Reform of the Italian banking system**

Law No. 33 of 24 March 2015 (the “**Law 33/2015**”) has converted into law the decree No. 3 of 24 January 2015 aimed, *inter alia*, at reforming and modifying the legal framework applicable to the Italian mutual banks (*banche popolari*), providing amendments to the Banking Law (the “**Italian Mutual Banks Reform**”). In particular, Section 1 of Article 1 of the Law 33/2015 establishes that in cases where the assets of the *banche popolari* exceed the threshold of Euro 8 billion (the “**Threshold**”) the relevant *banca popolare* shall, within one year from the occurrence of such event, resolve to: (a) reduce its assets; (b) transform into a joint stock company; or (c) wind-up. Currently Banco Popolare’s assets exceed the Threshold, meaning that Section 2 of Article 1 of the Law 33/2015 applies, which provides that the *banche popolari* that exceed the Threshold at the date of the entering into force of the Law 33/2015, must comply with its provisions within 18 months starting from the entering into force of the measures to be issued by the Bank of Italy implementing the Law 33/2015.

The Bank of Italy has issued the measures to implement the Law 33/2015 on 9 June 2015 with effect from 27 June 2015.

### **Rejection of refund of tax credit**

On 22 July 2014, Banco Popolare was served, by the Tax Authority, Provincial Headquarters of Novara, with 2 refund rejection notices regarding IRPEG and ILOR credit for which Banca Popolare di Novara s.c.a.r.l. had requested a refund for 1995, prior to the merger with Banca Popolare di Verona, SGSP s.c.a.r.l. which established Banco Popolare di Verona e Novara s.c.a.r.l. The credit rejected, recognised in the financial statements as at 31 December 2014, amounts to a total of Euro 86.5 million, Euro 52.6 million of which as principal and Euro 33.9 million of which is interest accrued. Considering that the grounds stated by the Tax Authority are totally illegitimate and groundless, on 5 November 2014, the company submitted an appeal against said measures before the competent Tax Commission. The hearing to discuss the disputes before the Provincial Tax Commission was held on 7 April 2015.

With ruling filed on 30 April 2015, the Provincial Tax Commission accepted both (combined) appeals, also ordering the Tax Authority to pay legal fees.

### **Risks associated with current disputes with the Tax Authority**

Banco Popolare, the companies that merged to form it, the incorporated subsidiary companies and the subsidiary companies underwent various inspections by the Tax Authority in 2015 and in previous years. These activities concerned the taxable income declared for the purpose of income tax, VAT, registration tax, and more generally the manner in which the tax legislation in force at the time was applied. As a consequence of said inspections, the Banco Popolare Group is involved in numerous legal proceedings. The potential liabilities relating to tax disputes underway that involve Banco Popolare and its subsidiaries amounted as at 30 June 2015 to Euro 398.7 million, of which Euro 383.2 million relate to notices of assessment, tax demands and payment notices and Euro 15.7 million relate to formal reports on findings served. In this regard, note that the estimate of these potential liabilities relating to the notices of assessment does not usually consider any interest, while the estimate of potential liabilities relating to formal reports on findings does not usually include interest or fines, insofar as they are not indicated in the latter document. As at 31 December 2014, the claims of the Tax Authority resulting from the notices of assessment and the formal reports on findings served amounted to Euro 483.7 million.

### **Inspections underway as at 30 June 2015**

As at 30 June 2015, no inspections were in progress against Banco Popolare or its subsidiaries.

## **Related risks and inspections**

Following an inspection, with note dated 6 November 2014, Consob informed the Issuer that it had detected possible irregularities in relation to the provision of investment services, with specific regard to the management of conflicts of interest and the adequacy assessment. In January 2015, the Issuer submitted to Consob its counter arguments for each of the presumed irregularities.

During the first quarter of 2015, the Supervisory Authorities concluded and/or launched several inspections of the Issuer. One inspection concerning the remuneration and incentive systems was concluded. On conclusion thereof, the Bank of Italy formulated several findings and observations, for which the Issuer provided its own considerations in April 2015. On 31 January 2015 the ECB initiated an inspection on risk management and the risk monitoring system, understood as relating to interest rate risk on the banking book and liquidity risk of the Issuer. This inspection is still underway. On 29 January 2015, the Bank of Italy launched a different inspection concerning aspects of compliance in relation to the transparency of the Issuer, which is currently underway.

## **Issue of the euro 1 billion senior bond maturing in July 2020 completed successfully**

Banco Popolare successfully placed a 5-year senior bond issue with institutional investors as part of its EMTN programme for the figure of euro 1 billion.

The operation, initially announced with a return corresponding to the 5-year mid-swap rate plus a spread of 260 basis points, was priced at the mid-swap rate plus 240 basis points, due to the significant demand, the numerous orders recorded (more than 350 orders for a total amount of more than euro 4.5 billion) and its excellent quality, with an especially high and qualified participation of asset managers, insurance companies and banks of international standing.

The largest allocations regarded investors from European countries, in particular the United Kingdom (approximately 45 per cent.), Germany and Austria, France, Spain and Portugal, and Switzerland as well as those from the domestic market (approximately 23 per cent.).

The funds collected, which will be used for current operations, will contribute to strengthening the Group's already excellent liquidity position and extending the debt maturity.

## **Right to withdraw exercised with respect to the equity investment in Arca SGR**

On 4 August 2015, Banco Popolare exercised the right to withdraw with reference to the investment held directly and indirectly in Arca SGR, equal to 19.90 per cent. of the share capital and represented by 9,950,000 shares recognised in the consolidated financial statements and forming part of the financial assets available for sale portfolio. It was possible to exercise the right to withdraw as a result of the Arca SGR Extraordinary shareholders' meeting resolution of 23 July 2015, registered in the Milan Companies' Register on 24 July 2015, which entailed, inter alia, the launch of a significant corporate and industrial review of the investee. The operation involves the contribution of the business unit that provides collective asset management services to a newly incorporated joint stock company (Nuova Arca), wholly owned by the current Arca SGR, which would as a result be transformed into a holding company. The transaction also involves amending the corporate purpose and eliminating the share possession limit currently in place.

The shareholders' meeting resolution shall become effective only if specific events take place. Aside from obtaining all necessary authorisations required under regulations in force, before the completion of the Bank of Italy authorisation procedure, the Company's Board of Directors, having consulted with the Board of Statutory Auditors, must confirm that the number of shares subject to withdrawal not placed with shareholders or third parties pursuant to art. 2437 quater of the Italian Civil Code and, therefore, to be acquired by the Company, does not entail an overall cost for the Company and/or for Nuova Arca exceeding euro 7 million.

If these conditions are met, Banco Popolare may dispose of its investment by the end of this year. The investment is recognised in the financial statements as at 30 June 2015 at a fair value aligned with the liquidation value of the shares in the event of completion of the withdrawal.

#### **Agreements relating to employees**

As mentioned in the section dedicated to significant events during the period, on 23 July 2015, the general memorandum of understanding was signed, constituting the regulatory framework of multiple agreements entered into simultaneously whereby – also with a view to harmonisation – adjustments to mobility, part-time, professional categorisation, secondments and the 2015 company bonus were agreed upon.

The agreement defined regarding professional categories envisaged the introduction on a trial and temporary basis of specific flexibility criteria regarding the work assignment of Middle Managers; likewise a specific agreement was made regarding part-time work which envisaged, also on a trial and temporary basis, more elastic criteria for allowing Middle Managers who do not cover roles of hierarchical and functional responsibility to work part-time. Also as regards mobility, the specific agreement established fewer consent restrictions on the possibility to transfer Middle Managers.

The agreement regarding the 2015 company bonus introduced the element of variability (in relation to profitability results) for the first time amongst the criteria for determining the disbursement of the bonus.

With the general memorandum of understanding, the parties also committed to conducting a joint assessment in September 2015 with a view to activating the extraordinary and ordinary benefits of the Solidarity Fund, establishing conditions for access to such benefits by Middle Managers on a priority basis.

#### **Covered Bond transactions and securitisations**

In August 2015, Banco Popolare transferred two new portfolios of eligible assets to the special purpose entity BP Covered Bond S.r.l. In particular, as part of the Residential CB Programme, the transfer of a tenth portfolio of suitable assets, represented by residential mortgage loans and landed loans made on 25 August 2015 for an amount of approximately euro 1.07 billion while, as part of the Commercial CB Programme, the sale of a sixth portfolio of eligible assets represented by commercial and residential and landed loans was made on 25 August 2015 for an amount of approximately euro 0.26 billion.

In July 2015 Moody's upgraded the Class B Notes of the "BPL Mortgages 7" securitisation transaction from "A3" to "A1".

Lastly, in July 2015, some amendments were made to the contractual documentation of the "BPL Mortgages 5", "BPL Mortgages 6" and "BPL Mortgages 7" securitisation transactions to replace Banco Popolare, London branch, with Banco Popolare, Italian branch, in the role of Cash Account Bank relating to the Cash Reserve Account of those transactions.

#### ***Banco Popolare to sell approximately Euro 210 million of bad loans to Hoist Finance without recourse***

On 18 June 2015, Banco Popolare has finalised the sale without recourse of a portfolio of unsecured bad loans. The portfolio in question consists of roughly 17,000 positions, for a total nominal value of about Euro 210 million, without any negative impact on profits and losses. The sale was finalised as a block transaction pursuant to Law n. 130 of 1999 and, for Banco Popolare, entails the real and definitive transfer of the credit risks related to the positions sold. The portfolio was purchased by Marte SPV, the vehicle owned by Hoist Finance, an important pan-European operator in the Non Performing Loans market, listed on the NASDAQ in Stockholm.

### ***Preliminary agreement signed for the sale of part of the stake held by Banco Popolare in Istituto Centrale delle Banche Popolari***

On 19 June 2015, Istituto Centrale delle Banche Popolari Italiane S.p.A. ("ICBPI") published a press release in relation to the execution of a preliminary share purchase agreement among Mercury Italy S.r.l. (an investment vehicle owned indirectly by funds advised by Bain Capital, Advent International and Clessidra SGR), as purchaser, and Banco Popolare, Credito Valtellinese S.c., Banca Popolare di Vicenza S.c.p.A., Veneto Banca S.c.p.A., Banca Popolare dell'Emilia Romagna S.c., Iccrea Holding S.p.A., Banca Popolare di Cividale S.c.p.A., UBI Banca S.c.p.A., Banca Popolare di Milano S.C.r.l., Banca Sella Holding S.p.A. and Banca Carige S.p.A., as sellers, for the sale of 85.79 per cent. of the share capital held by the sellers in ICBPI. In particular, Banco Popolare has agreed to sell a stake of 13.876 per cent. in the share capital of ICBPI, hence retaining a stake of 1.5 per cent.

The consideration will be based on a valuation of 100 per cent. of the share capital of ICBPI of Euro 2,150 million or Euro 2,000 million depending on the structure of the transaction between two alternatives already identified. Assuming that the sale shall be finalised at a price proportional to a valuation of Euro 2,000 million for ICBPI, Banco Popolare stands to register a capital gain, net of tax effect, of approximately Euro 140 million, with a benefit at pro-forma fully loaded Common Equity Tier 1 ratio level of about 65 bps as at 31 March 2015 (it stood at 11.79 per cent.). In case of a valuation of Euro 2,150 million for ICBPI, Banco Popolare stands to register a capital gain, net of tax effect, of approximately Euro 160 million, with a benefit at pro-forma fully loaded Common Equity Tier 1 ratio level of about 70 basis points as at 31 March 2015. Completion of the sale is subject to the approval of the competent authorities.

### ***Banco Popolare appoints Advisors***

On 24 July 2015, Banco Popolare has formalised the appointment of the advisors that are to provide counsel on the definition of its future strategic prospects. The hired advisors are:

- Mediobanca-Banca di Credito Finanziario S.p.A. and Bank of America Merrill Lynch, as financial advisors for the definition of future strategic prospects and the execution of any corporate action;
- Colombo & Associati and lawyer Carlo Pavesi, each within their specific remit, to provide counsel and support on the process to comply with the 'Popolari' banks reform (Law no. 33 of 24 March 2015), as well as participation in the definition of the most appropriate strategies regarding possible developments in the Group's consolidation process.

### ***Banco Popolare to sell Banco Popolare Luxembourg to Banque Haviland***

On 19 August 2015, Banco Popolare and Banque Havilland have signed an agreement for the sale of 100 per cent. of the share capital of Banco Popolare Luxembourg SA to Banque Havilland SA.

The risks and rewards associated with the entire loan portfolio of BP Luxembourg are retained by Banco Popolare.

The preliminary selling price has been established at Euro 30.9 million, plus the net income accruing from 1 January 2015 up to the deal closing date. This price assumes that an extraordinary equity distribution be made by Banco Popolare Luxembourg to Banco Popolare, amounting to the contractually agreed minimum amount of Euro 40 million.

The sale of the shareholding in Aletti Suisse currently owned by Banco Popolare Luxembourg is not included in the deal.

The deal, whose finalisation is subject to the prior authorisation requirements from the competent supervisory authorities, will not give rise to any significant P&L or balance sheet impact for Banco Popolare, as compared with the Group's situation as at 30 June 2015.

In keeping with the Group's strategic guidelines, the deal enables Banco Popolare to keep focusing on its domestic banking core business. Moreover, BP Luxembourg's private and institutional customers will experience no discontinuation in their investment and custody relationships, since the continuity of services is maintained.

Banco Popolare Luxembourg, established in 1995, had Euro 1.9 billion total assets as at 30 June 2015 and it employs 32 people.

Banco Popolare was advised by KPMG Corporate Finance, acting as financial advisor, and by Clifford Chance, acting as legal advisor.

#### ***Banco Popolare completed senior bond issue of euro 500 million, due September 2018***

On 14 September 2015 Banco Popolare placed a 3-year benchmark euro 500 million senior bond issue with institutional investors under its EMTN programme.

The transaction, priced at the mid swap rate + 255 basis points, has been placed mainly with asset managers (66 per cent.) and banks.

The issue was led by Banca Aletti, BNP Paribas, BofAML, Goldman Sachs International, Nomura and UBS as Joint Book Runners.

The raised proceeds, which will be used to finance Banco Popolare's current business activities, will contribute to further strengthening the Group's excellent liquidity position and extending its debt maturity profile.

#### ***The Board of Directors of Banco Popolare approves the mandatory by-law amendments and the launch of the demutualisation project***

Considering that the 8 billion asset threshold envisaged by the current regulations is exceeded, on 15 September 2015, the meeting held in Lodi of the Board of Directors of Banco Popolare approved the mandatory by-law amendments in compliance with the Italian Mutual Banks Reform, and Circular no. 285 of 17 December 2013 of the Bank of Italy "Supervisory Provisions for Banks" amended on 9 June 2015 – 9th update – with the introduction of the new Chapter 4 "Cooperative Banks".

The effectiveness of the above amendments is subject to the issue of the order of assessment by the Bank of Italy pursuant to art. 56 of Lgs.D.385/93, for which Banco Popolare is going to file an application in a few days, and to the following registration with the competent Enterprise Registry.

In the same meeting, after consultation with the Board of Statutory Auditors, the Board of Directors has approved the launch of the demutualisation project to transform Banco Popolare's legal form from a cooperative company (*Società cooperativa per azioni a responsabilità limitata*) into a joint-stock company (*Società per azioni*), as well as the related plan including all the necessary measures and the implementation timeline, in compliance with legal regulations.

In particular, the Extraordinary Shareholders' Meeting for the approval of the proposal of transformation into a joint-stock company and the By-laws post-demutualisation, may be held approximately in autumn 2016. However, Banco Popolare retains the possibility to anticipate the convening, in coincidence with any extraordinary transactions as well as for other opportunistic reasons; this in any case always within the period of 18 (eighteen) months from the entry into force of the update of Circular no. 285/2013.





## DESCRIPTION OF THE GUARANTOR

**The Guarantor has been established as a special purpose vehicle for the purpose of guaranteeing the Covered Bonds**

### *Name and Legal Form of the Guarantor*

BP Covered Bond S.r.l. (the “**Guarantor**”) was incorporated in the Republic of Italy on 5 June 2008, as a limited liability company incorporated under Law 130, with VAT number, Fiscal Code number and registration number with the Milan Register of Enterprises No. 06226220967, belonging to the Banco Popolare Group registered with the Bank of Italy pursuant to article 64 of the Banking Law under number 5034.4 and subject to the direction and coordination (*soggetta all’attività di direzione e coordinamento*) of Banco Popolare. On 11 November 2008, the Bank of Italy has authorised the purchase by the Issuer of up to 60 per cent. of the quota capital of the Guarantor. The Guarantor has a duration until 31 December 2070.

The Guarantor has its registered office at Milan, Foro Buonaparte, n. 70, 20121, Italy and the telephone number of the registered office is +39 02 861914.

The authorised, issued and paid in quota capital of the Guarantor is Euro 10,000.

The Guarantor operates under Italian legislation.

### **Business Overview**

The exclusive purpose of the Guarantor is to purchase from banks (belonging either to the Banco Popolare Group or to other banking groups), against payment, receivables and securities also issued in the context of a securitisation, in compliance with Article 7-bis of Law 130 and the relevant implementing provisions, by means of subordinated loans granted or guaranteed also by the selling banks, as well as to issue guarantees for the covered bonds issued by such banks or other entities. Pursuant to the Guarantor by-laws the Guarantor may carry out the above mentioned activities in the context of one or more covered bond transactions or issuance programme other than this Programme.

Within the limits allowed by the provisions of Law 130, the Guarantor can carry out the ancillary transactions for purposes of the performance of the guarantee and the successful conclusion of the issue of banking covered bonds in which it participates or, however, auxiliary to the aim of its purpose, as well as the re-investment in other financial activities of the assets deriving from the management of the credits and the securities purchased, but not immediately invested for the satisfaction of the Covered Bondholders’ rights.

The Guarantor has already engaged in the €10,000,000,000 covered bond programme established by Banco Popolare in March 2010 (the “**Previous Residential CB Programme**”). In connection with the Previous Residential CB Programme, the Guarantor has acquired, and may from time to time acquire, portfolios of eligible assets and integration assets in accordance with the master transfer agreement entered into on 26 January 2010 (as subsequently amended). The Guarantor issued, in the context of the Previous Residential CB Programme, a covered bond guarantee and entered into certain other agreements.

Under the terms of articles 7-bis and 3 paragraph 2 of the Law 130, the assets relating to each covered bonds transaction carried out by a company are stated to be segregated from all other assets of the company and from those related to each other covered bonds transaction, and, therefore, on a winding-up of such a company, such assets will only be available to holders of the covered bonds issued in the context of the respective transaction and to certain creditors claiming payment of debts incurred by the company in connection with the respective transaction.

The Guarantor will covenant to observe, *inter alia*, those restrictions which are detailed in the Intercreditor Agreement.

### **Administrative, Management and Supervisory Bodies**

The Guarantor is currently managed by a sole director. The sole director of the Guarantor is

<b>Name</b>	<b>Appointment</b>	<b>Address</b>	<b>Principal Activities</b>
Mr Francesco Soresina	Sole Director	Foro Buonaparte 70, 20121 Milan, Italy	Manager

The Company did not appoint a Board of Statutory Auditors, pursuant to Article 2447 of the Italian Civil Code.

### **Conflict of interest**

There are no potential conflicts of interest between the duties of the sole director and its private interests or other duties.

### **Quotaholders**

The Guarantor is a limited liability company having its capital divided into quotas.

The quotaholders of the Guarantor (hereafter together the “**Quotaholders**”) are as follows:

Banco Popolare 60 per cent. of the quota capital;

Stichting Barbarossa 40 per cent. of the quota capital.

### **The Quotaholders’ Agreement**

The Quotaholders’ Agreement contains *inter alia* a call option in favour of Banco Popolare to purchase from Stichting Barbarossa and a put option in favour of Stichting Barbarossa to sell to Banco Popolare, the quota of the Guarantor held by Stichting Barbarossa and provisions in relation to the management of the Guarantor. Each option may only be exercised from the day on which all the Covered Bonds have been redeemed in full or cancelled.

In addition the Quotaholders’ Agreement provides that no Quotaholder of the Guarantor will approve the payments of any dividends or any repayment or return of capital by the Guarantor prior to the date on which all amounts of principal and interest on the Covered Bonds and any amount due to the other Secured Creditors have been paid in full.

Please also see the section headed “*Description of the Transaction Documents – The Quotaholders’ Agreement*” below.

### **No material litigation**

During the 12 months preceding the date of this Base Prospectus, there have been no governmental, legal or arbitration proceedings, nor is the Guarantor aware of any pending or threatened proceedings of such kind, which have had or may have significant effects on the Guarantor’s financial position or profitability.

### **Financial Information concerning the Guarantor’s Assets and Liabilities, Financial Position, and Profits and Losses and Report of the Auditors**

The statutory audited financial statements of the Guarantor as at and for the years ended 31 December 2013 and 31 December 2014, respectively, prepared in accordance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International

Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union under Regulation (EC) 1606/2002, are incorporated by reference into this Base Prospectus. See the section headed “*Documents incorporated by reference*”, above.

As at the date of this Base Prospectus, Reconta Ernst & Young S.p.A., the address of which is at via Po 32, Rome, Italy are the independent auditors of the Guarantor. Reconta Ernst & Young S.p.A. are 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 the accountancy auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Decree No. 88. Reconta Ernst & Young S.p.A. is also a member of ASSIREVI – Associazione Italiana Revisori Contabili. The business address of Reconta Ernst & Young S.p.A. is Via Po, 32, 00198 Rome, Italy.

Reconta Ernst & Young S.p.A. was appointed to perform the audit of the annual financial statements of the Guarantor, until the financial statements for the year ending 31 December 2015.

The Financial Statements of the Guarantor, as at and for the years ended on 31 December 2013 and 31 December 2014, were audited by Reconta Ernst & Young S.p.A.

Copy of the financial statements of the Guarantor for each financial year since the Guarantor’s incorporation will, when published, be available in physical form for inspection free of charge during usual office hours on any Business Day (excluding public holidays) at the registered office of the Guarantor.

The Guarantor’s accounting reference date is 31 December in each year.

#### ***Capitalisation and Indebtedness Statement***

The capitalisation of the Guarantor as at the date of this Base Prospectus is as follows:

#### ***Quota capital issued and authorised***

Banco Popolare has a quota of Euro 6,000 and “Stichting Barbarossa” has a quota of Euro 4,000 each fully paid up.

#### ***Total capitalisation and indebtedness***

Save for the foregoing, the covered bond guarantee and the subordinated loan entered into in connection with the Previous Residential CB Programme and for the Covered Bond Guarantee and the Subordinated Loan in accordance with the Subordinated Loan Agreement, at the date of this Base Prospectus the Guarantor has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

## DESCRIPTION OF THE ASSET MONITOR

The BoI Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Guarantee.

Pursuant to the BoI Regulations, the asset monitor must be an independent auditor, enrolled with the register of Certified Auditors held by the the Ministry of Economy and Finance and shall be independent from the Issuer, the Seller and the Guarantor and the accounting firms who carry out the audit of the Issuer, the Seller or the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual report, to be addressed also to the Board of Statutory Auditors of the Issuer.

## ASSET MONITOR ENGAGEMENT LETTER

Pursuant to an engagement letter the Issuer has appointed BDO Italia S.p.A. 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*, (a) compliance with the eligibility criteria set out under the MEF Decree with respect to the Eligible Assets and Integration Assets included in the Cover Pool; (b) the arithmetical accuracy of the calculations performed by the Calculation Agent in respect of the Mandatory Tests; (c) the compliance with the limits to the transfer of the Eligible Assets set out under the MEF Decree and the BoI Regulations; (d) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme; and (e) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of CRR.

BDO Italia S.p.A. is a company incorporated under the laws of Italy, fiscal code, VAT number and enrolment number with the companies' register of Milan no. 07722780967 and enrolled under number 167911 with the register of statutory auditors (Registro Dei Revisori Legali) maintained by the Ministry of Economy and Finance, having its registered office at Viale Abruzzi, 94, 20131 Milan, Italy.

The engagement letter is in line with the provisions of the BoI Regulations in relation to the monitoring activity and 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.

Furthermore, on or about the Initial Issue Date, the Issuer, the Calculation Agent, the Asset Monitor, the Covered Bonds Guarantor and the Representative of the Covered Bondholders entered into the Asset Monitoring Agreement, as fully described under “*Summary of the Transaction Documents— Asset Monitor Agreement*”.

## DESCRIPTION OF THE COVER POOL – CREDIT AND COLLECTION POLICIES

### *THE COVER POOL*

The Cover Pool is and/or will be comprised of (a) Receivables arising under Mortgage Loans transferred pursuant to the Master Transfer Agreement and (b) any Integration Assets.

The Cover Pool has characteristics that demonstrate capacity to produce funds to service any payment due and payable on the Covered Bonds.

As at the date of this Base Prospectus, the Cover Pool consists of the Initial Receivables and the Subsequent Receivables transferred by the Seller to the Guarantor in accordance with the terms of the Master Transfer Agreement, as more fully described under the section headed “*Description of the Transaction Documents – Master Transfer Agreement*” below.

As at the date of this Base Prospectus, Mortgage Loans from which the Receivables arise have a maturity comprised between 29 September 2015 (inclusive) and 30 September 2046 (inclusive).

The composition of the Cover Pool will be dynamic over the life of the Programme. In particular, assets comprised in the Cover Pool will change over time as a result, *inter alia*, of the purchase of any Subsequent Receivables and the repurchase of any Receivables in each case in accordance with the terms of the Master Transfer Agreement.

For the purposes hereof:

“**Initial Receivables**” means the first portfolio of monetary claims arising from Mortgage Loans transferred by the Seller to the Guarantor pursuant to the Master Transfer Agreement.

“**Mortgage Loans**” means Italian residential mortgage loans (*mutui ipotecari residenziali*) and Italian commercial mortgage loans (*mutui ipotecari commerciali*) having the characteristics set out in article 2, paragraph 1, lett. (a) and (b), of the MEF Decree.

“**Subsequent Receivables**” means the further portfolios of monetary claims arising from Mortgage Loans, transferred or to be transferred to the Guarantor by the Seller pursuant to the Master Transfer Agreement and the Additional Sellers (if any) in accordance with the provisions of the Cover Pool Administration Agreement.

The Initial Receivables and the Subsequent Receivables transferred and to be transferred from time to time to the Guarantor pursuant to the Master Transfer Agreements will meet the following criteria on each relevant Valuation Date.

### **The General Criteria**

#### *Receivables arising under Mortgage Loans*

Each of the Receivables arising under Mortgage Loans comprised in the Cover Pool shall comply, as at the relevant Valuation Date (unless otherwise provided), with all of the following criteria (the “**General Criteria**”):

1. mortgage loans disbursed by Banco Popolare (also as successor to Credito Bergamasco S.p.A.) or disbursed by other banks which were subsequently transferred to Banco Popolare by way of merger ( *fusione*), demerger ( *scissione*), contribution of going concern/s ( *conferimento di ramo/i d’azienda*) or transfer of going concern/s ( *cessione di ramo/i d’azienda*);

2. mortgage loans whose principal debtors (even as consequence of novation (*accollo*) and/or apportionment (*frazionamento*) are:
  - (a) a. one or more individuals (*persone fisiche*) resident in Italy, or
  - (b) b. one or more legal persons (*persone giuridiche*) having registered office in Italy;
3. mortgage loans which are entirely disbursed and in relation to which there is no obligation or possibility to make further disbursements;
4. mortgage loans denominated in euro;
5. mortgage loans in respect of which the first instalment falls due before the relevant Valuation Date;
6. (A) mortgage loans in relation to which the ratio between (i) the outstanding principal amount of the mortgage at the relevant Valuation Date and (ii) the appraised value of the real estate in the following criteria 8 (A), as determined around the execution of the relevant mortgage loan, is equal or lower than 80 per cent; or  
 (B) mortgage loans in relation to which the ratio between (i) the outstanding principal debt of the mortgage at the relevant Valuation Date and (ii) the appraised value of the real estate in the following criteria 8 (B), as determined on or before the execution of the relevant mortgage loan, is equal or lower than 60 per cent.  
 For the purpose of paragraph (A) and (B) of this criterion, “appraised value of the real estate” means the estimated value used by the bank in the context of the origination process of the same mortgage loan. In order to assess as to whether a mortgage loan falls within this criterion, each borrower is entitled, unless this information is already known to him/her, to obtain the appraised value of the relevant real estate from the branch where the payments of the instalments of this mortgage loan are made;
7. mortgage loans governed by Italian law;
8. (A) mortgage loans the payment of which is secured by a mortgage on real estates situated in the Republic of Italy having residential characteristics, meaning those loans secured mainly by real estates which, as at the date of the execution of the relevant loan, fell at least under one of the following cadastral categories, as at the date of the execution of the relevant loan: A1, A2, A3, A4, A5, A6, A7, A8, A9, A11; or  
 (B) mortgage loans secured by a mortgage on real estates situated in the territory of the Republic of Italy having commercial characteristics, meaning those loans secured mainly by real estates which, as at the date of the execution of the relevant loan, fell at least under one of the following cadastral categories, as at the date of the execution of the relevant loan: A-10, B-1, B-2, B-4, B-5, B-7, B-8, C-1, C-2, C-3, C-4, C-5, C-6, C-7, D-1, D-2, D-3, D-4, D-5, D-6, D-7, D-8, D-9, D-10, D-11, D-12, E-1, E-2, E-3, E-4, E-5, E-9, F-3, F-4, F-10;
9. mortgage loans in respect of which the contractual interest rate falls under one of the following categories:

- (a) fixed rate mortgage loans. “Fixed rate mortgage loans” mean those loans in respect of which the interest rate applied, contractually agreed, does not provide for any variation during the whole term of the loan;
- (b) floating rate mortgage loans. “Floating rate mortgage loans” mean those loans whose interest rate is calculated by reference to the euribor or to the Prime Rate ABI interest rate or to the BCE interest rate;
- (c) so called “mixed mortgage loans”. “Mixed mortgage loans” mean those loans that provide for a mandatory change contractually agreed from a fixed interest rate to a floating interest rate;
- (d) so called “modular mortgage loans”. “Modular mortgage loans” mean those loans in respect of which the borrower has the option to modify, even more than one time during the residual term of the loan, the interest rate (A) from a floating rate to (B) a fixed rate equal to the sum between (i) the swap rate of the reference period (IRS), determined at the date of exercise by the borrower of its right to change the calculation of the interest rate until the expiry date of the fixed interest rate period chosen by the borrower (ii) the spread, contractually agreed, above the reference index as determined in accordance with the preceding paragraph (i).

However the receivables arising under the mortgage loans do not comprise any receivables arising from mortgage loans which, although meeting the characteristics set out above, also meet, at the relevant Valuation Date, (unless otherwise provided) one or more of the following characteristics:

1. mortgage loans which have one or more defaulted instalments (i.e. instalments that have fallen due but not entirely paid at the relevant Valuation Date);
2. mortgage loans that have been granted to individuals, including as co-beneficiaries, that at the relevant Valuation Date were employees of Banco Popolare (also as successor to Credito Bergamasco S.p.A.) or of any other company belonging to the Banco Popolare Group;
3. mortgage loans that have been granted under any applicable law (including, regional and/or provincial) or any legislation that provides for contribution and/or capital facilities and/or interests (so called concessional loans (*mutui agevolati*));
4. mortgage loans that have been granted to clerical entities (*enti ecclesiastici*);
5. mortgage loans which have one or more instalments outstanding at the relevant Valuation Date which have been at the relevant Valuation Date early repaid in whole or in part;
6. mortgage loans in relation to which (a) a mandatory suspension of the payment of the instalments applies by virtue of mandatory provisions of law or regulation or order of the supervisory authority; or (b) the relevant borrower has obtained a suspension of the payment of the instalments, and, in either cases, this suspension is effective at the relevant Valuation Date.

In respect of the criteria set out in the paragraphs above, “date of execution” means the original date of execution of the mortgage loan, regardless of any novation (*accollo*) perfected after such date or, in case of apportionment (*frazionamento*), the date of the relevant apportionment.

The Receivables shall also comply with the Specific Criteria.

“**Specific Criteria**” means the criteria for the selection of the Receivables arising under Mortgage Loans to be included in the portfolios to which such criteria are applied, as set forth in Annex 1, part II to the Master Transfer Agreement for the Initial Receivables and in the relevant offer for the sale of Subsequent Receivables.



“Criteria” means jointly the General Criteria and the Specific Criteria.

## THE CREDIT AND COLLECTION POLICIES

### 1 Credit policies

Mortgage Loans are entered into by the Seller as *mutui residenziali* and *mutui commerciali*.

The Debtor pay either a monthly, quarterly and semi-annually loan instalment by direct debit from their accounts, or by cash payment or by MAV.

The decision to enter into and advance a Mortgage Loan is taken at the appropriate decision-making level in the Seller.

The Seller’s internal rules call for a maximum loan amount of 80 per cent. with reference to “*mutui residenziali*” of the property value (unless the borrower provides the Seller with further guarantees) and a mortgage over real estate properties (which is first ranking in an economic sense) double than the loan amount.

After the approval, the preparation of the documentation and the conclusion of the Mortgage Loans are delegated to the Special Credits Department (*Funzione Crediti Speciali*), which:

- enter the transaction in the internal mortgage procedure;
- appoint a surveyor to value the property;
- verify that the property insurance is in favour of the Seller;
- prepare the minutes of the mortgage loan;
- check property documentation received by the notary;
- upon successful completion of the previous activity checks, update the mortgage loan status to “payable”.

Once the notary stipulates the mortgage agreement, relevant documents are sent to the Special Credits Back Office Department that stores them.

The Special Credits Back Office Department, based on the necessary feasibility analyses and in compliance with the applicable credit/authorisation decision, is also responsible for:

- waiver of economic conditions;
- issuance of specific certifications requested by the borrowers, in particular the certifications concerning the amount of interest to be paid/expenses sustained;
- pre-payment of the Mortgage Loans, which involves the reduction to nil of the outstanding balance of the loan and is often accompanied by a request for the release of the Mortgage;
- preparation of amendments and other acts ancillary to the Mortgage Loans agreements, such as:
  - the extension of the Mortgage Loan, following a restructuring of the transaction or an extension of payments;
  - the taking over (*accollo*) of the loan, customarily requested by the purchaser of the real estate asset, as a method to pay part of the purchase price;

- the reduction/cancellation of the mortgage, or the partial or total release of the mortgage;
- any request made to the insurance companies for the release of the *vincolo* on the insurance policies.

## 2 Collection policies

The monitoring of Credit Risk is also carried out by defining the monitoring and managing processes of performing, watch list and non-performing loans. For each of the processes, Banco Popolare introduced IT procedures in support of the activities of the Managers. The Agreed Practices are described below in line with the credit standing.

### *Monitoring and managing performing loans*

When the standing is classified as performing, owing to failure to make payment, the debtor has 3 days to pay. If payment is made within this period, default interests are not applied; in any case, the value date of the instalment is equal to the original maturity date.

As from the fourth day after the failure to make payment, the default interests established by contract accrue from the maturity date of the instalment, without prejudice to the maximum limit established by the provisions on usury. The “usurious” interest rate is defined by a decree of the Ministry of Economy and Finance on a quarterly basis (the current regulations envisage that the default interest rates are checked whether or not they are usurious, as with interest payments, at the time of the agreement and not at the time of payment).

If enforceable proceedings are started (both bankruptcy proceedings and individual enforceable proceedings), the mortgage lien of Banco Popolare extends, provided that the relevant mortgage registration was also taken for interests, to traditional interests (established by the mortgage agreement) of the two previous years and of the year in progress on the day of bankruptcy and/or of seizure (Article 2855 of the Italian Civil Code and Articles 54 and 55 of the Bankruptcy Law). For subsequent years and until the date of the sale, the lien extends to the legal interest established by law (Article 1284 of the Italian Civil Code).

Until the entire capital is classified as bad loan (following the termination of the contract), default interests accrue only on instalments past due and not paid (capital + interests). Subsequently, interests accrue on total bad loans (instalments past due and not paid plus residual capital). As a result, if the customer is involved in a dispute, there is no accounting difference between the instalments past due and not paid and the residual capital of the mortgage loan.

The “ELISE” IT system, dedicated to the management of loans, mortgage loans and personal loans, used by the structures of Group Special Loans and by the network, sends communications to the debtor on a regular basis, at each instalment past due and not paid. These automatic alerts start the last working day of the month in which the instalment was past due, provided that this date is at least 3 working days before the end of the month; otherwise, the alerts start the last working day of the month following the maturity of the instalment.

With reference to mortgage loans, a report on non-payments is at the disposal of the Branch. Therefore, the Customer Relationship Manager and the Branch Manager are in charge of contacting the customer to check the reasons for non-payment or partial payment.

In 2009, Banco Popolare introduced a specific structured process of delinquency management that is activated for private customers starting from the first unpaid instalment and envisages, through the

support of the “GEMO” procedure, both alerts to the Customer Relationship Manager and reminders to the customer through contact centres and external collection companies.

#### *Monitoring and managing watch list loans*

Positions classified as performing, on which irregularities concerning credit quality are reported, are entered into a “watch list”. For these positions, Banco Popolare regulated the activities to be carried out – by the Customer Relationship Manager and Area and Division structures supporting it – in the specific watch list loan monitoring and management process standard.

The GANC – Watch List procedure that identifies, both for companies and for private customers, the positions on which irregularities are reported in order to monitor them carefully, was prepared to support these activities. The interception criteria take into account information on internal rating, on the internal scoring system “CPC” (credit position control), on the persistence of overdrafts or past due loans, on irregularities reported by means of external Databases (Italian Central Credit Register of Bank of Italy, Cerved, CRIF etc.), the concession of forbearance measures and other information flows.

If serious irregular situations involving the assignment of the operational class “RC – Risk to be limited” persist for more than 2 months, the GANC procedure sees to the automatic proposal of classification as Unlikely to pay (see next point).

#### *Monitoring and managing forbearance positions*

Banco Popolare defined during the first half of 2015 the methods of identification and management of forbearance or forborne loans.

The amendment of the contractual agreements of a loan, granted to a customer to enable it to meet its commitments despite the financial difficulties it is going through, is a measure of forbearance by Banco Popolare.

The decision-making bodies of the watch list/non-performing loans chain are liable for certifying, when deciding the loan proposal, the consistency or inconsistency, compared to the examined valuation elements, of the valuation made by the “Proposing Party” with regard to the financial difficulties of the customer and to the identification of the concession as a forbearance measure in relation to each granted credit facility.

After classifying them as forborne, exposures are managed as part of the processes of reference (“Monitoring and managing non-performing loans” for “Impaired forbearance exposures” and “Watch list loan monitoring and management” for “Other forborne exposures”).

Following the concession of forbearance, the exposure is monitored in order to:

- a) ensure the regular performance of relations with customers and the existence of conditions for (i) the termination of the forborne status with reference to customers classified as performing, or (ii) the reclassification as performing, by maintaining the forbearance measure (under probation), for customers already classified as “Impaired forbearance exposures”;
- b) understand and evaluate the events that may foreshadow the ineffectiveness of granting forbearance, referring to the failure to comply with the new maturities agreed or to the occurrence of an overdraft, or to the deterioration of the creditworthiness resulting from events that could compromise the full collection of the credit.

With reference to points a) and b), the following 2 cases are observed:

#### **The position has a regular trend**

#### *Termination of the forborne loan condition for performing positions*

The Customer Relationship Manager checks for the following conditions to be able to declare the end of the condition of forborne loan and consequently activates the process of reclassification as performing of the exposure already identified as “Other forborne exposures”:

- at least 24 months must have elapsed from the granting of forbearance as part of the classification of the position as performing;
- the debtor must not have positions close to becoming past due (considering the tangible threshold in force) for more than 30 days;
- the payment of the amount due, as required by the concession of forbearance, must have been made on a regular basis in the past 12 months and must have involved a “more than trivial” portion of the principal or interests;
- no elements must lead to classify the position as non-performing loans.

The decision concerning the end of the forborne loan condition and the subsequent reclassification as performing of the exposure already identified as “Other forborne exposures” can be taken by the Customer Relationship Manager, regardless of the decision-making scopes, by means of a simplified process, checked procedurally, which allows to check the objective elements of regularity of the position and the declaration of the absence of subjective elements (including any valuation of “non insignificance” of the repaid loan).

#### *Reclassification as performing of “Impaired forbearance exposures” maintaining the condition of forborne loan*

The Manager of the Non-Performing Position checks for all the following conditions in order to initiate a proposal for classification as performing:

- at least 12 months must have elapsed from the granting of forbearance;
- the debtor must not have exposures with any amount past due or overdraft, or there must be no concerns regarding the full payment of the amount due.

There is no concern when one of the following conditions occur:

- the amount of the exposure that, when granting the forbearance, was past due or overrun, must have been paid in full;
- an amount equal to the possible loan written off as part of the restructuring agreement must have been paid or the customer's ability to comply with the terms and conditions laid down by the granting of forbearance must be demonstrated.

The decision concerning the reclassification as performing of the “Impaired forbearance exposures” (non-performing positions), following a valuation of the financial situation of the debtor, is taken through resolution of the authorised Body, on a proposal of a proponent in line with what was defined for exposures classified as “Unlikely to pay”.

Following the resolution of reclassification as performing, the position maintains the condition of forbearance (forbearance under probation) and the identification as “Other forborne exposures”. This condition can, in turn, be declared as terminated only if the conditions indicated above exist with reference to the termination of the forborne loan condition for performing positions.

#### **The position has an irregular trend**

If the position is at default following the granting of forbearance, the process immediately demands the customer to settle the position.

Upon expiry of the time for sending a reminder to the customer and assessing the default, the Customer Relationship Manager for the positions identified as “Other forborne exposures”, or the Manager of the Non-Performing Position for “Impaired forbearance exposures”, considers whether the events, also independent of the granted forbearance measure, require a more precautionary measure to protect the loan, including the classification proposal at greatest risk and, in particular:

- as “Unlikely to pay”, for positions classified as performing;
- as “Unlikely to pay” with operational class “at repayment”, with revocation of credit lines and notice to pay, for the positions classified as “Past Due” or already classified as “Unlikely to pay”.

The decision concerning the classification as “Unlikely to pay” is taken through resolution of the authorised Body, on a proposal of a proponent (see “*Classification in non-performing loans categories*” below).

If an exposure, already reclassified from non-performing (“Impaired forbearance exposures”) to performing loan (“Other forborne exposures”), has had positions close to becoming past due (considering the tangible threshold in force) for more than 30 days, or benefits from an additional granting of forbearance (for example, a new postponement of the payment terms or a new refinancing), it is classified again as non-performing loan by means of the proposal and resolution process.

#### *Classification in non-performing loans categories*

The process of “Classification of positions in non-performing loans categories” lays down the rules and responsibilities of the Manager of the Non-performing Position aimed at ensuring the consistency of the operational state of the position with the deterioration of the risk profile of the customer and the compliance with the supervisory provisions.

The process is also designed to make sure that the position goes back to its performing status when the causes that determined the classification in non-performing loans categories no longer exist.

The PEG procedure (Electronic Management Procedure) was released in the second quarter of 2013 in support of the classification process.

The application of the new rules of the EBA on forbearance and non-performing exposures and of the Bank of Italy on new “classification in non-performing loans categories” (see update of Circular no. 272 “Accounts Matrix”, Update no. 7 of 21/01/2015, Chap. 2 “Credit Quality”) was gradually communicated to the network and made operational during the first half of 2015 to coincide with the release of the required IT work.

The expected classifications are “Past due and/or overdue non-performing exposures” (Past Due), Unlikely to pay and Bad Loans. Past Due and Bad Loans are unchanged compared to the previous regulations, Unlikely to pay exposures include the previous Substandard loans and Restructured loans classifications.

The classification as Past Due is made automatically for the positions reaching the thresholds envisaged by the supervisory provisions of the Bank of Italy (Circular no. 272, “Accounts Matrix”, Chap. 2, “Credit Quality”, “Past due and/or overdue non-performing exposures”).

This automatic classification is managed by the MOCED procedure (Non-performing loans processing engine).

Exposures to parties experiencing temporary financial hardship are defined Unlikely to pay whereby the debtor is assessed by Banco Popolare as unlikely to pay its credit obligations in full (for the principal and interest) without realisation of collateral.

This valuation is made by the Manager independently from the presence of any overdue amount or instalments past due and not paid. Therefore, it is not necessary to wait for the main sign of irregularity (non-redemption) if there are elements that imply a situation of risk of default of the debtor (for example, even a crisis of the industrial sector in which the debtor operates).

The positions previously classified as “Restructured loans”, are included in Unlikely to pay by pointing out that the forbearance measure was granted. In the same way, the new forborne exposures also executed after the classification as non-performing, including those Past Due that zeroed the overdraft/past due thanks to this intervention, are classified as “Unlikely to pay” by granting forbearance.

Exposures to insolvent customers (even if they have not yet been legally acknowledged as such) or customers in similar positions, regardless of any anticipated loss formulated by Banco Popolare, are defined as Bad Loans. Therefore, the existence of any collateral or personal guarantee to protect the loans is not considered.

#### *Monitoring and Managing Non-Performing, Past Due and Unlikely to pay loans*

For positions classified as such, Banco Popolare defined the activities to be carried out, by the Manager of the Non-performing Position, in the Monitoring and Managing Non-Performing Loans Process Rules.

The Manager of the Non-Performing Position is allocated at:

Problem and Non-performing loans Function depending on Loans Services of Divisions for exposures of more than EUR 250,000;

- the Business Areas, in the figure of the CQO, for amounts less than EUR 250,000 and more than EUR 15,000;
- the Branches, in the figure of the Branch Manager, for positions of less than EUR 15,000.
- The PEG procedure (Electronic Management Procedure) supports the management of these positions.

To guarantee the timeliness of the credit collection process, automatic methods of classification proposal as Unlikely to pay were envisaged for the positions that:

- are entered for more than two months in succession in the operational class “RC – Risk to be limited” of the watch list loan monitoring and management process without the risk indicators being back to normal;
- present past due instalments processed in the Management of Arrears GEMO according to the following rules:
  - mortgage loans: after 10 unpaid monthly instalments and 270 days from the first past due instalment
  - unsecured mortgage loans/personal loans: after 6 unpaid monthly instalments and 150 days from the first past due instalment
- persist as non-performing Past Due for more than 180 days.

These proposals must be assessed by the Manager and by the decision-making bodies. The PEG procedure supports the process and envisages alerts aimed at making a timely decision process.

The PEG procedure (Electronic Management Procedure) also shows the Manager of the Non-Performing Position the applications falling due in terms of quarterly review, with urgent review (i.e. for which the IT system has reported serious irregularities) or with expired review date.

The functions of the PEG procedure (Electronic Management Procedure) were released in the first quarter of 2014 in order to propose and decide the review of the provisions, by means of which the Manager of the Non-Performing Position can propose on the position higher provisions against the increase in the risk perceived. The proposed reviews of the provisions are subject to a decision process in accordance with the powers envisaged by the “Regulations of the limits of autonomy and powers for loan granting and management”.

The PEG procedure is also used for:

- checking compliance with the rules on minimum provisions for credit risk envisaged by the above-mentioned Regulations based on the LGD model prepared by the Risk Management Service, broken down by type of customer, technical macro-form, with guarantees, exposure thresholds, classification status;
- ensuring the historical classification of information and opinions expressed on the position in terms of decision tracking.

The Manager of the Non-Performing Position is required to evaluate all the alternatives in order to make the customer in arrears past due or overdue performing. In particular, the debtor is generally proposed one of the following alternatives:

- immediate payment of the instalments past due;
- a recovery plan of past due instalments. This plan must be approved by one of the decision-making bodies;
- a recovery plan of past due instalments with cancellation of default interests. Banco Popolare will continue to apply interests to the arrears amount at the rate established by contract;
- mortgage restructuring.

The Manager of the Non-Performing Position can prepare, according to the amount of the debt position, an update of the expert report.

If the customer accepts one of the proposals, the Manager of the Non-Performing Position makes sure that the customer fulfils the commitment before the related decision-making body authorises the “return to performing”.

If:

- the customer refuses the proposals of the Manager of the Non-Performing Position, or
- Banco Popolare itself has doubts on the ability to recover the debt position,

the Manager of the Non-Performing Position proposes the reclassification as “Unlikely to pay at repayment” with a special decision process and, as a result, sends formal notification of withdrawal of credit lines and charging of interest to the customer and to the guarantors.

When the Manager of the Non-Performing Position finds a state of insolvency, even if it has not yet been legally acknowledged as such, it must propose to classify the application as a bad loan, to transfer it to the Credit Collection Service and to start the legal collection proceedings. Even if serious adverse events occur, the position of the customer can be immediately classified as a bad loan.

Following the formal notifications, the Manager of the Non-Performing Position proposes the reclassification as a bad loan, which is subject to a decision process. After the decision of classification as a “bad loan” by the authorised body, the debtor is reported in the “Bad Loans” category of the Italian Central Credit Register of Bank of Italy.

#### *Monitoring and managing Bad Loans*

After the decision of reclassification as a bad loan, the relations are managed by the Manager of Bad Loans of the Credit Collection Service of the Banco Popolare Group. The Credit Collection Service, in charge of credit collection for all the Group, with monitoring throughout the country, after examining the application, starts the legal collection procedures.

The portfolio of bad exposures is broken down, depending on the extent of the exposure, in:

- Positions to which standardised management actions are applied, conventionally defined as “Retail”, whose gross amount, on each position, is equal to or less than EUR 35,000;
- Positions of “ordinary amount”, whose gross amount, on each position, is more than EUR 35,000.

“Retail” bad loans are not subject to periodic review aimed at checking loss estimates, except for the possibility of changing them at any time only upwards.

All the bad loans of “ordinary amount” must be submitted by the Bad Loan Manager to an annual review in order to check the performance of the relation with the customer and its economic situation, defining also the adequacy of the existing or possible loss estimates, compared to such evaluations.

The Bad Loan Manager makes at the outset every effort to obtain an out-of-court settlement of the dispute and, in this regard, sends a letter with which it invites the debtor to agree on an amicable repayment as timely as possible.

In case of failure to make an amicable agreement, the Bad Loan Manager, assisted by an external lawyer with proven professionalism and experience (who is assigned a professional mandate for carrying out the enforceable activity), carries out the legal proceedings, without prejudice to the willingness to examine at any time agreed solutions of recovery that avoid the continuation of the legal activities.

The first deed of the recovery procedure consists in the notification of the writ of execution. With this deed, the debtor is asked to settle the debt position within the time required by the law. The attachment is served to the debtor: it must be received within 90 days from the writ of execution. The Bad Loan Manager verifies the following formal requirements by means of the external lawyer in order to sell the asset used as a guarantee for the loan.

All Italian banks can access the information in the central database and identify any enforcement procedures initiated against the debtor.

The PEG procedure (Electronic Management Procedure) was released in the first quarter of 2014 also for positions classified as bad loan; its “Panel” shows the Bad Loan Manager the applications falling due in terms of annual review, with urgent review (i.e. for which the IT system has reported critical situations) or with expired review date.



As part of the review, the Bad Loan Manager can propose additional provisions against the perception of an increase in the perceived risk. The proposed reviews of the provisions are automatically subject to a decision process in accordance with the powers envisaged by the “Regulations of the limits of autonomy and powers for loan granting and management”.

The PEG procedure is also used for:

- checking compliance with the rules on minimum provisions for credit risk envisaged by the above-mentioned Regulations based on the LGD model prepared by the Risk Management Service, broken down by type of customer, technical macro-form, with guarantees, exposure thresholds, classification status;
- ensuring the historical classification of information and opinions expressed on the position in terms of decision tracking.

#### *Structure of the control system*

The general structure of the control system includes:

- line controls (level I)
- controls on risks and on compliance (level II).

#### *Line controls (level I)*

First-level line controls are aimed at ensuring proper execution of transactions and are carried out directly by the operational structures, and are the first in charge of the process of risk management.

In compliance with this responsibility, during daily operations, the operational structures must identify, measure or evaluate, monitor and mitigate the risks deriving from the normal course of business in compliance with the process of risk management.

First-level line controls can take the form of “automatic” controls, i.e. carried out directly by application procedures, or hierarchical controls, implemented as part of the same chain of responsibility.

The second-level controls include those carried out by the loans offices of the Business Areas, by the loan monitoring structures placed in the Divisions and in the Loans Department, or by other structures that carry out the operations.

Through the second-level controls, the Loans Department exercises its overall responsibility on the results of the loan processes, preserving the autonomous ability to guide and control them. In particular, these checks envisage the intervention of the Loans Department on the operational structures to press for corrective actions, or directly or by means of the central Loan structures of the Divisions and of the companies of the Banking Group.

The line controls (of first and second level) can be implemented systematically or by sampling.

These controls are defined in the regulations on loans issued with reference to each process, according to criteria and methods that guarantee that all exposures arising from irregularities or inaction are highlighted and examined.

#### *Controls on risks and on compliance (Level II)*

Controls on risks and on compliance are aimed at ensuring the correct implementation of the risk management process put in place by the operational structures, the compliance with the operating limits assigned to various functions and the compliance of business operations with regulations, including self-regulation.

The essential element that characterises level II controls is that they are carried out by a risk control function different and independent from production functions. As a result, level II controls also include the aim of ensuring that level I controls are actually effective.

Level II controls on loans are assigned to the Risks Department through the “Loan Monitoring and Control Function”.

This structure is responsible for checking the correct implementation of the credit processes by the operational structures in accordance with the established rules and, more specifically, with reference to:

- performance monitoring of exposures classified as performing loans;
- performance monitoring of exposures classified as non-performing loans;
- the consistency of classifications in the management of the process of “Watch list loan monitoring and management”, as forbearance exposures, in non-performing loans categories;
- the appropriateness of the provisions;
- the adequacy of the credit collection process.

To ensure the effectiveness of level II controls, a set of “basic” controls to be assigned to the “Loan Monitoring and Control Function” are identified and defined, in accordance with the granted responsibilities, without prejudice to its autonomy in identifying and carrying out additional inspections considered useful for carrying out the assigned role.

The controls provide for the systematic application of irregularity indicators to the loan portfolio, the evaluation of the variations reported each time, the in-depth examination of each position and, if necessary, their adjustment.

## CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer guaranteed by the Guarantor pursuant to the Covered Bond Guarantee. The Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the service by the Representative of the Covered Bondholders on the Issuer and the Guarantor of a Notice to Pay. The Issuer will not be relying on payments by the Guarantor 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 Covered Bondholders:

- (a) the Covered Bond Guarantee provides credit support to the Issuer;
- (b) the Mandatory Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;
- (c) the Asset Coverage Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds prior to the service of a Notice to Pay, applying for the purpose of such coverage an Asset Percentage factor determined in order to provide a degree of over-collateralisation with respect to the Cover Pool;
- (d) the Pre-Maturity Test is intended to ensure that there is sufficient liquidity available to redeem each Series of Hard Bullet Covered Bonds, if any, on the relevant Maturity Date;
- (e) the Amortisation Test is periodically performed, following the service of a Notice to Pay, for the purpose of testing the asset coverage of the Guarantor's assets in respect of the Covered Bonds; and
- (f) a Reserve Account will be established which will build up over time using excess cash flow from Interest Available Funds in order to ensure that the Guarantor will have sufficient funds set aside to fulfil its obligation to pay interest accruing with respect to the Covered Bonds.

Certain of these factors are considered more fully in the remainder of this section.

### **Covered Bond Guarantee**

The Covered Bond Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts on the Due for Payment Date in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason. In this circumstance (and until an Acceleration Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts on the Scheduled Due for Payment Date.

For further details, see the section headed "*Description of the Transaction Documents – Covered Bond Guarantee*" below, as regards the terms of the Covered Bond Guarantee.

### **Pre-Maturity Test for Hard Bullet Covered Bonds**

The Pre-Maturity Test is intended to provide liquidity for Hard Bullet Covered Bonds when the Issuer's credit ratings fall below a certain level. The applicable Final Terms will set out whether the relevant Series of Covered Bonds is a Series of Hard Bullet Covered Bonds. On each Pre-Maturity Test Date, prior to the service of a Notice to Pay, the Calculation Agent will determine if the Issuer satisfies the following pre-maturity rating requirements (the "**Pre-Maturity Test**") and shall immediately notify the Issuer, the Guarantor and the Representative of Covered Bondholders if the Issuer does not satisfy such Pre-Maturity Test.

The Issuer will not satisfy, and be in breach of, the Pre-Maturity Test if the Issuer's (a) short-term credit rating for its unsecured, unsubordinated and unguaranteed debt obligations is equal to or lower than "Not Prime" from Moody's and the Maturity Date of the Series of Hard Bullet Covered Bonds is scheduled to fall within six months following the relevant Pre-Maturity Test Date or (b) long-term credit rating for its unsecured, unsubordinated and unguaranteed debt obligations is lower than "Ba3" from Moody's and the Maturity Date of the Series of Hard Bullet Covered Bonds is scheduled to fall within 12 months following the relevant Pre-Maturity Test Date.

If the Pre-Maturity Test is breached in respect of a Series of Hard Bullet Covered Bonds within 12 months prior to the scheduled Maturity Date of that Series, the Calculation Agent will immediately serve a notice to that effect on the Issuer, the Guarantor and the Representative of the Covered Bondholders the "**Pre-Maturity Test Breach Notice**"). Following the delivery of the Pre-Maturity Test Breach Notice, the Issuer will be required to procure, within the earlier of (i) 14 calendar days from the date on which the Pre-Maturity Test Breach Notice is notified to the Issuer and (ii) the Maturity Date of the relevant Series of Hard Bullet Covered Bonds, that (A) an amount equal to the Required Redemption Amount in respect of such Series of Hard Bullet Covered Bonds plus any amount that would be payable by the Guarantor in priority thereto in accordance with the Post-Issuer Event of Default Priority of Payments (regardless as to whether a Notice to Pay has been served) (the "**Pre-Maturity Collateral Amount**") is credited to an account opened for that purpose by the Guarantor with an Eligible Institution (the "**Pre-Maturity Account**"), or, alternatively, (B) a guarantee is provided in respect of the payment of the Final Redemption Amount on the relevant Maturity Date for that Series of Hard Bullet Covered Bonds by a guarantor whose senior, unsecured and unsubordinated ratings are at least equal to "P-3" by Moody's.

If any of the actions under (A) and (B) above is not taken, the Guarantor may, among others:

- (i) offer to sell Selected Assets in accordance with the Cover Pool Administration Agreement, and subject to any right of pre-emption enjoyed by the Seller; and/or
- (ii) seek to obtain the creation of Eligible Deposits from the Seller. The creation of Eligible Deposits will be financed through advances granted by the Seller under the Subordinated Loan Agreement.

Any proceeds deriving from the sale of Selected Assets and their related security and/or any contribution in cash by the Seller shall be credited to the Pre-Maturity Account.

Following the service of a Notice to Pay, the Guarantor shall apply funds standing to the Pre-Maturity Account to repay the relevant Series of Hard Bullet Covered Bonds on its Maturity Date in accordance with the Post-Issuer Event of Default Priority of Payments.

If the Issuer fully repays the relevant Series of Hard Bullet Covered Bonds on the Maturity Date thereof, any amount of cash standing to the credit of the Pre-Maturity Account after such repayment shall be applied in accordance with the relevant Priority of Payments, unless:

- (A) the Issuer does not satisfy the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case the cash will remain credited on the Pre-Maturity Account and be used to provide liquidity for that other Series of Hard Bullet Covered Bonds; or
- (B) the Issuer does satisfy the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, but the Issuer resolves to retain the cash on the Pre-Maturity Account in order to provide liquidity for any future Series of Hard Bullet Covered Bonds.

"**Pre-Maturity Test Date**" means any Business Day falling during the Pre-Maturity Rating Period, prior to the occurrence of an Issuer Event of Default.

**“Pre-Maturity Rating Period”** means the period of 12 months preceding the Maturity Date of the relevant Series of Hard Bullet Covered Bonds.

## Tests

Under the terms of the Cover Pool Administration Agreement, Banco Popolare as Issuer and Seller must ensure that the Cover Pool complies with the Tests described below.

### Mandatory Tests

For so long as any Covered Bond remains outstanding, Banco Popolare as Issuer and Seller shall procure on an ongoing basis (and, without prejudice of the OBG Regulations, such obligation shall be deemed to be complied with if the Mandatory Tests are satisfied on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which such tests are to be carried out pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be) and until the Programme Expiry Date that each of the following tests is met:

- (a) the outstanding aggregate principal balance of the Eligible Cover Pool from time to time owned by the Guarantor plus the aggregate amounts standing to the credit of the Accounts (in relation to the principal component only) up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the relevant Priority of Payments shall be at least equal to, or higher than, the aggregate principal notional amount of all Series of Covered Bonds at the same time outstanding (the **“Nominal Value Test”**);
- (b) the Net Present Value of the Eligible Cover Pool shall be at least equal to, or higher than, the Net Present Value of the Outstanding Covered Bonds (the **“NPV Test”**); and
- (c) the Net Interest Collections from the Eligible Cover Pool shall be at least equal to, or higher than, the interest payments scheduled to be due in respect of all the outstanding Series of Covered Bonds (the **“Interest Coverage Test”**),

(the tests above are jointly defined as the **“Mandatory Tests”**).

**“Net Available Redemption Funds”** means (i) the amounts standing to the credit of the Accounts *plus* (ii) without duplication with (i), the Euro Equivalent of the Outstanding Principal Balance of any Integration Assets and Eligible Investments, without double counting any securities, monies or other amounts which is comprised in the Selected Assets *minus* (iii) the amounts required to repay any Series of Covered Bonds which mature on the same date as the relevant Series of Covered Bonds and all amounts to be applied on the next following Guarantor Payment Dates, up until the Maturity Date (or the Extended Maturity Date, if applicable) of the Earliest Maturing Covered Bonds, to repay amounts ranking in priority or *pari passu* to the amounts to be paid on the Earliest Maturity Covered Bonds in accordance with the Post-Issuer Event of Default Priority of Payments.

**“Net Interest Collections from the Eligible Cover Pool”** means, on each Calculation Date and/or Monthly Calculation Date and/or any other date on which the relevant Test is to be performed pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, an amount equal to the positive difference between:

- (i) interest payments received, or expected to be received, by the Guarantor under or in respect of the Eligible Cover Pool in each and all respective Calculation Periods (including, for the avoidance of doubt, any amount of interest to be realised from the investment into Eligible Investments of principal collections arising from the expected amortisation of the Eligible Cover Pool in each and all respective Calculation Periods) and any amount of interest accrued on the Accounts and any additional cash flows expected to be deposited in the Accounts in each and all respective Calculation Periods; and

- (ii) the payments (in relation to the interest component only) to be effected in accordance with the relevant Priority of Payments, by the Guarantor in priority to any amount to be paid on the Covered Bonds.

**“Net Present Value of the Outstanding Covered Bonds”** means, on each Calculation Date and/or Monthly Calculation Date and/or any other date on which the relevant Test is to be performed pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, an amount equal to the product of (i) the applicable Discount Factor and (ii) the expected principal and interest payments due in respect of the outstanding Series of Covered Bonds.

**“Net Present Value of the Eligible Cover Pool”** means, on each Calculation Date and/or Monthly Calculation Date and/or any other date on which the relevant Test is to be performed pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, an amount equal to the algebraic sum of:

- (i) the product of:
  - (A) the applicable Discount Factor; and
  - (B) the expected future principal and future interest payments to be received by the Guarantor under or in respect of the Eligible Cover Pool; *plus*
- (iii) any principal payment actually received by the Guarantor in respect of the Mortgage Loans and not yet applied under the relevant Priority of Payments.

**“Discount Factor”** means the discount rate, implied in the relevant Swap Curve, calculated by the Calculation Agent on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the relevant Tests are to be carried out pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be.

**“Eligible Cover Pool”** means, as at any relevant date, (i) all the Receivables comprised in the Cover Pool which are not Non Performing Loans; and (ii) all the Integration Assets up to a nominal amount equal to 15 per cent. of the nominal amount of the aggregate Cover Pool as at such date.

**“Non Performing Loan”** means any receivable which either (i) qualifies as *“non performing”* in accordance with the EU Regulation No. 680/2014, as amended from time to time, as implemented in Italy under the *“Circolare della Banca d’Italia del 30 Luglio 2008, n. 272 (Matrice dei Conti)”*, as amended, or (ii) has been referred to the Servicer's non performing loan division (the Servicer's *“contenzioso”* department) pursuant to the latest servicing and collection policies of the Servicer.

**“In Arrears”** means, in respect of any Mortgage Loans, any amount which has become due and payable by the relevant obligor or guarantor, but has remained unpaid for more than five consecutive Business Days.

**“Swap Curve”** means the term structure of interest rates used by the Calculation Agent in accordance with the best market practice and calculation based on market instruments.

The Calculation Agent, on the basis of the information provided to it pursuant to the Transaction Documents, shall verify compliance with the Mandatory Tests on each Calculation Date and/or Monthly Calculation Date and/or on any other date on which the verification of the Mandatory Tests is required pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be.

The calculations performed by the Calculation Agent in respect of the Mandatory Tests will be monitored and verified from time to time by the Asset Monitor in accordance with the provisions of the Asset Monitor Agreement.

### Asset Coverage Test

Starting from the Calculation Date falling in September 2013 and until the earlier of :

- (a) 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 the Conditions; and
- (b) the date on which a Notice to Pay is served on the Guarantor,

Banco Popolare as Issuer and Seller shall procure that on any Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Outstanding Principal Balance of the Covered Bonds (the “**Asset Coverage Test**”).

For the purpose of the Asset Coverage Test, “**Adjusted Aggregate Loan Amount**” means an amount calculated in accordance with the following formula:

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

where:

“A” is equal to the lower of (i) and (ii),

where:

- (i) is the aggregate of the “**LTV Adjusted Principal Balance**” of each Mortgage Loan in the Eligible Cover Pool as at any given date, calculated as the lower of: (1) the actual Outstanding Principal Balance of the relevant Mortgage Loan in the Eligible Cover Pool as at the last day of the immediately preceding Calculation Period; and (2) the Latest Valuation relating to that Mortgage Loan as at such date multiplied by M (where M is equal to (a) 80 per cent. for all Mortgage Loans that are up to three months In Arrears or not In Arrears, (b) 40 per cent. for all Mortgage Loans that are more than three months In Arrears but are not yet Non Performing Loans and (c) zero for all Non Performing Loans),

*minus*

the aggregate of the following deemed reductions to the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool if any of the following occurred during the immediately preceding Calculation Period:

- (A) a Mortgage Loan was, during the immediately preceding Calculation Period, in breach of the representations and warranties contained in the Warranty and Indemnity Agreements 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 Agreements (any such Mortgage Loan an “**Affected Loan**”). In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the LTV Adjusted Principal Balance of the relevant Affected Loans (as calculated on the last day of the immediately preceding Calculation Period); and/or
- (B) the Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Transfer Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding

Calculation Period (such financial loss to be calculated by the Calculation Agent without double counting with the reduction under (A) above and to be set off against any amount paid (in cash or in kind) to the Guarantor by the Seller and/or the Servicer to indemnify the Guarantor for such financial loss) (any such loss a “**Breach Related Loss**”); and/or

- (C) the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree no. 185 of 29 November 2008, as converted into law through Law no. 2 of 28 January 2009, or pursuant to the suspension scheme under the arrangement denominated “*Avviso Comune: per la sospensione dei debiti delle piccole e medie imprese verso il sistema creditizio*” signed by the Ministry of Finance, the Italian Banks Association (ABI) and the association representing the enterprises on 3 August 2009, or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009, during the suspension period (any such Mortgage Loan a “**Renegotiated Loan**”). In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the LTV Adjusted Principal Balance of each Renegotiated Loan (as calculated on the last day of the immediately preceding Calculation Period);

AND

- (ii) is the aggregate “**Asset Percentage Adjusted Principal Balance**” of the Mortgage Loans in the Eligible Cover Pool as at any given date which in relation to each Mortgage Loan shall be calculated as the lower of (1) the actual Outstanding Principal Balance of the relevant Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period, and (2) the Latest Valuation relating to that Mortgage Loan as at such date multiplied by N (where N is equal to (a) 100 per cent. for all Mortgage Loans that are less than three months In Arrears or not In Arrears, (b) 40 per cent. for Mortgage Loans that are more than three months In Arrears but are not yet Non Performing Loans and (c) zero for all Non Performing Loans),

*minus*

the aggregate sum of (1) the Asset Percentage Adjusted Principal Balance of any Affected Loan(s), calculated as described in item (i)(A) above and/or (2) any Breach Related Losses, calculated as described in item (i)(B) above and/or (3) the Asset Percentage Adjusted Principal Balance of any Renegotiated Loan, calculated as described in item (i)(C) above,

the result of which multiplied by the “Asset Percentage” (as defined below);

“**B**” is equal to the aggregate amount of all sums standing to the credit of Accounts as at the end of the immediately preceding Calculation Period which have not been applied in accordance with the relevant Priority of Payments up to a maximum nominal amount which cannot exceed, taking into account “C” below, 15 per cent. of the nominal amount of the aggregate Cover Pool as at such date;

“**C**” is equal to the aggregate Outstanding Principal Balance of any Integration Assets and/or Eligible Investments as the end of the immediately preceding Calculation Period (without duplication with the amounts standing to the credit of the Accounts under “B” above) and up to a maximum nominal amount which cannot exceed, taking into account “B” above, 15 per cent. of the nominal amount of the aggregate Cover Pool as at such date;

“**D**” is equal to the aggregate Outstanding Principal Balance of Receivables (other than Receivables arising from Mortgage Loans) arising under any other eligible assets pursuant to the OBG Regulations;



“Y” is equal to zero if the Issuer’s short-term unsecured and unsubordinated debt ratings are at least “P1” by Moody’s, otherwise the Potential Set-Off Amounts;

“W” is equal to zero if the Issuer’s short-term unsecured and unsubordinated debt ratings are at least “P3” by Moody’s, otherwise the Potential Commingling Amount;

“Z” means the amount resulting from the product of (i) the weighted average remaining maturity of all Covered Bonds then outstanding expressed in days and divided by 365, (ii) the Euro Equivalent amount of the aggregate Outstanding Principal Balance of the Covered Bonds, and (iii) 0.50 per cent. (the “**Negative Carry Factor**”);

“**Asset Percentage**” means, on any Calculation Date and/or Monthly Calculation Date and/or on any other date on which the Asset Coverage Test is to be performed under the Transaction Documents, as the case may be, the lower of (a) 93 per cent. and (b) such other percentage, determined by the Issuer on behalf of the Guarantor, as is sufficient to ensure that the Covered Bonds are rated “Baa3” by Moody’s;

“**Latest Valuation**” means the most recent valuation of the relevant property performed in accordance with article 208, paragraph 3 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;

“**Potential Commingling Amount**” is an amount equal to (i) nil, if one of the remedies provided for under clauses 14.1.1(i) or 14.1.1(ii) of the Servicing Agreement has been put in place, otherwise (ii) 4 per cent. of the aggregate Outstanding Principal Balance of the Mortgage Loans included in the Cover Pool;

“**Potential Set-Off Amounts**” means the aggregate Outstanding Principal Balance of the Mortgage Loans included in the Cover Pool that could be potentially lost as a result of the relevant Debtors exercising their set-off rights, and which in any case will never be lower than 100 per cent. of the Moody’s Set-Off Exposure. Such amount will be calculated by the Calculation Agent on each Calculation Date and/or other date on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and any other Transaction Documents, as the case may be. The Potential Set-Off Amounts will be updated at least on a quarterly basis and after any transfer of Mortgage Loans to the Guarantor;

“**Moody's Set-Off Exposure**” means, in respect of each Debtor and as at any Calculation Date and/or Monthly Calculation Date and/or on any other date on which the Asset Coverage Test is to be performed under the Transaction Documents, as the case may be, the lower of:

- (i) the greater of (a) the lower of (1) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the Debtor with the Seller at the Transfer Date of the relevant Mortgage Loan and (2) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the Debtor with the Seller as at the relevant date; and
- (ii) the aggregate of the Outstanding Principal Balance of the relevant Mortgage Loan as at the immediately preceding Collection Period;

### **The Amortisation Test**

For so long as any Series of Covered Bonds remains outstanding, Banco Popolare as Issuer and Seller will ensure that following the service of a Notice to Pay on the Issuer and the Guarantor (but prior to the service of an Acceleration Notice on the Guarantor), on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Amortisation Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Amortisation Test Aggregate Loan Amount is equal to or higher than the Outstanding Principal Balance of the Covered Bonds (the “**Amortisation Test**”, and, together with the Mandatory Tests and the Asset Coverage Test, the “**Tests**”).

For the purpose of the Amortisation Test, “**Amortisation Test Aggregate Loan Amount**” means an amount calculated in accordance with the following formula:

$$A+B+C+D-Z$$

where:

“A” is the lower of:

- (1) the actual Outstanding Principal Balance of each Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period multiplied by M; and
- (2) the Latest Valuation relating to that Mortgage Loan as at such date multiplied by M.

the “**Amortisation LTV Adjusted Principal Balance**”.

For the purposes of items (1) and (2) above, M is equal to (a) 100 per cent. for all Mortgage Loans that are up to three months In Arrears or not In Arrears, (b) 85 per cent. for all Mortgage Loans that are more than three months In Arrears but are not yet Non Performing Loans and (c) 75 per cent. for all Non Performing Loans.

*minus*

the aggregate sum of the following deemed reductions to the aggregate Amortisation LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool if any of the following occurred during the immediately preceding Calculation Period:

- (I) a Mortgage Loan was, in the immediately preceding Calculation Period, an Affected Loan. In this event, the aggregate Amortisation LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Amortisation LTV Adjusted Principal Balance of the relevant Affected Loans (as calculated on the last day of the immediately preceding Calculation Period); and/or
- (II) the Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Transfer Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Amortisation LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced, by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Calculation Agent without double counting with the reduction under (I) above and to be set off against any amount paid (in cash or in kind) to the Guarantor by the Seller and/or the Servicer to indemnify the Guarantor for such financial loss); and/or
- (III) any Mortgage Loan was, in the immediately preceding Calculation Period, a Renegotiated Loan. In this event, the aggregate of the Amortisation LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the aggregate of the Amortisation LTV Adjusted Principal Balance of each Renegotiated Loan (as calculated on the last day of the immediately preceding Calculation Period).

“B” is the aggregate amount of all principal amounts collected by the Servicer in respect of the Eligible Cover Pool up to the end of the immediately preceding Calculation Period which have not been provisioned as at the

relevant Calculation Date to acquire further Subsequent Receivables and/or Integration Assets or otherwise provisioned in accordance with the Transaction Documents.

“C” is the aggregate Outstanding Principal Balance of any Integration Assets and/or Eligible Investments as at the end of the immediately preceding Collection Period.

“D” is equal to the aggregate Outstanding Principal Balance of Receivables (other than Receivables arising from Mortgage Loans) arising under any other eligible assets pursuant to the OBG Regulations.

“Z” is the amount resulting from the product of (i) the weighted average remaining maturity of all Covered Bonds then outstanding expressed in days and divided by 365, (ii) the Euro Equivalent amount of the aggregate Outstanding Principal Balance of the Covered Bonds, and (iii) the Negative Carry Factor.

The Calculation Agent shall verify compliance with the Amortisation Test on each Calculation Date and/or Monthly Calculation Date following the service of a Notice to Pay (and prior to the service of an Acceleration Notice) and on any other date on which the verification of the Amortisation Test is required pursuant to the Transaction Documents.

For the purposes of verification of the Amortisation Test and the Mandatory Tests, the Nominal Value Test is deemed to be met if the Amortisation Test is met.

A breach of the Amortisation Test will constitute a Guarantor Event of Default and the Representative of the Covered Bondholders shall be entitled to serve an Acceleration Notice to the Guarantor in accordance with the Intercreditor Agreement.

See also the section headed “*Description of the Transaction Documents – Cover Pool Administration Agreement*” below.

## DESCRIPTION OF THE TRANSACTION DOCUMENTS

### Master Transfer Agreement

On 13 January 2012, pursuant to a master transfer agreement entered into between Banco Popolare as Seller (also as successor to Credito Bergamasco S.p.A.) and the Guarantor (the “**Master Transfer Agreement**”), the Seller (a) has transferred without recourse (*pro soluto*) to the Guarantor an initial portfolio of monetary receivables arising from Mortgage Loans (the “**Initial Receivables**”) and (b) may assign and transfer without recourse (*pro soluto*) further monetary receivables arising from Mortgage Loans (the “**Subsequent Receivables**”) and/or Integration Assets (other than Eligible Deposits) to the Guarantor from time to time, in the cases and subject to the limits on the transfer of Subsequent Receivables and/or Integration Assets.

“**Mortgage Loans**” means Italian residential mortgage loans (*mutui ipotecari residenziali*) and Italian commercial mortgage loans (*mutui ipotecari commerciali*) having the characteristics set out in Article 2, paragraph 1, lett. (a) and (b), of the MEF Decree.

“**Valuation Date**” means: (i) in respect of the Initial Receivables, 7 January 2012; and (ii) in respect of any portfolio of Subsequent Receivables, the date indicated as such in the relevant offer for Subsequent Receivables.

### Purchase Price

The purchase price payable for the Initial Receivables has been determined and the purchase price for the Subsequent Receivables will be determined pursuant to the provisions of the Master Transfer Agreement.

### The Subsequent Receivables

In accordance with the Master Transfer Agreement and the Cover Pool Administration Agreement, the Seller may (or, in order to prevent or to cure a breach of the Mandatory Tests and the other tests provided for in the Transaction Documents, shall) transfer further Subsequent Receivables and/or Integration Assets (other than Eligible Deposits) in the following circumstances:

- (a) to collateralise the issue of further Series or Tranches of Covered Bonds by the Issuer, subject to the Limits to the Assignment (each an “**Issuance Assignment**”);
- (b) to invest the Principal Available Funds, subject to the Limits to the Assignment, provided that no Issuer Event of Default or Guarantor Event of Default has occurred and is continuing (each a “**Revolving Assignment**”);
- (c) to ensure compliance with the Tests in accordance with the Cover Pool Administration Agreement, subject to compliance with the provisions of the MEF Decree and the requirements set out in the definition of Eligible Investments (the “**Integration Assignment**”).

### The Integration Assignment

The integration of the Cover Pool (whether through Integration Assets or Subsequent Receivables) will be effected for the purpose of complying with the Mandatory Test and the Asset Coverage Test or to comply with the Integration Assets Limit (as defined below) provided for under the OBG Regulations.

The integration of the Cover Pool may be carried out through Receivables or Integration Assets provided that, the Integration Assets shall not be, at any time, higher than 15 per cent. of the aggregate outstanding principal amount of the assets comprised in the Cover Pool (the “**Integration Assets Limit**”).

“**Integration Assets**” means the assets mentioned in article 2, paragraph 3, points 2 and 3, of the MEF Decree consisting of (i) Eligible Deposits ; and (ii) securities issued by banks residing in Eligible States with residual

maturity not greater than one year, in each case meeting the requirements set out in the definition of Eligible Investments.

### **Further assignments**

Each portfolio of Subsequent Receivables shall be exclusively composed of monetary receivables arising under Mortgage Loans, which comply with the general criteria indicated in schedule 1 to the Master Transfer Agreement (the “**General Criteria**”) and, if applicable in relation to the relevant transfer, the Specific Criteria specified in the relevant offer for sale sent by the Seller to the Guarantor in accordance with the provisions of the Master Transfer Agreement.

The obligation of the Guarantor to purchase any Subsequent Receivables shall be conditional upon:

- (a) for the Revolving Assignments, (i) the existence of sufficient Principal Available Funds in accordance with the Pre-Issuer Event of Default Principal Priority of Payments and (ii) confirmation by the Calculation Agent that, as a result of such assignment, the Asset Coverage Test and the Mandatory Tests will be complied with;
- (b) for the Issuance Assignments, sufficient funds are advanced under the Subordinated Loan Agreement, to pay the relevant purchase price; and
- (c) for the Integration Assignments, sufficient funds are advanced under the Subordinated Loan Agreement and/or, only prior to the service of a Notice to Pay, (i) the existence of sufficient Principal Available Funds in accordance with the Pre-Issuer Event of Default Principal Priority of Payments and (ii) confirmation by the Calculation Agent that, as a result of such assignment, the Asset Coverage Test and the Mandatory Tests will be complied with.

### **Price adjustments**

The Master Transfer Agreement provides a price adjustment mechanism pursuant to which:

- (a) if, following the relevant effective date, it transpires that any Initial Receivable or Subsequent Receivable does not meet the Criteria and was therefore erroneously transferred to the Guarantor, then such Initial Receivable or Subsequent Receivable will be deemed not to have been assigned and transferred to the Guarantor pursuant to the Master Transfer Agreement;
- (b) if, following the relevant effective date, it transpires that any initial receivable or subsequent receivable which met the Criteria was not included in the Initial Receivables or the Subsequent Receivables, then such Initial Receivable or Subsequent Receivable shall be deemed to have been assigned and transferred to the Guarantor as of the Valuation Date of the relevant Initial Receivable or Subsequent Receivable, pursuant to the Master Transfer Agreement.

Pursuant to the Master Transfer Agreement, the Seller and the Guarantor have set up a proper mechanism to manage the necessary settlements for the substitution or acquisition of the relevant Initial Receivables or Subsequent Receivables and the increase or decrease, as the case may be, of the amounts already paid as purchase price.

### **Repurchase of receivables and Pre-emption right**

- (a) The Seller is granted with an option right, pursuant to Article 1331 of Italian civil code, to repurchase the Initial Receivables or Subsequent Receivables assigned to the Guarantor, also in different tranches, in accordance with the terms and conditions set out in the Master Transfer Agreement.
- (b) According to the Master Transfer Agreement, the Seller is granted a pre-emption right to repurchase the relevant Initial Receivables or Subsequent Receivables assigned to the Guarantor, in the cases

where the Guarantor elects to sell such Receivables to third parties, at the same terms and conditions provided for such third parties.

### **Termination of the Guarantor's obligation to purchase Subsequent Receivables**

Pursuant to the Master Transfer Agreement, the obligation of the Guarantor to purchase Subsequent Receivables from the Seller shall terminate upon the occurrence of any of the following: (a) the Programme Termination Date has occurred; or (b) a Notice to Pay has been served on the Issuer and the Guarantor.

For the purposes hereof, "**Programme Termination Date**" means the later of:

- (i) the date falling on the last calendar day of the seventh year after the Initial Issue Date; and
- (ii) the date on which all Covered Bonds issued in the context of the Programme have been redeemed in full.

Moreover, the obligation of the Guarantor to purchase Subsequent Receivables from the Seller shall terminate upon the occurrence of any of the following: (a) a breach of material obligations of the Seller pursuant to the Transaction Documents to which it is a party, in the event such breach is not cured within the period specified in the Master Transfer Agreement, or it is otherwise not curable; (b) any material breach of the Seller's representations and warranties given in any of the Transaction Documents to which it is a party and such breach has a material adverse effect on the Covered Bondholders; (c) a material adverse change has occurred in respect of the Seller; (d) a change of control of the Seller which has caused the Seller not to be part of the Banco Popolare Group; and (e) winding up of the Seller, or opening of other bankruptcy or insolvency proceeding with respect to the Seller.

Following the occurrence of one of the events described above, the Guarantor shall no longer be obliged to purchase Subsequent Receivables from the Seller without prejudice, however, with the provisions set out in the Master Transfer Agreement in relation to Integration Assignments.

### **Undertakings**

The Master Transfer Agreement also contains a number of undertakings by the Seller in respect of its activities in relation to the Receivables. The Seller has undertaken, *inter alia*, to refrain from carrying out activities with respect to the Receivables which may prejudice the validity or recoverability of any Receivables and, in particular, not to assign or transfer the Receivables to any third party or to create any security interest, charge, lien or encumbrance or other right in favour of any third party in respect of the Receivables. The Seller has also undertaken to refrain from any action which could cause any of the Receivables to become invalid or cause a reduction in the amount of any of the Receivables or the Covered Bond Guarantee. The Master Transfer Agreement also provides that the Seller shall waive any set off rights in respect of the Receivables, and co-operate actively with the Guarantor in any activity concerning the Receivables.

### **Governing law**

The Master Transfer Agreement, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Italian law.

### **Servicing Agreement**

The Guarantor appointed Banco Popolare as Servicer (also as successor to Credito Bergamasco S.p.A.) (in such capacity the "**Servicer**") as servicer of the Receivables pursuant to the terms of the servicing agreements dated 13 January 2012, as subsequently amended (the "**Servicing Agreement**").

Under the Servicing Agreement, the Servicer has agreed to perform certain servicing duties in connection with the Receivables, and, in general, the Servicer has agreed to be responsible for the management of the Receivables and for the cash and payment services (*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento*) in accordance with the requirements of the Law 130.

As consideration for activities performed and reimbursement of expenses, Servicing Agreement provides that the Servicer will receive certain fees payable by the Guarantor on each Guarantor Payment Date in accordance with the applicable Priorities of Payments.

### **Servicer' activities**

In the context of the appointment, the Servicer has undertaken to perform, with its best diligence, *inter alia*, the following activities:

- (a) administration, management and collection of the Receivables in accordance with the collection policies, management and administration of enforcement proceedings and insolvency proceedings;
- (b) being responsible for data processing (*responsabile del trattamento dei dati personali*) in respect of the data relating to the Receivables pursuant to Article 29 of the Legislative Decree no. 196 of 30 June 2003 (the “**Privacy Law**”);
- (c) to keep and maintain updated and safe the respective documents relating to the Receivables and to allow the Guarantor and the Representative of the Covered Bondholders to examine and inspect such documents and draw copies; and
- (d) upon the service of a Notice to Pay or of an Acceleration Notice, to comply with the instructions of the Representative of the Covered Bondholders and, acting on behalf of the Guarantor, sell or offer to sell to third parties one or more Receivables, in accordance with the provisions of the Cover Pool Administration Agreement.

The Servicer is entitled to delegate the performance of certain activities to third parties, except for the supervisory activities which, in accordance with Bank of Italy Regulations of 5 August 1996, No. 216, as amended and supplemented, cannot be delegated to third parties. Notwithstanding the above, the Servicer shall remain fully liable for the activities performed by a delegate appointed by it, and shall maintain the Guarantor fully indemnified for any losses, costs and damages incurred for the activity performed by such delegate.

### **Servicer Reports**

The Servicer has undertaken to prepare and submit quarterly reports to the Guarantor, the Corporate Servicer, the Administrative Servicer, the Calculation Agent, the Representative of the Covered Bondholders and Moody's, in the form set out in the Servicing Agreement, containing information as to the collections and recoveries made in respect of the Receivables during the each relevant Collection Period. After the occurrence of a breach of any of the Mandatory Tests and the Asset Coverage Test, and until the date on which such breach has been cured, or, regardless of a breach of any of the Tests, at any time at its discretion, the Servicer will prepare and submit to the Guarantor, the Corporate Servicer, the Administrative Servicer, the Calculation Agent, the Representative of the Covered Bondholders, and Moody's monthly reports. The reports will provide the main information relating to the Servicer's activity during each such period.

### **Successor Servicer**

Pursuant to the Servicing Agreement, the Guarantor, upon the occurrence of a termination event, shall have the right to withdraw the appointment of the Servicer at any time and to appoint a different entity (each a “**Successor Servicer**”). The Successor Servicer shall undertake to carry out the activity of administration, management and collection of the Receivables, as well as all other activities provided for in the Servicing

Agreement by entering into a servicing agreement having substantially the same form and contents as the Servicing Agreement and accepting the terms and conditions of the Intercreditor Agreement.

The Guarantor may terminate the appointment of the Servicer and appoint a Successor Servicer following the occurrence of certain termination events set out in the Servicing Agreement (each a “**Servicer Termination Event**”).

The Servicer Termination Events include, *inter alia*:

- (a) failure to transfer, deposit or pay any amount due by the Servicer which failure is continuing for a period of five Business Days following receipt by the Servicer of a written notice from the Guarantor requiring the relevant amount to be transferred, paid or deposited;
- (b) the Bank of Italy has proposed to the Minister of Finance to admit the Servicer to any insolvency proceeding or a request for the judicial assessment of the insolvency of the Servicer has been filed with the competent office or the Servicer has been admitted to the procedures set out in articles 74 and 76 of the Italian Banking Act, or a resolution is passed by the Servicer with the intention of applying for such proceedings to be initiated;
- (c) failure by the Servicer to observe or perform duties under the Transaction Documents to which it is a party and the continuation of such failure for a period of 10 Business Days following receipt of written notice from the Guarantor and such failure is reasonably deemed by the Representative of the Covered Bondholders as materially prejudicial to the Covered Bondholders;
- (d) the representations and warranties made by the Servicer in the Transaction Documents to which it is a party are materially false or misleading and such misrepresentation is reasonably deemed by the Representative of the covered Bondholders as materially prejudicial to the interest of the Covered Bondholders;
- (e) the Servicer does not meet the legal requirements and the requirements provided for by the Bank of Italy’s regulations for entities acting as servicer; and
- (f) the Servicer ceases to belong to the Banco Popolare Group.

#### **Governing law**

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

#### **Warranty and Indemnity Agreements**

On 13 January 2012, Banco Popolare as Seller (also as successor to Credito Bergamasco S.p.A.) and the Guarantor entered into two warranty and indemnity agreements, as subsequently amended (each a “**Warranty and Indemnity Agreement**” and, collectively, the “**Warranty and Indemnity Agreements**”), pursuant to which the Seller made certain representations and warranties to the Guarantor in respect of the Receivables assigned to the Guarantor.

Specifically, the Seller has given to the Guarantor, *inter alia*, representations and warranties about: (a) its status and powers, (b) the information and the documents provided by it to the Guarantor, (c) its legal title on the Receivables assigned by it, (d) the status of the Receivables assigned by it and (e) the terms and conditions of the Receivables assigned by it. Such representations shall be deemed repeated as of the date of execution of the Master Transfer Agreement, as of each subsequent transfer date (in respect of Subsequent Receivables) and as of each Issue Date.



Pursuant to each Warranty and Indemnity Agreement, the Seller has undertaken to fully and promptly indemnify and hold harmless the Guarantor and its officers, directors and agents, from and against any and all damages, losses, claims, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and disbursements and any value added tax and other tax thereon as well as any claim for damages by third parties) awarded against, or incurred by, any of them, arising from any representations and/or warranties made by the Seller under each Warranty and Indemnity Agreement being actually false, incomplete or incorrect and/or failure by the Seller to perform any of the obligations and undertakings assumed by it under the Transaction Documents to which it is a party.

Moreover, each Warranty and Indemnity Agreement provides that, in the event of a misrepresentation or a breach of any of the representations and warranties made by the Seller under the Warranty and Indemnity Agreements, which materially and adversely affects the value of one or more Receivables or the interest of the Guarantor in such Receivables, and such misrepresentation or breach is not cured, whether by payment of damages or indemnification or otherwise, by the Seller within a period of 30 (thirty) days from receipt of a written notice from the Guarantor to that effect (the "**Cure Period**"), the Guarantor has the option, pursuant to article 1331 of the Italian civil code, to assign and transfer to the Seller all of the relevant Receivables affected by any such misrepresentation or breach (the "**Affected Receivables**"). The Guarantor will be entitled to exercise the put option by giving to the Seller, at any time during the period commencing on the Business Day immediately following the last day of the Cure Period and ending on the day which is 180 days after such Business Day, written notice to that effect (the "**Put Option Notice**").

#### **Governing law**

Each Warranty and Indemnity Agreement, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Italian law.

#### **Subordinated Loan Agreement**

On 13 January 2012, Banco Popolare as Seller (also as successor to Credito Bergamasco S.p.A.) and the Guarantor entered into a subordinated loan agreement, as subsequently amended (the "**Subordinated Loan Agreement**"), pursuant to which the Seller has granted to the Guarantor a subordinated loan (the "**Subordinated Loan**") with a maximum amount equal to the Commitment Limit. Under the provisions of the Subordinated Loan Agreement, the Seller shall make advances to the Guarantor in amounts equal to the price of the Receivables transferred from time to time to the Guarantor, including the Subsequent Receivables or Integration Assets to be transferred in order to prevent or cure a breach of the Tests. Each advance granted by the Seller pursuant to the Subordinated Loan Agreement shall be identified in (a) a term loan advanced to fund the purchase price of the relevant Receivables to be sold in the framework of an Issuance Assignment (the "**Issuance Advance**"); (b) a term loan advanced for the purpose of purchasing further Subsequent Receivables and/or Integration Assets in the framework of an Integration Assignment (the "**Integration Advance**"); (c) a term loan advanced for the purpose of paying any amount required to be paid as a result of an adjustment to be made to the purchase price of the Initial Receivables and/or Subsequent Receivables in accordance with the Master Transfer Agreement (the "**Price Adjustment Advance**"); and (d) financing the creation of Eligible Deposits (the "**Eligible Deposits Advance**" and, together with the Issuance Advance, the Integration Advance and the Price Adjustment Advance, the "**Advances**").

The Guarantor shall pay any interest due under the Subordinated Loan on each Guarantor Payment Date in accordance with the relevant Priorities of Payments.

The Advances shall bear interest and be remunerated by way of the Subordinated Loan Interest.

"**Subordinated Loan Interest**" means:

- (a) prior to the service of a Notice to Pay and, in the event that such Notice to Pay has been revoked, an amount equal to the higher of zero and the algebraic sum of:
  - (i) (+) the amount of Interest Available Funds; and
  - (ii) (-) the sum of any amount paid under items from (i) to (ix) of the Pre-Issuer Event of Default Interest Priority of Payment; or
- (b) following the service of a Notice to Pay and for so long as such Notice to Pay has not been revoked, but prior to the service of an Acceleration Notice, an amount equal to the higher of zero and the algebraic sum of:
  - (i) (+) the amount of Available Funds; and
  - (ii) (-) the sum of any amount paid under items from (i) to (vi) of the Post-Issuer Event of Default Priority of Payments; or
- (c) following the service of an Acceleration Notice an amount equal to the higher of zero and the algebraic sum of:
  - (i) (+) the amount of Available Funds;
  - (ii) (-) the sum of any amount paid under items from (i) to (v) of the Post-Guarantor Event of Default Priority of Payments.

The Advances shall be due for repayment on the date that matches the latest maturity date of the Covered Bonds issued under the Programme, and shall be repayable within the limits of the Available Funds and in accordance with the relevant Priority of Payments.

Pursuant to the Subordinated Loan Agreement, for so long as an Issuer Downgrading Event is outstanding, the Issuance Advances shall be repayable on the date which is six months after the maturity date of the relevant Series of Covered Bonds issued under the Programme.

Notwithstanding the above, prior to the service of a Notice to Pay, upon receipt by the Guarantor of a request from the Seller, the Advances shall be repaid by the Guarantor prior to the date that matches the maturity date of the relevant series of Covered Bonds issued under the Programme in accordance with the relevant Priority of Payments, provided that the Calculation Agent confirms that, as a result of such early repayment, the Mandatory Tests and the Asset Coverage Test will be complied with.

### **Governing law**

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

### **Covered Bond Guarantee**

On or about the Issue Date, the Guarantor issued a guarantee securing the payment obligations of the Issuer under the Covered Bonds (the “**Covered Bond Guarantee**”), in accordance with the provisions of Law 130 and of the MEF Decree. Under the terms of the Covered Bond Guarantee:

- (i) following the service of a Notice of Pay on the Guarantor but prior to the service of an Acceleration Notice, the Guarantor has agreed to pay, or procure to be paid, unconditionally and irrevocably to, or to the order of, the Representative of the Covered Bondholders (for the benefit of the Covered Bondholders), any amounts due under the relevant Series of Covered Bonds on the Scheduled Due for Payment Date; and

- (ii) following the service of an Acceleration Notice, the Guarantor has agreed to pay, or procure to be paid, unconditionally and irrevocably to, or to the order of, the Representative of the Covered Bondholders (for the benefit of the Covered Bondholders), any amounts due under the relevant Series of Covered Bonds on the Due for Payment Date.

The maximum amount guaranteed by the Covered Bond Guarantee is equal to 200 per cent. of the Programme Limit and is with limited recourse to the amount of the Available Funds from time to time available to the Guarantor.

Pursuant to article 7-bis, paragraph 1 of Law 130 and article 4 of the MEF Decree, the guarantee provided under this Covered Bond Guarantee is a first demand autonomous guarantee (*garanzia autonoma a prima richiesta*) and therefore provides for direct and independent obligations of the Guarantor *vis-à-vis* the Covered Bondholders. The obligation of payment under this Covered Bond Guarantee shall be an unconditional and irrevocable (*irrevocabile*) obligation of the Guarantor, irrespective of, and unaffected by, any invalidity, irregularity or unenforceability or genuineness of any of the obligations of the Issuer under the Covered Bonds, with limited recourse to the Available Funds.

The Covered Bond Guarantee is not a “*fideiussione*” and therefore the provisions of the Italian civil code relating to *fideiussione* set forth in articles 1939 (*Validità della fideiussione*), 1941, paragraph 1 (*Limiti della fideiussione*), 1944, paragraph 2 (*Obbligazione del fideiussore*), 1945 (*Eccezioni opponibili dal fideiussore*), 1955 (*Liberazione del fideiussore per fatto del creditore*), 1956 (*Liberazione del fideiussore per obbligazione futura*) and 1957 (*Scadenza dell’obbligazione principale*) shall not apply to the Covered Bond Guarantee

Following the service of a Notice to Pay on the Guarantor, but prior to the service of an Acceleration Notice, payment by the Guarantor of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made, subject to and in accordance with the Post-Issuer Event of Default Priority of Payments, on the relevant Scheduled Due for Payment Date, subject as described below in relation to an Article 74 Event. In addition, if an Extended Maturity Date is envisaged under the relevant Final Terms, where the Guarantor is required to make a payment of a Guaranteed Amount in respect of a Final Redemption Amount payable on the Maturity Date of the relevant Series of Covered Bonds, to the extent that the Guarantor has insufficient moneys available after payment of higher ranking amounts and taking into account amounts ranking *pari passu* therewith in the relevant Priority of Payments, to pay such Guaranteed Amounts, it shall make partial payments of such Guaranteed Amounts in accordance with the Post-Issuer Event of Default Priority of Payments on such Maturity Date and any such amount due and remaining unpaid on such date may be paid by the Guarantor on any Scheduled Payment Date thereafter, up to (and including) the relevant Extended Maturity Date, if applicable.

Following the occurrence of an Issuer Event of Default arising as a result of a resolution issued in respect of the Issuer pursuant to article 74 of the Banking Act (an “**Article 74 Event**”) and the service of a Notice to Pay, the Guarantor, in accordance with Article 4, paragraph 4, of the MEF Decree, shall be solely responsible for making the payments of the Guaranteed Amounts falling due under the relevant Series of Covered Bonds during the applicable Suspension Period. The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders of a notice to the Issuer and the Guarantor (the “**Article 74 Event Cure Notice**”), informing such parties that the Article 74 Event has been cured, provided that in relation to such cure event, the Representative of the Covered Bondholders shall be entitled, if it deems appropriate, to receive and to rely upon prior confirmation from competent professionals of such cure event having occurred. Upon service of the Article 74 Event Cure Notice and unless a Notice to Pay in connection with the occurrence of another Issuer Event of Default has been otherwise served on the Issuer and the Guarantor, the Guarantor’s obligation to make payment of the Guaranteed Amounts in accordance with the Covered Bond Guarantee shall cease to apply and the Issuer shall resume responsibility for making any payment due under

the Covered Bonds (and, for the avoidance of doubt, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer).

Following the service of an Acceleration Notice, all Covered Bonds then outstanding will accelerate against the Guarantor in accordance with the Conditions and will become immediately due and payable ranking *pari passu* and without any preference amongst themselves. In such circumstances, the Available Funds shall be applied in accordance with the Post-Guarantor Event of Default Priority of Payments.

All payments of Guaranteed Amounts by or on behalf of the Guarantor under the Covered Bond Guarantee shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Italian Republic or any political subdivision or taxing authority therein or thereof unless such withholding or deduction is required by law or regulation. If any such withholding or deduction is required, the Guarantor will 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 will not be obliged to pay any amount to any Covered Bondholder in respect of the amount of such withholding or deduction.

### **Exercise of rights**

Following the service of a Notice to Pay on the Issuer and the Guarantor, but prior to the service of an Acceleration Notice, the Guarantor – also in accordance with the provisions of the Covered Pool Administration Agreement and with reference and as of the date of compulsory administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer in accordance with the provisions of article 4, paragraph 3, of the MEF Decree – shall substitute the Issuer in every and all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the relevant Covered Bonds, so that the rights of the Covered Bondholders to receive payments under such Covered Bonds in such circumstances shall only be a right to receive payments of the Scheduled Interest and the Scheduled Principal from the Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Guarantor (directly or through the Representative of the Covered Bondholders) shall be subrogated in the rights of the Covered Bondholders *vis-à-vis* the Issuer and shall exercise, on an exclusive basis and, to the extent applicable, in compliance with the provisions of article 4, paragraph 3 of the MEF Decree, the rights of the Covered Bondholders *vis-à-vis* the Issuer. Any amount so recovered from the Issuer shall form part of the Available Funds.

As a result and as expressly indicated in the Conditions, the Representative of the Covered Bondholders (on behalf of the Covered Bondholders) has irrevocably delegated – also in the interest and for the benefit of the Guarantor – to the Guarantor the exclusive right to proceed against the Issuer and to demand performance by the Issuer of any of its payment obligations under the Covered Bonds, including any right to enforce any acceleration of payment against the Issuer provided under the Conditions or under applicable laws and regulations.

For the purposes of the Covered Bond Guarantee:

**“Early Redemption Amount”** means, in respect of any Series or Tranche 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.

**“Due for Payment Date”** means (a) at any time prior to the service of an Acceleration Notice, a Scheduled Due for Payment Date (as defined below) or (b) at any time following the service of an Acceleration Notice, the date on which the Acceleration Notice is served on the Guarantor. If the Due for Payment Date is not a

Business Day, the date determined in accordance with the Business Day Convention specified as applicable in the relevant Final Terms.

**“Final Redemption Amount”** means, with respect to a Series or Tranche of Covered Bond, the amount specified in, or determined in the manner specified in, the applicable Final Terms which, in respect of any Series of Covered Bonds other than Zero Coupon Covered Bonds, shall be equal to the nominal amount of the relevant Covered Bond.

**“Guaranteed Amounts”** means (i) prior to the service of an Acceleration Notice, with respect to any Scheduled Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Scheduled Due for Payment Date, or (ii) after the service of an Acceleration Notice, an amount equal to the relevant Early Redemption Amount plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Additional Scheduled Interest Amounts and all Additional Scheduled Principal Amounts (whenever the same arose) and any other amount payable by the Guarantor under the Covered Bonds, provided that any Guaranteed Amounts representing interest paid after the Maturity Date (or Extended Maturity Date, as the case may be) shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver, conservator, debtor-in-possession or trustee in bankruptcy or other insolvency or similar official for the Issuer, named or identified in the Order, and has not been paid or recovered from any other source (the **“Clawed Back Amounts”**).

**“Order”** means a final, non-appealable judicial decision, ruling or award from a court of competent jurisdiction.

**“Scheduled Due for Payment Date”** means:

- (a) (i) each Scheduled Payment Date in respect of the relevant Guaranteed Amounts and (ii) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Issuer Event of Default, the day which is two Business Days following service of the Notice to Pay on the Guarantor in respect of such Guaranteed Amounts, if such Notice to Pay has not been served by the relevant Scheduled Payment Date; or
- (b) if the applicable Final Terms specifies that an Extended Maturity Date is applicable to the relevant Series of Covered Bonds, the relevant CB Payment Date that would have been applicable if the Maturity Date of such Series of Covered Bonds had been the Extended Maturity Date and such other CB Payment Date(s) as specified in the relevant Final Terms.

**“Scheduled Interest”** means an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each CB Payment Date as specified in the Conditions and the applicable Final Terms falling on or after service of a Notice to Pay on the Guarantor and, where applicable after the Maturity Date, such other amounts of interest as may be specified in the relevant Final Terms, in each case less any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made in the circumstances set out in the Conditions. The Scheduled Interest shall: (i) prior to the service of an Acceleration Notice, exclude any additional amounts relating to premiums, default interest or interest upon interest payable by the Issuer following the service of a Notice to Pay (the **“Additional Scheduled Interest Amounts”**); and (ii) after the service of an Acceleration Notice, include such Additional Scheduled Interest Amounts (whenever the same arose) had the Covered Bonds not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms).

**“Scheduled Payment Date”** means, in relation to payments under the Covered Bond Guarantee, each CB Payment Date.

**“Scheduled Principal”** means an amount equal to the amount in respect of principal which would have been due and payable under the Covered Bonds on each CB Payment Date or the Maturity Date (as the case may be) as specified in the Conditions and the applicable Final Terms. The Scheduled Principal shall: (i) prior to the service of an Acceleration Notice, exclude any additional amount relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest payable by the Issuer following the service of a Notice to Pay (the **“Additional Scheduled Principal Amounts”**); and (ii) after the service of an Acceleration Notice, include such Additional Scheduled Principal Amounts (whenever the same arose) had the Covered Bonds not become due and repayable prior to their Maturity Date or, if the Final Terms specifies that an Extended Maturity Date is applicable to such relevant Series, such Extended Maturity Date.

**“Suspension Period”** means the period of time starting from the date on which a resolution pursuant to article 74 of the Banking Act is passed in respect of the Issuer and ending on the date on which the Representative of the Covered Bondholders serves an Article 74 Event Cure Notice to the Issuer and the Guarantor, informing such parties that the Article 74 Event has been cured, during which the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the Guaranteed Amounts that falls due and payable during such period.

#### **Governing law**

The Covered Bond Guarantee, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Italian law.

#### **Corporate Services Agreement**

Pursuant to a corporate services agreement entered into on or about the Initial Issue Date (the **“Corporate Services Agreement”**), the Corporate Servicer has agreed to provide the Guarantor with certain corporate, administrative and accounting services, including the keeping of the corporate books and of the accounting and tax registers.

#### **Governing law**

The Corporate Services Agreement, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Italian law.

#### **Administrative Services Agreement**

Pursuant to a corporate services agreement entered into on or about the Initial Issue Date (the **“Administrative Services Agreement”**), the Administrative Servicer has agreed to provide the Guarantor with certain administrative and tax services.

#### **Governing law**

The Administrative Services Agreement, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Italian law.

#### **Intercreditor Agreement**

Under the terms of an intercreditor agreement entered into on or about the Initial Issue Date, as subsequently amended, (the **“Intercreditor Agreement”**) among the Guarantor, the Representative of the Covered

Bondholders (in its own capacity and as legal representative of the Covered Bondholders), Banco Popolare in any capacity, the Servicer, the Corporate Servicer, the Administrative Servicer, the Investment Agent, the Italian Account Bank, the Successor Account Bank (for so long as an Issuer Downgrading Event is outstanding), the Italian Paying Agent, the Cash Manager, the Asset Monitor and the Calculation Agent (with the exception of the Guarantor, the “**Secured Creditors**”), the parties agreed that all the Available Funds of the Guarantor will be applied in or towards satisfaction of the Guarantor’s payment obligations towards the Covered Bondholders, as well as the other Secured Creditors, in accordance with the relevant Priorities of Payments provided in the Intercreditor Agreement.

According to the Intercreditor Agreement, the Representative of the Covered Bondholders will, subject to the service of an Acceleration Notice, ensure that all the Available Funds are applied in or towards satisfaction of the payment obligations towards the Covered Bondholders, as well as the other Secured Creditors, in accordance with the Post-Guarantor Event of Default Priority of Payments provided in the Intercreditor Agreement.

The obligations owed by the Guarantor to each of the Covered Bondholders and each of the other Secured Creditors will be limited recourse obligations of the Guarantor. The Covered Bondholders and the other Secured Creditors will have a claim against the Guarantor only to the extent of the Available Funds, in each case subject to and as provided for in the Intercreditor Agreement and the other Transaction Documents.

Pursuant to the Intercreditor Agreement, the Guarantor and each of the Secured Creditors have irrevocably agreed that, upon all the Covered Bonds becoming due and payable following the service of an Acceleration Notice, the Representative of the Covered Bondholders will be authorised (a) to carry out the activities provided by the Cover Pool Administration Agreement following the service of an Acceleration Notice and (b) to exercise, in the name and on behalf of the Guarantor and as a *mandatario con rappresentanza* of the Guarantor, also in the interest and for the benefit of the other Secured Creditors (according to Article 1723, paragraph 2, and Article 1726 of the Italian civil code), any and all of the Guarantor’s Rights, including, without limitation, the right to give instructions, under each relevant Transaction Document, to each of the Italian Account Bank, the Successor Account Bank (if applicable), the Cash Manager, the Seller, the Subordinated Loan Provider, the Servicer, the Investment Agent, the Italian Paying Agent, the Corporate Servicer, the Administrative Servicer and any other Secured Creditors. The Representative of the Covered Bondholders shall not incur any liability as a result of its taking any action or failing to take any action in accordance with such mandate, except in the case of its wilful misconduct or gross negligence (*dolo o colpa grave*).

“**Guarantor’s Rights**” means the Guarantor’s right, title and interest in and to the Cover Pool, any rights that the Guarantor has under the Transaction Documents and any other rights that the Guarantor has against any Secured Creditors (including any applicable guarantors or successors) or third parties in connection with the Programme.

### **Governing law**

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

### **Cash Management and Agency Agreement**

On or about the Initial Issue Date the Guarantor, the Cash Manager, the Italian Account Bank, the Successor Account Bank, the Principal Paying Agent, the Italian Paying Agent, the Investment Agent, the Servicer, the Corporate Servicer, the Calculation Agent and the Representative of the Covered Bondholders entered into a cash management and agency agreement, as subsequently amended, (the “**Cash Management and Agency**

**Agreement**”), pursuant to which the Italian Account Bank, the Cash Manager, the Principal Paying Agent, the Italian Paying Agent, the Investment Agent, the Servicer, the Corporate Servicer and the Calculation Agent will provide, and the Successor Account Bank, have undertaken to provide, in the event that an Issuer Downgrading Event is outstanding, the Guarantor with certain calculation, notification and reporting services, together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts.

Pursuant to the Cash Management and Agency Agreement:

- (a) 5 (five) Business Days after the end of the Calculation Period, as the case may be, the Italian Account Bank, the Cash Manager and, where applicable, the Successor Account Bank, will provide, *inter alia*, the Guarantor with a report together with account handling services in relation to moneys from time to time standing to the credit of the Accounts;
- (b) the Cash Manager will, *inter alia*, calculate the amounts to be disbursed on the following Guarantor Payment Date (including, if any, amounts due to the Subordinated Loan Provider pursuant to the Subordinated Loan Agreement) pursuant to the relevant Priority of Payments and will prepare and deliver to, *inter alios*, the Guarantor, the Representative of the Covered Bondholders and the Italian Paying Agent payments report to that effect (the **“Payments Report”**);
- (c) upon the service of an Acceleration Notice by the Representative of the Covered Bondholders, the Cash Manager will on the relevant Calculation Date or upon request by the Representative of the Covered Bondholders, calculate the amount of the Available Funds, the Eligible Investments and the amounts of each of the payments and allocations to be made by the Guarantor in accordance with the Intercreditor Agreement and will, prepare and deliver to, *inter alios*, the Representative of the Covered Bondholders and the Italian Paying Agent a report to that effect (the **“Post-Acceleration Report”**);
- (d) the Cash Manager will prepare and submit to, *inter alios*, the Guarantor and the Representative of the Covered Bondholders an investors report (the **“Investor Report”**) which will set out certain information with respect to the Cover Pool and the Covered Bonds; the Investor Report will be fully available free of charge at the office of the Cash Manager no later than five Business Days following each Guarantor Payment Date;
- (e) the Principal Paying Agent will make the payments due on the Covered Bonds prior to the service of a Notice to Pay and at any time thereafter if such Notice to Pay has been otherwise revoked in accordance with the Conditions and the other Transaction Documents; and
- (f) after the service of a Notice to Pay and for so long as such Notice to Pay has not been otherwise revoked in accordance with the Conditions and the other Transaction Documents, the Italian Paying Agent will make the payments due on the Covered Bonds.

## **Accounts**

The Collection Account and the Expenses Account will be opened in the name of the Guarantor with the Italian Account Bank. For so long as an Issuer Downgrading Event is not outstanding, the Transaction Account, the Reserve Account, the Securities Account (if any) and the Investment Account (if any) will be opened in the name of the Guarantor with the Italian Account Bank. The Collection Account, the Transaction Account, the Reserve Account, the Expenses Account, the Securities Account (if any) and the Investment Account (if any) shall be operated by the Italian Account Bank and the amounts standing to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.



The Italian Account Bank shall, on behalf of the Guarantor, maintain or ensure that records in respect of all the Collection Account, the Transaction Account, the Reserve Account, the Expenses Account, the Securities Account (if any) and the Investment Account (if any) are maintained and such records will, on each Calculation Date and/or Monthly Calculation Date, as the case may be, show separately: (i) the balance of each of the Collection Account, the Transaction Account, the Reserve Account, the Expenses Account, the Securities Account (if any) and the Investment Account (if any), respectively, as of the close of business of the last day of the relevant Calculation Period; (ii) the total interest accrued and paid on the Collection Account, the Transaction Account, the Reserve Account, the Expenses Account, the Securities Account (if any) and the Investment Account (if any), respectively, as of the close of business of the last day of the relevant Calculation Period; and (iii) details of all amounts or securities credited to, and transfers made from, each of the Collection Account, the Transaction Account, the Reserve Account, the Expenses Account, the Securities Account (if any) and the Investment Account (if any), respectively, in the course of the immediately preceding Collection Period. The Italian Account Bank will inform the Guarantor and/or the Representative of the Covered Bondholders, upon their request, about the balance of those of the Collection Account, the Transaction Account, the Reserve Account, the Expenses Account, the Securities Account (if any) and the Investment Account (if any) .

In the event that an Issuer Downgrading Event is outstanding, the amounts standing to the credit of the Transaction Account, the Reserve Account, the Securities Account (if any) and the Investment Account (if any) opened with the Italian Account Bank shall be transferred to, respectively, a replacement Transaction Account, a replacement Reserve Account, a replacement Securities Account (if any), a replacement Investment Account (if any) opened in the name of the Guarantor with the Successor Account Bank. Upon completion of such transfers, the Transaction Account, the Reserve Account, the Securities Account (if any) and the Investment Account (if any) opened with the Italian Account Bank shall be closed. Each of the replacement accounts opened with the Successor Account Bank shall be operated, and the amounts standing to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

The Successor Account Bank shall, on behalf of the Guarantor, maintain or ensure that records in respect of all the replacement accounts are maintained and such records will, on each Calculation Date and/or Monthly Calculation Date, as the case may be, show separately: (i) the balance of each of the replacement accounts, as of the close of business of the last day of the relevant Calculation Period; (ii) the total interest accrued and paid on the replacement accounts, as of the close of business of the last day of the relevant Calculation Period; and (iii) details of all amounts or securities credited to, and transfers made from, each of the replacement accounts, in the course of the immediately preceding Collection Period. The Successor Account Bank will inform the Guarantor and/or the Representative of the Covered Bondholders, upon their request, about the balance of the relevant accounts held.

The Guarantor has opened with the Cash Manager the Payments Account which shall be operated by the Cash Manager, and the amounts standing to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

Pursuant to the Cash Management and Agency Agreement, the Cash Manager, the Italian Account Bank and the Successor Italian Account Bank shall qualify as banks residing in an Eligible States provided however that, for so long as an Issuer Downgrading Event is outstanding, the Successor Account Bank shall meet the requirements set out under the definition of Eligible Institution and failure to meet such requirements shall constitute a termination event thereunder.

### **Investment Agent**

During each Collection Period, the Investment Agent may instruct the Italian Account Bank to invest on behalf of the Guarantor funds standing to the credit of the Investment Account in Eligible Investments which have the requisite maturity date, and any return generated thereby, and principal thereof, will be transferred to the Investment Account, and will form part of the Available Funds on the immediately following Guarantor Payment Date.

Subject to compliance with the definition of Eligible Investments and the other restrictions set out in the Cash Management and Agency Agreement, the Investment Agent shall have absolute discretion as to the types and amounts of Eligible Investments which it may acquire and as to the terms on which, through whom and on which markets, any purchase of Eligible Investments may be effected.

### **Cash Manager**

On or prior to the Investor Report Date the Cash Manager shall prepare and deliver to, *inter alios*, the Issuer, the Representative of the Covered Bondholders, the Guarantor, the Servicer, the Corporate Servicer, the Administrative Servicer and Moody's, the Investor Report setting out certain information with respect to the Cover Pool and the Covered Bonds.

On each Payments Report Date, the Cash Manager will calculate the amounts to be disbursed on the following Guarantor Payment Date pursuant to the relevant Priority of Payments and will prepare and submit to the Guarantor, the Calculation Agent, the Cash Manager, the Representative of the Covered Bondholders, the Italian Paying Agent, the Principal Paying Agent, the Servicer the Account Banks, the Corporate Servicer and the Administrative Servicer the relevant Payments Report. The Payments Report will set out the Available Funds and payments to be made on the immediately succeeding Guarantor Payment Date in accordance with the applicable Priorities of Payments. Such Payments Report will be available for inspection during normal business hours at the registered office of the Luxembourg Listing Agent.

Upon the service of an Acceleration Notice by the Representative of the Covered Bondholders, the Cash Manager shall, on the relevant Calculation Date or upon the request of the Representative of the Covered Bondholders, calculate the amount of the Available Funds, the Eligible Investments and the amounts of each of the payments and allocations to be made by the Guarantor in accordance with the Intercreditor Agreement and will prepare and submit the Post-Acceleration Report to, *inter alios*, the Representative of the Covered Bondholders, each of the Secured Creditors and Moody's as soon as reasonably practicable following the date of request for its production and, in any event, no later than five Business Days following such request.

**"Payments Report Date"** means five Business Days following each Calculation Date.

**"Investor's Report Date"** means five Business Days following each Guarantor Payment Date.

On each Guarantor Payment Date, the Cash Manager shall, subject to the provisions of the Cash Management and Agency Agreement, execute the payment instructions stated in the relevant Payments Report and shall allocate the amounts standing to the credit of the Accounts in accordance with the relevant Priority of Payments on the basis of the Payments Report or the Post-Acceleration Report (as applicable).

### **Calculation Agent**

The Calculation Agent will prepare the Test Performance Reports, subject to receipt by it of reports from the Servicer, the Cash Manager, the Account Banks and the Corporate Servicer.

### **Principal Paying Agent**

Prior to the service of a Notice to Pay and at any time thereafter if such Notice to Pay has been otherwise revoked in accordance with the Conditions and the other Transaction Documents, the Principal Paying Agent

will make payments of principal and interest in respect of the Covered Bonds on behalf of the Issuer in accordance with the Conditions, the relevant Final Terms, the Cash Management and Agency Agreement and the rules and procedures of Monte Titoli.

### **Italian Paying Agent**

After the service of a Notice to Pay and for so long as such Notice to Pay has not been otherwise revoked in accordance with the Conditions and the other Transaction Documents, the Italian Paying Agent shall make payments of principal and interest in respect of the Covered Bonds on behalf of the Guarantor in accordance with the Covered Bond Guarantee, the Conditions, the relevant Final Terms, the Cash Management and Agency Agreement and the rules and procedures of Monte Titoli.

### **Termination**

Upon the occurrence of certain events, either the Representative of the Covered Bondholders or the Guarantor, provided that (in the case of the Guarantor) the Representative of the Covered Bondholders consents in writing to such termination, may terminate the appointment of any Agent, as the case may be, under the terms of the Cash Management and Agency Agreement.

### **Governing law**

Save for certain provisions which are governed by English law to the extent that and for so long as certain replacement accounts are opened with the Successor Account Bank as described above, the Cash Management and Agency Agreement, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Italian law.

### **Cover Pool Administration Agreement**

On or about the Initial Issue Date, the Guarantor, Banco Popolare as Seller (also as successor to Credito Bergamasco S.p.A.) and Issuer, the Calculation Agent, the Asset Monitor and the Representative of the Covered Bondholders have entered into a cover pool administration agreement, as subsequently amended, (the “**Cover Pool Administration Agreement**”). Pursuant to the Cover Pool Administration Agreement, Banco Popolare (also as successor to Credito Bergamasco S.p.A.) and the Guarantor have undertaken certain obligations for the replenishment of the Cover Pool in order to cure a breach of the Tests (as described in detail in the section headed “*Credit structure – Tests*” below).

Under the Cover Pool Administration Agreement, Banco Popolare as Issuer and Seller shall procure on a ongoing basis (and, without prejudice of the OBG Regulations, such obligation shall be deemed to be complied with if the tests are satisfied on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the relevant tests are to be carried out pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be) and until the Programme Termination Date that the Mandatory Tests (as described in detail in the section headed “*Credit structure – Tests*” below) are met with respect to the Cover Pool.

Starting from the Calculation Date falling in September 2013 and until the earlier of:

- (a) 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 the Conditions; and
- (b) the date on which a Notice to Pay is served on the Guarantor,

Banco Popolare as Issuer and Seller shall procure that on any Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Asset Coverage Test is to be carried out pursuant to the provisions

of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, that the Asset Coverage Test (as defined in the section headed “*Credit structure – Tests*”) is met.

For so long as any Series of Covered Bonds remains outstanding, Banco Popolare as Issuer and Seller will ensure that, following the service of a Notice to Pay (but prior to the service of an Acceleration Notice), on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Amortisation Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, that the Amortisation Test (as defined in the section headed “*Credit structure – Tests*”) is met.

The Calculation Agent shall verify that the Asset Coverage Test is met as of the dates specified in the Cover Pool Administration Agreement. Furthermore, the Calculation Agent shall verify that, following the service of a Notice to Pay, the Amortisation Test (as defined in the section headed “*Credit structure – Tests*”) is met.

The Calculation Agent has agreed to prepare and deliver, on each Calculation Date and/or Monthly Calculation Date and/or on any other day on which the Test Performance Report is to be delivered pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, to the Issuer, the Guarantor, the Seller, the Guarantor, the Calculation Agent, the Representative of the Covered Bondholders, the Cash Manager, Moody’s and the Asset Monitor, a report setting out the calculations carried out by it with respect to, as applicable, the Mandatory Tests, the Amortisation Test and the Asset Coverage Test (the “**Test Performance Report**”). Such report shall specify, as applicable, the occurrence of a breach of the Mandatory Tests and/or the Amortisation Test and/or the Asset Coverage Test.

Following the notification by the Calculation Agent, in the relevant Test Performance Report, of a breach of any of, as applicable, the Mandatory Test and/or the Asset Coverage Test, the Guarantor shall, prior to the service of a Notice to Pay, to any possible extent use the Available Funds to purchase Subsequent Receivables and/or Integration Assets in order to cure the relevant Test. To the extent the Available Funds are not sufficient, the Seller shall sell to the Guarantor Integration Assets and/or Subsequent Receivables, in an amount sufficient to permit to satisfy, as applicable, the Mandatory Tests and/or the Asset Coverage Test on the next following Monthly Calculation Date. If the Mandatory Tests and/or the Asset Coverage Test (as the case may be) are not satisfied on the immediately following Monthly Calculation Date, the Representative of the Covered Bondholders will serve a notice (the “**Breach of Tests Notice**”) on the Issuer and the Guarantor.

If, following the delivery of a Breach of Tests Notice, the Mandatory Tests and/or the Asset Coverage Test (as the case may be) are not satisfied on or before the immediately following Monthly Calculation Date, the Representative of the Covered Bondholders may at its sole discretion, and shall, if so directed by an Extraordinary Resolution of the Meeting of the Organisation of the Covered Bondholders, serve a Notice to Pay on the Issuer and the Guarantor.

#### **Sale of Selected Assets following the service of a Notice to Pay**

Following the service of a Notice to Pay on the Issuer and the Guarantor (but prior to the service of an Acceleration Notice), the Guarantor shall (only if necessary in order to effect timely payments under the Covered Bonds) direct the Servicer to sell the Receivables in accordance with the procedures described below, subject to the pre-emption right of the Seller pursuant to the Master Transfer Agreement. The proceeds from any such sale shall be credited to the Transaction Account and applied as set out in the applicable Priority of Payments.

The Guarantor shall, as soon as possible, through a tender process appoint a bank or investment company or an auditing firm of a recognised standing, with a long experience in the management, sale and/or financing of portfolio of receivables, to act as cover pool manager (the “**Cover Pool Manager**”), on a basis intended to incentivise the Cover Pool Manager to achieve the best price for the sale of the Receivables and/or Integration

Assets, other than Eligible Deposits, (if such terms are commercially available in the market), to advise it in relation to the sale of Receivables and/or Integration Assets, other than Eligible Deposits (except where the Seller is buying the Receivables and/or Integration Assets pursuant to its pre-emption rights under the Master Transfer Agreement). The terms of the agreement giving effect to the appointment of the Cover Pool Manager in accordance with such tender shall be approved in writing by the Representative of the Covered Bondholders. The instructions given to the Cover Pool Manager will be in line with the provisions below and will include the duty to prepare and send to Moody's, as soon as possible once available, a business plan containing any relevant information on the sale of assets performed by it pursuant to the provisions of the Cover Pool Administration Agreement. The Servicer will be required to comply with the directions given by the Cover Pool Manager. Upon its appointment, the Cover Pool Manager shall accede to the Intercreditor Agreement, undertaking all the applicable obligations provided therein.

Before offering Receivables and/or Integration Assets (other than Eligible Deposits) for sale in accordance with the Cover Pool Administration Agreement, the Guarantor shall ensure that the assets to be offered for sale (the “**Selected Assets**”): (i) have been selected from the Cover Pool on a Random Basis; (ii) no more Selected Assets will be selected than it is necessary to raise disposal proceeds equal to the Adjusted Required Redemption Amount and (iii) have an aggregate Outstanding Principal Balance in an amount (the “**Required Outstanding Principal Balance Amount**”) which is as close as possible to (and in any event no higher than) the amount calculated in accordance to the following formula:

$$\begin{array}{rcl} \text{Adjusted Required} & & \text{Outstanding Principal Balance of the Receivables and Integration Assets} \\ \text{Redemption Amount} & \times & \text{(other than Eligible Deposits)} \\ & & \hline & & \text{Outstanding Principal Balance of the Covered Bonds then outstanding} \end{array}$$

For the purposes of the formula above:

“**Adjusted Required Redemption Amount**” means an amount equal to:

- (i) the Required Redemption Amount of the Earliest Maturing Covered Bonds; *minus*
- (ii) the Net Available Redemption Funds.

“**Required Redemption Amount**” means, in respect of any Series of Covered Bonds, the amount calculated as the Euro Equivalent of the Outstanding Principal Balance of such Series of Covered Bonds multiplied by (1+(Negative Carry Factor\* (days to the Maturity Date (or the Extended Maturity Date if applicable) of the relevant Series of Covered Bonds /365)).

If:

- (i) there is more than one Series of Covered Bonds then outstanding and the Required Outstanding Principal Balance Amount of the Selected Assets selected in accordance with the formula above is not sufficient to redeem the Earliest Maturing Covered Bonds, the Guarantor shall ensure that additional Selected Assets are selected on a Random Basis for an amount such that the disposal proceeds expected to be realised from the sale of the aggregate Selected Assets will permit to effect timely payments on the Earliest Maturing Covered Bonds in accordance with the applicable Final Terms, provided, however, that following the sale of such aggregate Selected Assets, the Amortisation Test is complied with (assuming that the disposal proceeds realised from the sale of such aggregate Selected Assets are used exclusively to repay the Earliest Maturing Covered Bonds); or

- (ii) there is only one Series of Covered Bonds then outstanding, the Guarantor will be permitted to select more Selected Assets than it is expected to be necessary to raise disposal proceeds for an amount equal to the Adjusted Required Redemption Amount, provided that it will be required to offer the Selected Assets to purchasers for sale for the best price reasonably obtainable.

Notwithstanding the above, following the service of a Notice to Pay, the Guarantor may, based on the evaluations carried out by the Cover Pool Manager taking into account the then relevant market conditions, sell additional Selected Assets on a Random Basis to meet the obligations in respect of any other Series of Covered Bonds then outstanding, provided that, prior to and following the sale of such Selected Assets, the Amortisation Test is complied with.

**“Earliest Maturing Covered Bonds”** means, at any time, the relevant Series of Covered Bonds that has the earliest Maturity Date as specified in the applicable Final Terms.

**“Random Basis”** means any process which selects Receivables and/or Integration Assets (other than Eligible Deposits) on a basis that is not designated to favour the selection of any identifiable class or type or quality of assets over all the Receivables and/or Integration Assets (other than Eligible Deposits) forming part of the Cover Pool.

The Guarantor (through the Servicer) will offer the Selected Assets to purchasers for sale for the best price reasonably obtainable, but in any event for an amount not less than the Adjusted Required Redemption Amount.

If the Receivables and/or Integration Assets (other than Eligible Deposits) have not been sold for a consideration at least equal to the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, the Maturity Date of the Earliest Maturing Covered Bonds (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or, as applicable, the Extended Maturity Date in respect of the Earliest Maturing Covered Bonds (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date), then the Guarantor will offer the Receivables and/or Integration Assets (other than Eligible Deposits) for sale for the best price reasonably available, notwithstanding that the proceeds deriving from such sale may be less than the Adjusted Required Redemption Amount.

The Guarantor (through the Servicer) will ensure that, in each case, the Seller will have the right to exercise its pre-emption right in accordance with the Master Transfer Agreement.

In respect of any sale of Receivables and/or Integration Assets (other than Eligible Deposits), the Guarantor will instruct the Cover Pool Manager to use all reasonable endeavours to procure that the Receivables and/or Integration Assets (other than Eligible Deposits) are sold as quickly as reasonably practicable (in accordance with the recommendations of the Cover Pool Manager) and for the best price reasonably obtainable, in each case taking into account the market conditions at that time and, where relevant, the scheduled repayment dates of the Covered Bonds, the Conditions and the terms of the Covered Bond Guarantee.

The Guarantor may offer for sale to different purchasers part of any portfolio of Selected Assets (a **“Partial Cover Pool”**). Except in circumstances where the portfolio of Selected Assets is being sold within six months of the Maturity Date or, where the relevant Series of Covered Bonds has an Extended Maturity Date, prior to such Extended Maturity Date, as applicable, of the Series of Covered Bonds to be repaid from such proceeds, the sale price of the Partial Cover Pool (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Cover Pool bears to the relevant portfolio Selected Assets.

If the Selected Assets are sold, then the Guarantor will enter into a sale and purchase agreement with the relevant purchasers which will require, *inter alia*, a cash payment from the relevant purchasers and the delivery by the relevant purchasers to the Guarantor of solvency certificates and ancillary documents in respect of the relevant purchasers referred to under the Master Transfer Agreement. Any such sale will not

include any representation and warranties from the Guarantor or the Seller in respect of the Selected Assets unless expressly otherwise agreed by the Representative of the Covered Bondholders or by the Seller.

If necessary in order to effect timely payments under the Covered Bonds, the Integration Assets (other than Eligible Deposits) may be sold first by the Guarantor and the proceeds applied in accordance with the relevant Priority of Payments.

#### **Sale of Selected Asset following the service of an Acceleration Notice**

Following the service of an Acceleration Notice on the Guarantor, the Representative of the Covered Bondholders shall, in the name and on behalf of the Guarantor (so authorised by means of execution of the cover Pool Administration Agreement), direct the Servicer or, in the absence of the Servicer, the Cover Pool Manager, to sell Integration Assets (other than Eligible Deposits) and/or Selected Assets in accordance with the procedures described above, subject to any pre-emption right of the Seller pursuant to the Master Transfer Agreement. The proceeds of any such sale shall be credited to the Transaction Account and applied in accordance with the relevant Priority of Payments. In addition to the procedures described above (and notwithstanding anything to the contrary provided thereunder) the following provisions shall apply:

- (i) in addition to offering Selected Assets for sale to purchasers in respect of the Earliest Maturing Covered Bonds, the Representative of the Covered Bondholders may offer to sell a portfolio of Selected Assets in respect of all the Series of Covered Bonds or to sell all Receivables and/or Integration Assets comprised in the Cover Pool, in each case for the best price reasonably obtainable taking into account the market conditions at that time; and
- (ii) the Representative of the Covered Bondholders shall, in the name and on behalf of the Guarantor, instruct the Cover Pool Manager to use all reasonable endeavours to procure that Selected Assets are sold as quickly as reasonably practicable and for the best price reasonably obtainable, in each case taking into account the market conditions at that time.

#### **Governing law**

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

#### **Asset Monitor Agreement**

The Asset Monitor will, pursuant to an asset monitor agreement entered into on or about the date hereof between the Seller, the Guarantor, the Asset Monitor and the Representative of the Bondholders (the “**Asset Monitor Agreement**”) and subject to due receipt of the information to be provided by the Calculation Agent to the Asset Monitor, (i) prior to the service of a Notice to Pay, verify the arithmetic accuracy of the calculations performed by the Calculation Agent with respect to the Mandatory Tests and, where applicable, the Asset Coverage Test and (ii) following the service of a Notice to Pay, verify the arithmetic accuracy of the calculations performed by the Calculation Agent with respect to the Mandatory Tests and the Amortisation Test, in each case pursuant to the Cover Pool Administration Agreement.

In addition, on or prior to each Asset Monitor Report Date, the Asset Monitor shall deliver to the Guarantor, the Calculation Agent, the Representative of the Bondholders and the Issuer a report in the form set out in the Asset Monitor Agreement.

The Asset Monitor Agreement provides for certain matters such as the payment of fees and expenses to the Asset Monitor, the limited recourse nature of the payment obligation of the Guarantor *vis-à-vis* the Asset Monitor, the resignation of the Asset Monitor and the replacement by the Guarantor of the Asset Monitor.

## **Governing law**

The Asset Monitor Agreement is governed by Italian law.

## **Quotaholders' Agreement**

On or about the Initial Issue Date, the Guarantor, the Issuer, Sticking Barbarossa and the Representative of the Covered Bondholders entered into a quotaholders' agreement (the "**Quotaholders' Agreement**") containing provisions and undertakings in relation to the management of the Guarantor. In addition, pursuant to the Quotaholders' Agreement, Sticking Barbarossa has granted a call option in favour of the Issuer to purchase from Sticking Barbarossa and the Issuer has granted a put option in favour of Sticking Barbarossa to sell to the Issuer the quota of the Guarantor quota capital held by Sticking Barbarossa

## **Governing law**

The Quotaholders' Agreement, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Italian law.

## **Programme Agreement**

On or about the date of this Base Prospectus, Banco Popolare as Seller (also as successor to Credito Bergamasco S.p.A.) and Issuer, the Guarantor, the Representative of Covered Bondholders, the Arranger and the Initial Dealer entered into a programme agreement, as subsequently amended (the "**Programme Agreement**"), which contains certain arrangements under which the Covered Bonds may be issued and sold, from time to time, by the Issuer to any one or more Dealers.

Under the Programme Agreement, the Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series or Tranche which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series or Tranche.

Under the Programme Agreement, the Initial Dealer has appointed the Representative of the Covered Bondholders, which appointment has been confirmed by the Issuer and the Guarantor.

The Issuer and the Guarantor, as the case may be, will indemnify the Dealers for costs, liabilities, charges, expenses and claims incurred by or made against the Dealers arising out of, in connection with or based on, breach of duty or misrepresentation by the Issuer and the Guarantor.

The Programme Agreement contains provisions relating to the resignation or termination of appointment of existing Dealer(s) and for the appointment of additional or other dealers acceding as new dealer: (a) generally in respect of the Programme; or (b) in relation to a particular issue of Covered Bonds.

The Programme Agreement contains stabilising and market-making provisions.

Pursuant to the Programme Agreement, the Issuer and the Guarantor have given certain representations and warranties to the Dealers in relation to, *inter alia*, themselves and the information given by them in connection with this Base Prospectus.



## **Governing law**

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

## **Subscription Agreement**

The Programme Agreement also contains the pro forma of the Subscription Agreement to be entered into in relation to the syndicated issue of Covered Bonds.

On or prior to the relevant Issue Date, the Issuer and the Dealers who are parties to such Subscription Agreement (the “**Relevant Dealers**”) will enter into a subscription agreement under which the Relevant Dealers will agree to subscribe for the relevant tranche of Covered Bonds, subject to the conditions set out therein.

Under the terms of the Subscription Agreement, the Relevant Dealers will confirm the appointment of the Representative of the Covered Bondholders.

## **Governing law**

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

## **Italian Deed of Pledge**

On or about the Initial Issue Date, the Guarantor will execute an Italian deed of pledge (the “**Italian Deed of Pledge**”) pursuant to which the Guarantor will grant in favour of the Representative of the Covered Bondholders for itself and on behalf of the Covered Bondholders and the other Secured Creditors, concurrently with the issue of the Covered Bonds, (i) an Italian law pledge over all monetary claims and rights and all the amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Guarantor is entitled from time to time pursuant to Master Transfer Agreement, the Warranty and Indemnity Agreements, the Servicing Agreement, the Intercreditor Agreement, the Cover Pool Administration Agreement, the Corporate Services Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Cash Management and Agency Agreement (other than the provisions of the Cash Management and Agency Agreement which are governed by English law (if any)), the Asset Monitor Agreement and the Quotaholders’ Agreement; and (ii) an Italian law pledge over the securities from time to time owned by it as a result of investing in Eligible Investments deposited, from time to time, in the Securities Account.

## **Governing law**

The Italian Deed of Pledge, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Italian law.

## **English Law Deed of Charge and Assignment**

On or about the Initial Issue Date, the Guarantor will execute a deed of charge (the “**English Law Deed of Charge and Assignment**”) pursuant to which the Guarantor will grant in favour of the Representative of the Covered Bondholders for itself and as trustee for the Covered Bondholders and the other Secured Creditors, *inter alia*, (i) an English law assignment by way of security of all the Guarantor’s rights under all present and future contracts, agreements, deeds and documents governed by English law to which the Guarantor may become a party in relation to the Covered Bonds and the Cover Pool; (ii) an English law charge over any

account opened in England and Wales in the name of the Guarantor, any amount standing to the credit of, or deposited in, such accounts and the rights and benefits arising from such accounts; and (iii) a floating charge over all of the Guarantor's assets which are subject to the assignments or charges described under (i) and (ii) above and not effectively assigned or charged thereunder.

#### **Governing law**

The English Law Deed of Charge and Assignment, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, English law.

#### **Mandate Agreement**

On or about the Initial Issue Date, the Guarantor will execute a mandate agreement (the “**Mandate Agreement**”) pursuant to which the Guarantor has conferred an irrevocable mandate to the Representative of Covered Bondholders for the exercise of the rights of the Guarantor under certain circumstances indicated in the Mandate Agreement.

#### **Governing law**

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

## SELECTED ASPECTS OF ITALIAN LAW

*The following is an overview only of certain aspects of Italian law that are relevant to the transactions described in this Base Prospectus and of which prospective Covered Bondholders should be aware. It is not intended to be exhaustive and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.*

### **Law 130 and Article 7-bis thereof. General remarks**

Law 130 was enacted on 30 April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

Law 130 was further amended by Law Decree No. 145 of 23 December 2013 (the “**Destinazione Italia Decree**”) converted with amendments into Law No. 9 of 21 February 2014 and by Law Decree No. 91 of 24 June 2014 (the “**Decree Competitività**”) converted with amendments into Law No. 116 of 11 August 2014.

Law Decree of 14 March 2005, No. 35, converted into law by law 14 May 2005, No. 80, added Articles 7-bis and 7-ter to Law 130, in view of allowing Italian banks to use the securitisation techniques introduced by Law 130 in view of issuing covered bonds (*obbligazioni bancarie garantite*).

Pursuant to Article 7-bis, certain provisions of Law 130 apply to transactions involving the true sale (by way of non-gratuitous assignment) of receivables meeting certain eligibility criteria set out in Article 7-bis and in the Decree of the Ministry of Economy and Finance No. 310 of 14 December 2006 (the “**MEF Decree**”), where the sale is to a special purpose vehicle created in accordance with Article 7-bis and all amounts paid by the debtors are to be used by the relevant special purpose company exclusively to meet its obligations under a guarantee to be issued by it, in view of securing the payment obligations of the selling bank or of other banks in connection with the issue of covered bonds (the “**Covered Bond Guarantee**”).

Pursuant to Article 7-bis, the purchase price of the assets to be comprised in the cover pool shall be financed through the taking of a loan granted or guaranteed by the banks selling the assets. The payment obligations of the special purpose company under such loan shall be subordinated to the payment obligations of the special purpose company *vis-à-vis* the covered bondholders, the counterparties of any derivative contracts hedging risks in connection with the assigned receivables and securities, the counterparties of any other ancillary contract and counterparties having a claim in relation to any payment of other costs of the transaction.

Under the BoI Regulations, the covered bonds may be issued by banks which individually satisfy, or which belong to banking groups which on a consolidated basis satisfy, certain requirements related to the regulatory capital and the solvency ratio. Such requirements must also be complied with by banks selling the assets, where the latter are different from the bank issuing the covered bonds.

On 8 May 2015, the Ministerial Decree No. 53/2015 (the “**Decree 53/2015**”) issued by the Ministry of Economy and Finance was published in the Official Gazette of the Republic of Italy. The Decree 53/2015 provides for the implementation of Articles 106, paragraph 3, 112, paragraph 3, and 114 of the Banking Act and Article 7-ter, paragraph 1-bis of the Law 130 and entered into force on 23 May 2015, repealing the Decree No. 29/2009. Pursuant to Article 7 of the Decree 53/2015, the assignee companies which guarantee covered bonds, belonging to a banking group as defined by Article 60 of the Banking Act (such as BP Covered Bond s.r.l.), will no longer have to be registered in the general register held by the Bank of Italy pursuant to Article 106 of the Banking Act.

## Eligibility criteria of the claims and limits to the assignment of claims

Under the MEF Decree, the following assets, *inter alia*, may be assigned to the special purpose vehicle, together with any ancillary contracts aimed at hedging the financial risks embedded in the relevant assets: (a) Italian residential mortgage loans (*mutui ipotecari residenziali*) and Italian commercial mortgage loans (*mutui ipotecari commerciali*) pursuant to Article 2, paragraph 1, lett. (a) and (b) of the MEF Decree; (b) loans extended to, or guaranteed by, the following entities, and securities issued or guaranteed by the same entities: (i) public administrations of States comprised in the European Economic Space and the Swiss Confederation (the “**Admitted States**”), including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. under the “Standardised Approach” to credit risk measurement; (ii) public administrations of States other than Admitted States which attract a risk weighting factor equal to zero per cent. under the “Standardised Approach” to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. under the “Standardised Approach” to credit risk measurement. Such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the special purpose company; (c) asset backed securities issued in the context of securitisation transactions, meeting the following criteria: (i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., loans and securities referred to in (a) and (b) above; (ii) the relevant asset backed securities attract a risk weighting factor not exceeding 20 per cent. under the “Standardised Approach” to credit risk measurement.

For the purpose above, the relevant provisions define a guarantee “valid for purposes for the credit risk mitigation” as a guarantee eligible for the “credit risk mitigation”, in accordance with Directive 2006/48/EC of 14 June 2006 (the “**Restated Banking Directive**”). Similarly, the “Standardised Approach” shall be the standardised approach to credit risk measurement as defined by the Restated Banking Directive.

The BoI Regulations provides that covered bonds may be issued by banks which satisfy, on a consolidated basis, the following requirements:

- (i) own funds (*fondi propri*) at least equal to € 250,000,000; and
- (ii) total capital ratio at least equal to 9 per cent.

The BoI Regulations set out certain limits to the possibility for banks to assign eligible assets, which are based on the level of the consolidated “tier 1 ratio” (the “**T1**”) and the “common equity tier 1 ratio” (the “**CET1**”), in accordance with the following table, contained in the BoI Regulations:

Capital adequacy condition	Limits to the assignment	
Group “A”	$T1 \geq 9$ per cent. and $CET1 \geq 8$ per cent.	No limits
Group “B”	$T1 \geq 8$ per cent. and $CET1 \geq 7$ per cent.	Assignment allowed up to 60 per cent. of the eligible assets
Group “C”	$T1 \geq 7$ per cent. and $CET1 \geq 6$ per cent.	Assignment allowed up to 25 per cent. of the eligible assets

The relevant T1 and CET1 set out in the grid relate to the aggregate of the covered bonds transactions launched by the relevant banking group.

The Limits to the Assignment do not apply to Integration (as defined below) of the portfolio, provided that Integration is allowed exclusively within the limits set out by the BoI Regulations.

### Ring Fencing of the Assets

Under the terms of Article 3 of Law 130, all the receivables relating to a Law 130 transaction, the relevant collections (to the extent that they are clearly identifiable as the relevant Law 130 special purpose vehicle's collections under the receivables), any monetary claims accrued by the relevant special purpose vehicle in the context of the relevant Law 130 transaction and the financial assets purchased using the cash referred to above are segregated from all other assets of the relevant Law 130 special purpose vehicle and from those relating to the other Law 130 transactions carried out by the same Law 130 special purpose vehicle and may not be attached or foreclosed by any party which is not a holder of the relevant securities issued in the context of the relevant Law 130 transaction. On a winding-up of such a special purpose vehicle, such assets will only be available to holders of the covered bonds in respect of which the special purpose vehicle has issued a guarantee and to the other Secured Creditors. In addition, the assets relating to a particular transaction will not be available to the holders of covered bonds issued under any other covered bonds transaction or to general creditors of the special purpose vehicle.

However, under Italian law, any other creditor of the special purpose vehicle would be able to commence insolvency or winding-up proceedings against the company in respect of any unpaid debt.

Decree Competitività has provided, *inter alia*, that, to the extent that the relevant depository bank where the Law 130 special purpose vehicle holds its bank accounts in the context of a Law 130 transaction is subject to insolvency proceedings in Italy, upon the commencement of insolvency or insolvency-like proceedings against such depository bank, the amounts standing to the credit of such accounts: (i) may not be subject to the suspension of payments pursuant to article 74 of the Banking Act; and (ii) should be promptly repaid in full to the relevant Law 130 special purpose vehicle, without any need to file in the insolvency proceeding (*domanda di ammissione al passivo o di rivendica*) and outside of the applicable insolvency distributions (*fuori dei piani di riparto o di restituzione di somme*).

### The Assignment

The assignment of the receivables under Law 130 will be governed by Article 58 paragraphs 2, 3 and 4, of the Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”). The prevailing interpretation of this provision, which view has been strengthened by Article 4 of Law 130, is that the assignment can be perfected against the originator, assigned debtors and third party creditors by way of publication of a notice in the Italian Official Gazette and by way of registration of such notice in the register of enterprises (*registro delle imprese*) at which the purchaser is registered, so avoiding the need for notification to be served on each debtor.

As from the latest to occur between the date of publication of the notice of the assignment in the Italian Official Gazette and the date of registration of such notice with the Register of Enterprises at which the purchaser is registered, the assignment becomes enforceable against:

- (a) the debtors and any creditors of the originator who have not, prior to the date of publication of the notice, commenced enforcement proceedings in respect of the relevant receivables;
- (b) the liquidator or any other bankruptcy officials of the debtors (so that any payments made by a debtor to the special purpose company may not be subject to any claw-back action according to Article 65 and Article 67 of Royal Decree no. 267 of 16 March 1942 (*Legge Fallimentare*), the “**Bankruptcy Law**”); and

- (c) other permitted assignees of the originator who have not perfected their assignment prior to the date of publication.

Upon the completion of the formalities referred to above, the benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the assigned receivables will automatically be transferred to and perfected with the same priority in favour of the purchaser, without the need for any formality or annotation.

As from the latest to occur between the date of publication of the notice of the assignment in the Italian Official Gazette and the date of registration of such notice with the Register of Enterprises at which the purchaser is registered, no legal action may be brought against the receivables assigned or the sums derived therefrom other than for the purposes of enforcing the rights of the holders of the covered bonds and other creditors for costs incurred in the framework of the transaction.

Notice of the initial assignment of the Initial Receivables pursuant to the Master Transfer Agreement was published in the Italian Official Gazette and was filed with the relevant Register of Enterprises.

However, Article 7-bis, para. 4, also provides that, where the role of servicer (*soggetto incaricato della riscossione dei crediti*) is attributed, in the context of covered bonds transaction, to an entity other than the assigning bank (whether from the outset or eventually), notice of such circumstance shall be given by way of publication in the Italian Official Gazette and registered mail with return receipt to the relevant public administrations.

### **Assignments under Law 130**

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 transaction is entered into within three months of the adjudication of bankruptcy of the relevant party or in cases where paragraph 1 of Article 67 applies, within six months of the adjudication of bankruptcy.

In addition to the above, any payment made by an assigned debtor to the Guarantor is not subject to claw-back actions pursuant to article 65 and article 67 of the Bankruptcy Law.

The subordinated loans to be granted to the special purpose vehicle and the Covered Bond Guarantee are subject to the provisions of Article 67, paragraph 4, of the Bankruptcy Law, pursuant to which the provisions of Article 67 relating to the claw-back of for-consideration transactions, payments and guarantees do not apply to certain transactions.

### **Tests set out in the MEF Decree**

Pursuant to Article 3 of the MEF Decree, the issuing bank and the assigning bank (to the extent different from the issuer) will have to ensure that, on a continuing basis, the following mandatory tests are complied with:

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

under the outstanding covered bonds, also taking into account any hedging arrangements entered into in relation to the transaction.

For the purpose of ensuring compliance with the tests described above and pursuant to Article 2 of the MEF Decree, the following assets (the “**Integration Assets**”) may be used for the purpose of integration of the portfolio, in addition to eligible assets pursuant to the OBG Regulations:

- (i) the establishment of deposits with banks incorporated in Admitted States or in a State which attract a risk weight factor equal to 0 per cent. under the “Standardised Approach” to credit risk measurement; and
- (ii) the assignment of securities issued by the banks referred to under paragraph (i) above, having a residual maturity not exceeding one year.

### **Integration Assets**

Integration through Integration Assets shall be allowed within the Integration Assets Limit.

In addition, pursuant to Article 7-bis and the MEF Decree, integration of the cover pool – whether through eligible assets pursuant to the OBG Regulations or through integration assets – (the “**Integration**”) shall be carried out in accordance with the methods, and subject to the limits, set out in the BoI Regulations.

More specifically, under the BoI Regulations, the Integration is allowed exclusively for the purpose of: (a) complying with the tests provided for by the MEF Decree; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements; or (c) complying with the 15 per cent. maximum amount of Integration Assets within the portfolio.

The Integration is not allowed in circumstances other than as set out in the BoI Regulations.

### **The features of the Covered Bond Guarantee**

According to Article 4 of the MEF Decree, the Covered Bond Guarantee shall be limited recourse to the portfolio of assets comprised in the cover pool, irrevocable, callable on demand, unconditional and independent from the obligations assumed by the issuer under the covered bonds. Accordingly, such obligations shall be a direct, unconditional, unsubordinated obligation of the special purpose company, limited recourse to the assets comprised in the cover pool, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the issuer.

In order to ensure the autonomous and independent nature of the Covered Bond Guarantee, Article 4 provides that the following provisions of the Italian civil code, generally applicable to personal guarantees (*fideiussioni*), shall not apply: (a) Article 1939, providing that a *fideiussione* shall not generally be valid where the guaranteed obligation is not valid; (b) Article 1941, para. 1, providing that a *fideiussione* cannot exceed the amounts due by the guaranteed debtor, nor can it be granted for conditions more onerous than those pertaining to the main obligation; (c) Article 1944, para. 2, providing, *inter alia*, that the parties to the contract pursuant to which the *fideiussione* is issued may agree that the guarantor shall not be obliged to pay before the attachment is carried out against the guaranteed debtor; (d) Article 1945, providing that the guarantor can raise against the creditor any objections (*eccezioni*) which the guaranteed debtor is entitled to raise, except for the objection relating to the lack of legal capacity on the part of the guaranteed debtor; (e) Article 1955, providing that a *fideiussione* shall become ineffective (*estinta*) where, as a consequence of acts of the creditor, the guarantor is prevented from subrogating into any rights, pledges, mortgages, and liens (*privilegi*) of the creditor; (f) Article 1956, providing that the guarantor of future receivables shall not be liable where the creditor – without the authorisation of the guarantor – has extended credit to a third party, while being aware

that the economic conditions of the principal obligor were such that recovering the receivable would have become significantly more difficult; and (g) Article 1957, providing, *inter alia*, that the guarantor will be liable also after the guaranteed obligation has become due and payable, provided that the creditor has filed its claim against the guaranteed debtor within six months and has diligently pursued them.

### **The obligations of the special purpose company following a liquidation of the Issuer**

The MEF Decree also set out certain principles which are aimed at ensuring that the payment obligations of the special purpose company are isolated from those of the issuer. To that effect, it requires that the Covered Bond Guarantee contains provisions stating that the relevant obligations thereunder shall not accelerate upon the issuer's default, so that the payment profile of the covered bonds shall not automatically be affected thereby.

More specifically, Article 4 of the MEF Decree provides that, in the event of breach by the issuer of its obligations *vis-à-vis* the covered bondholders, the special purpose company shall assume the obligations of the issuer – within the limits of the cover pool – in accordance with the terms and conditions originally set out for the covered bonds. The same provision applies where the issuer is subject to mandatory liquidation procedures (*liquidazione coatta amministrativa*).

In addition, the acceleration (*decadenza dal beneficio del termine*) provided for by Article 1186 of the Italian civil code and affecting the issuer shall not affect the payment obligations of the special purpose company under the Covered Bond Guarantee. Pursuant to Article 4 of the MEF Decree, the limitation in the application of Article 1186 of the Italian civil code shall apply not only to the events expressly mentioned therein, but also to any additional event of acceleration provided for in the relevant contractual arrangements.

In accordance with Article 4, para. 3, of the MEF Decree, in case of *liquidazione coatta amministrativa* of the issuer, the special purpose company shall exercise the rights of the covered bondholders *vis-à-vis* the issuer in accordance with the legal regime applicable to the issuer. Any amount recovered by the special purpose company as a result of the exercise of such rights shall be deemed to be included in the cover pool.

The Bank of Italy shall supervise on the compliance with the aforesaid provisions, within the limits of the powers vested with the Bank of Italy by the Banking Act.

### **Controls over the transaction**

The BoI Regulations lay down rules on controls over transactions involving the issuance of covered bonds.

*Inter alia*, resolutions on the assignment of portfolios to the special purpose company are passed, both in the initial phase of transactions and in later phases, following analyses of appraisal reports on the cover pool prepared by an auditing firm (*attestazione*). Such report would not be necessary where the assignment is carried out at the book values set out in the most recent approved balance sheet of the selling bank, provided that the auditing firm did not make any observations on the same.

The management body of the issuing banks must ensure that the structures delegated to the risk management verify at least every six months and for each transaction, *inter alia*:

- (a) the quality and integrity of the assets sold to the special purpose company securing the obligations undertaken by the latter;
- (b) compliance with the maximum ratio between covered bonds issued and the assets sold to the special purpose company for purposes of backing the issue, in accordance with the MEF Decree;



- (c) compliance with the Limits to the Assignment and the rules on, and Limits to, the Integration set out by the BoI Regulations;
- (d) the effectiveness and adequacy of the coverage of risks provided under derivative agreements entered into in connection with the transaction; and
- (e) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of CRR.

The bodies with management responsibilities of issuing banks and banking groups ensure that an assessment is carried out of the legal aspects of the activity on the basis of specially issued legal opinions setting out an in-depth analysis of the contractual structures and schemes adopted, with a particular focus on, *inter alia*, the characteristics of the Covered Bond Guarantee.

The BoI Regulations also contain certain provisions on the asset monitor, who is delegated to carry out controls over the regularity of the transaction (including the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of CRR) and the integrity of the special purpose company (the “**Asset Monitor**”). Pursuant to the BoI Regulations, the Asset Monitor shall be an auditing firm having professional experience which is adequate in relation to the tasks entrusted with the same and independent from: (a) the audit firm entrusted with the auditing of the issuing bank; (b) the bank which is granting the relevant mandate; and (c) the other entities which take part to the transaction.

Based upon controls carried out and assessments on the performance of transactions, the Asset Monitor shall prepare annual reports, to be addressed, *inter alia*, to the control body of the bank which granted the mandate to the Asset Monitor. The BoI Regulations cite the provisions (art. 52 and 61, para 5, of the Banking Act), which impose on persons responsible for conducting controls specific obligations to report to the Bank of Italy. Such reference appears to be aimed at ensuring that any irregularities found are reported to the Bank of Italy.

In order to ensure that the special purpose company can fulfil, in an orderly and timely manner, the obligations arising under the Covered Bond Guarantee, the issuing banks shall use asset and liability management techniques for purposes of assuring, including by way of specific controls at least every six months, stability between the payment dates of the cash flows generated under the assets assigned to the special purpose company, and included in the latter’s segregated portfolio, and the payments dates with respect to payments due by the issuing bank in connection with the covered bonds issued and other transaction costs.

Finally, in relation to the information flows, the parties to the covered bond transactions shall assume contractual undertakings allowing the issuing and the assigning bank (and the third party servicer, if any) to hold the information on the assigned assets (including the status thereof) which are necessary for the carrying of the controls described in the BoI Regulations and for the compliance with the supervisory reporting obligations, including therein the obligations arising in connection with the membership to the central credit register (*Centrale dei Rischi*).

## **Insolvency proceedings**

Insolvency proceedings (*procedure concorsuali*) conducted under Italian law may take the form of, *inter alia*, an involuntary liquidation (*fallimento*) or creditors’ agreements (*concordato preventivo* and *accordi di ristrutturazione dei debiti*). Insolvency proceedings are only applicable to businesses (*imprese*) either run by companies, partnerships or by individuals. An individual who is not a sole entrepreneur or an unlimited partner in a partnership is not subject to insolvency.

A debtor can be declared bankrupt (*fallito*) and subject to *fallimento* (at its own initiative, or at the initiative of any of its creditors or the public prosecutor) if it is not able to fulfil its obligations in a timely manner. The debtor loses control over all its assets and of the management of its business, which is taken over by a court appointed receiver (*curatore fallimentare*). Once judgment has been made by the court and the creditors' claims have been approved, the sale of the debtor's property is conducted in accordance with a liquidation plan (approved by the delegated judge and the creditors' committee) which may provide for the dismissal of the whole business or single business units, even through competitive procedures.

A qualifying insolvent debtor may avoid being subject to *fallimento* by proposing to its creditors a composition with creditors (*concordato preventivo*). Such proposal must contain, *inter alia*: (a) an updated statement of the financial and economic situation of the insolvent company; (b) a detailed list of the creditors and their respective credit rights and related security interest; (c) a list of creditors secured by assets of the company or having possession of assets owned by the company; (d) a detailed evaluation of the assets of the insolvent company; and (e) a restructuring plan which shall detail the economic benefit granted to each creditor. Following the reform brought about by Law Decree No. 83 of 27 June 2015, as amended and converted into law by Law No. 132 of 6 August 2015 (the “**2015 Reform**”), a counter-proposal of composition with creditors (*controproposta di concordato*) can be submitted by one or more creditors representing at least 10 per cent. of total indebtedness of the debtor, unless the debtor's proposal already provides for the repayment of the unsecured creditors above certain thresholds set out by the law. The offer may be structured as an offer to transfer all, or part of the assets of the insolvent debtor to the creditors or an offer to undertake other restructuring plans such as, *inter alia*, the allocation to the creditors (in which case the Court shall, as provided by the 2015 Reform, open a public bid procedure in relation to such sale of assets) of shares, quotas, and other debt instruments of the company. The truthfulness of the business data provided by the company and the feasibility of the proposal must be attested by an expert's report. A qualifying insolvent debtor may also enter into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with such creditors representing at least 60 per cent of its debts. The 2015 Reform also introduced the possibility for a qualifying insolvent debtor holding 50 per cent. or more of its total indebtedness *vis-à-vis* financial creditors (*i.e.* banks or financial intermediaries) to enter into a debt restructuring agreement with such financial creditors only. If such debt restructuring agreement is approved by financial creditors representing at least 75 per cent. of the total indebtedness *vis-à-vis* financial creditors, and certain other requirements are met, it will be binding also on the non-consenting financial creditors. A report of an expert certifying the truthfulness of the business data provided by the qualifying insolvent debtor and the feasibility of the settlement shall be attached to the debt restructuring agreement (*accordo di ristrutturazione dei debiti*) and the latter shall have to be approved by the Court.

The composition with creditors (*concordato preventivo*) may, subject to certain conditions, be proposed by the qualifying insolvent debtor also as a “blank proposal” (*concordato in bianco*). In this case, the debtor (which has to include the last three financial statements and a detailed list of the creditors and their respective credit rights) demands the competent Court to set a term comprised between 60 and 120 days (or maximum 60 days, in case of a pending demand for insolvency (*fallimento*)), with the possibility to obtain, in case of grounded reasons, additional 60 days for the submission of either (i) a proposal for a composition with creditors (*concordato preventivo*), or (ii) a proposal for a debt restructuring agreement (*accordo di ristrutturazione dei debiti*). The competent Court, in setting such term (i) may appoint a judicial commissioner to oversee the procedure and (ii) set out periodic information duties (including as to the financial situation and as to the activity performed for the preparation of the relevant plan) to be carried out by the qualifying insolvent debtor.

After insolvency proceedings are commenced, no legal action can be taken against the debtor and no foreclosure proceedings may be initiated. Moreover, all actions taken and proceedings already initiated by creditors are automatically stayed but for a few exceptions provided under applicable laws.

Law No. 3 of 27 January 2012, as amended, provides that consumers and other entities which cannot be subject to insolvency proceedings may benefit from special proceedings for the restructuring of their debts. Law No. 3 of 27 January 2012 provides that such persons may file a recovery plan for the restructuring of their debts with a special authority and with the competent court and that in the case of approval of the plan, it will become binding on all the creditors of such persons.

### **Description of *Amministrazione Straordinaria delle Banche***

A bank may be submitted to the *amministrazione Straordinaria delle banche* where: (a) serious administrative irregularities, or serious violations of the provisions governing the bank's activity provided for by laws, regulations or the bank's by-laws activity are found; (b) serious capital losses are expected to occur; (c) the dissolution has been the object of a request by the administrative bodies or an extraordinary company meeting providing the reasons for the request.

According to the Banking Act, the procedure is initiated by decree of the Minister of Economy and Finance, acting on a proposal by the Bank of Italy, which shall terminate the board of directors and the board of auditors of the bank. Subsequently, the Bank of Italy shall appoint: (a) one or more special administrators (*commissari straordinari*); and (b) an oversight committee composed of between three and five members (*comitato di sorveglianza*). The *commissari straordinari* is entrusted with the duty to assess the situation of the bank, remove the irregularities which may have been found and promote solutions in the best interest of the depositors of the bank. The *comitato di sorveglianza* exercises auditing functions and provides to the *commissari straordinari* the opinions requested by the law or by the Bank of Italy. However, it should be noted that the Bank of Italy may instruct in a binding manner the *commissari straordinari* and the *comitato di sorveglianza* providing specific safeguards and limits concerning the management of the bank.

In exceptional circumstances, the *commissari straordinari*, in order to protect the interests of the creditors, in consultation with the *comitato di sorveglianza* and subject to an authorisation by the Bank of Italy, may suspend payment of the bank's liabilities and the restitution to customers of financial instruments. Payments may be suspended for a period of up to one month, which may be extended for an additional two months.

The *amministrazione Straordinaria delle banche* shall last for one year from the date of issue of the decree of the Minister of the Economy and Finance. In exceptional cases, the procedure may be extended for a period of up to six months. The Bank of Italy may extend the duration of the procedure for periods of up to two months, in connection with the acts and formalities related to the termination of the procedure, provided that the relevant acts to be executed have already been approved by the Bank of Italy.

At the end of the procedure, the *commissari straordinari* shall undertake the necessary steps for the appointment of the bodies governing the bank in the ordinary course of business. After the appointment, the management and audit functions shall be transferred to the newly appointed bodies. It should, however, be noted that, should at the end of the procedure or at any earlier time the conditions for the declaration of the *liquidazione coatta amministrativa* (described in the following section) be met, the bank may be subject to such procedure.

### **Description of *Liquidazione Coatta Amministrativa delle Banche***

According to the Banking Act, when the conditions for the *Amministrazione Straordinaria delle banche* and described in the preceding paragraph are exceptionally serious (*di eccezionale gravità*), or when a court has declared the state of insolvency of the bank, the Minister of economy and finance, acting on a proposal from the Bank of Italy, by virtue of a decree, may revoke the authorisation for the carrying out of banking activities and submit the bank to compulsory winding-up (*liquidazione coatta amministrativa*).

From the date of issue of the decree, the functions of the administrative and control bodies, of the shareholders' meetings and of every other governing body of the bank shall cease. The Bank of Italy shall appoint: (a) one or more liquidators (*commissari liquidatori*); and (b) an oversight committee composed of between three and five members (*comitato di sorveglianza*).

From the date the *commissari liquidatori* and the *comitato di sorveglianza* have assumed their functions and, in any case, from the third day following the date of issue of the aforesaid decree of the Minister of Economy and Finance, the payment of any liabilities and the restitution of assets owned by third parties shall be suspended.

The *commissari liquidatori* shall act as legal representatives of the bank, exercise all actions that pertain to the bank and carry out all transactions concerning the liquidation of the bank's assets. The *comitato di sorveglianza* shall: (a) assist the *commissari liquidatori* in exercising their functions; (b) control the activities carried out by *commissari liquidatori*; and (c) provide to the *commissari straordinari* the opinions requested by the law or by the Bank of Italy. The Bank of Italy may issue directives concerning the implementation of the procedure and establish that some categories of operations and actions shall be subject to its authorisation and to preliminary consultation with the *comitato di sorveglianza*.

The Banking Act regulates the procedure for the assessment of the bank's liabilities (*accertamento del passivo*) and the procedures which allow creditors whose claims have been excluded from the list of liabilities (*stato passivo*) to challenge the list of liabilities.

The liquidators, with the favourable opinion of the *comitato di sorveglianza* and subject to authorisation by the Bank of Italy, may assign assets and liabilities, going concerns, assets and legal relationships identifiable *en bloc*. Such assets may be assigned at any stage of the procedure, even before the *stato passivo* has been deposited. The assignor shall, however, be liable exclusively for the liabilities included in the *stato passivo*. Subject to prior authorisation of the Bank of Italy and for the purpose of maximising profits deriving from the liquidation of the assets, the *commissari liquidatori* may continue the banks' activity, or of specific going concerns of the bank, in compliance with any indications provided for by the *comitato di sorveglianza*. In such case, the provision of the Bankruptcy Law concerning the termination of legal relationships shall not apply.

Once the assets have been realised and before the final allotment to the creditors or to the last restitution to customers, the *commissari liquidatori* shall present to the Bank of Italy the closing statement of accounts of the liquidation, the financial statement and the allotment plan, accompanied by their own report and a report by the oversight committee.

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions (the “**Conditions**” and, each of them, a “**Condition**”) that, subject to completion in accordance with the provisions of the relevant Final Terms, shall be applicable to the Covered Bonds. For the avoidance of doubt, the Conditions do not apply to the Registered Covered Bonds. In these Conditions, references to the “holder” of Covered Bonds and to the “Covered 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) Legislative Decree No. 58 of 24 February 1998 as subsequently amended and supplemented from time to time (the “**Financial Law**”) and 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.*

*In relation to Registered Covered Bonds, the terms and conditions of such Series of Registered Covered Bonds will be as set out in the Registered Covered Bond and the Registered CB Conditions, together with the Registered CB Rules Agreement relating to such Registered Covered Bond. Any reference to a “Registered CB Condition” other than in this section shall be deemed to be, as applicable, a reference to the relevant provision of the Registered Covered Bond, or the Registered CB Conditions attached as a schedule thereto or the provisions of the Registered CB Rules Agreement relating to such Registered Covered Bonds.*

*Any reference to the Conditions or a Condition shall be referred to the Conditions and/or the Registered CB Conditions as the context may require. Any reference to the Covered Bondholders shall be referred to the holders of the Covered Bonds and/or the registered holder for the time being of a Registered Covered Bond as the context may require.*

*Any reference to the Covered Bonds will be construed as to including the Covered Bonds issued under the Conditions and/or the Registered Covered Bonds as the context may require.*

### Introduction

#### (a) Programme

Banco Popolare Società Cooperativa (the “**Issuer**” or “**Banco Popolare**”) has established a covered bond programme (the “**Programme**”) for the issuance of up to Euro 5,000,000,000 in aggregate principal amount of covered bonds (the “**Covered Bonds**”) unconditionally and irrevocably guaranteed by BP Covered Bond S.r.l. (the “**Guarantor**”). Covered Bonds are issued pursuant to Article 7-bis of law No. 130 of 30 April 1999, as amended and supplemented from time to time (the “**Law 130**”), the Decree of the Ministry of the Economy and Finance of 14 December 2006 No. 310, as amended and supplemented from time to time (the “**MEF Decree**”) and the supervisory guidelines of the Bank of Italy set out in 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 “**BoI Regulations**”) and, together with Law 130 and the MEF Decree, the “**OBG Regulations**”).

#### (b) Final Terms

Covered Bonds are issued in series (each a “**Series**”) and each Series may comprise one or more tranches, whether or not issued on the same date, that (except in respect of the Interest Commencement Date and their Issue Price) have identical terms on issue and are expressed to be consolidated and have the same Series number (each a “**Tranche**”) of Covered Bonds. As used in these Conditions, reference to a Tranche is a reference to Covered Bonds which are identical in all respects (including as to listing). Each Tranche is the subject of final terms (the “**Final Terms**”) which completes these Conditions. The terms and conditions applicable to any particular Tranche of Covered Bonds are these

Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) *Covered Bond Guarantee*

Each Covered Bond benefits of a guarantee issued by the Guarantor (the “**Covered Bond Guarantee**”) 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 Covered Bond Guarantee will be collateralised by a cover pool constituted by certain assets assigned from time to time to the Guarantor pursuant to the Master Transfer Agreements (as defined below) and in accordance with the provisions of the OBG Regulations. The obligations of the Guarantor to the Covered Bondholders under the Covered Bond Guarantee will be limited recourse to the assets from time to time comprised in the Cover Pool (as defined below). Payments made by the Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments (as defined below). The payment obligations of the Guarantor under the Covered Bond Guarantee are secured over certain assets of the Guarantor pursuant to the Italian Deed of Pledge and the English Law Deed of Charge and Assignment.

(d) *Programme Agreement and Subscription Agreements*

In respect of each Tranche of Covered Bonds issued under the Programme, the Relevant Dealer(s) (as defined below) has or have agreed to subscribe for the Covered Bonds and pay the Issuer the issue price for the Covered Bonds on the Issue Date under the terms of a programme agreement (the “**Programme Agreement**”) between the Issuer, the Guarantor and the dealer(s) named therein (the “**Dealers**”), as supplemented (if applicable) by a subscription agreement entered into between the Issuer, the Guarantor and the Relevant Dealer(s) on or around the date of the relevant Final Terms in respect of the relevant Tranche (each a “**Subscription Agreement**”). In accordance with the Programme Agreement, the Relevant Dealer(s) has or will appoint BNP Paribas Securities Services, Milan Branch as Representative of the Covered Bondholders (in such capacity, the “**Representative of the Covered Bondholders**”), as described in Condition 12 (*Representative of the Covered Bondholders*).

(e) *The Covered Bonds*

In these Conditions, references to “**Covered Bonds**” are to Covered Bonds of a Series subject to the relevant Final Terms and references to “**each Series of Covered Bonds**” are to (i) Covered Bonds of Series subject to the relevant Final Terms and (ii) each other Series of Covered Bonds issued under the Programme which remains outstanding from time to time.

The Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds or Zero Coupon Covered Bonds, depending upon the Interest Basis shown in the applicable Final Terms.

Where the applicable Final Terms specifies that an Extended Maturity Date applies to a Series of Covered Bonds, those Covered Bonds may be Fixed Rate Covered Bonds or Floating Rate Covered Bonds, depending upon the Interest Basis shown in the applicable Final Terms in respect of the period from the Issue Date to and including the Maturity Date, and Fixed Rate Covered Bonds or Floating Rate Covered Bonds, depending upon the Interest Basis shown in the applicable Final Terms in respect of the period from the Maturity Date up to and including the Extended Maturity Date, subject as specified in the applicable Final Terms.

The Covered Bonds may be scheduled to be redeemed at par on the Maturity Date or redeemable in two or more instalments if they are specified as Instalment Covered Bonds, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

(f) *Rules of the Organisation of Covered Bondholders*

The Covered Bondholders are deemed to have notice of and are bound by and shall have the benefit of the terms of the rules of the organisation of the Covered Bondholders (the “**Rules of the Organisation of the Covered Bondholders**”) which constitute an integral and essential part of these Conditions. The Rules of the Organisation of the Covered Bondholders are attached hereto as a schedule. The rights and powers of the Representative of the Covered Bondholders and the Covered Bondholders may be exercised only in accordance with the Rules of the Organisation of the Covered Bondholders. References in these Conditions to the Rules of the Organisation of the Covered Bondholders 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.

(g) *Summaries*

Certain provisions of these Conditions are summaries of the Transaction Documents (as defined below) and are subject to their detailed provisions. Covered Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding one or more Covered Bonds, recognises the Representative of the Covered Bondholders as its representative, acting in its name and on its behalf, and agrees to be bound by the terms of the Transaction Documents to which the Representative of the Covered Bondholders is a party as if such Covered Bondholder was itself a signatory thereto. Copies of the Transaction Documents are available for inspection by Covered Bondholders during normal business hours at the registered office of the Representative of the Covered Bondholders from time to time and, where applicable, at the Specified Offices of each of the Paying Agents.

## 1 Interpretation

(i) *Definitions*

In these Conditions, the following expressions have the following meanings:

“**Acceleration Notice**” means the notice served by the Representative of the Covered Bondholders on the Guarantor in accordance with the Intercreditor Agreement, upon the occurrence of a Guarantor Event of Default.

“**Account Banks**” means the Italian Account Bank and the Successor Account Bank (for so long as an Issuer Downgrading Event is outstanding) and “**Account Bank**” means any one of the as the context requires.

“**Accounts**” means, collectively, the Collection Account, the Transaction Account, the Reserve Account, the Expenses Account, the Securities Account (if any), the Investment Account (if any) and the Payments Account and “**Account**” means any one of them.

“**Accumulation Date**” means, following the service of an Acceleration Notice, the earlier of (i) each date on which the amount of the moneys at any time available to the Guarantor or to the Representative of the Covered Bondholders for the payments to be made in accordance with the Post-Guarantor Event of Default Priority of Payments shall be equal at least to 2 per cent. of the aggregate Outstanding Principal Balance of all Series of Covered Bonds, (ii) each day falling 10 Business Days before the day that, but for the service of an Acceleration Notice, would have been a Guarantor Payment Date and (iii) each Business Day designated as such by the Representative of the Covered Bondholders.

“**Accrual Yield**” has the meaning given to such term in the relevant Final Terms.

**“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.

**“Additional Sellers”** means any entity, other than the Seller, which is or will be part of the Banco Popolare Group that will accede to the Programme and sell Subsequent Receivables and/or Integration Assets (other than Eligible Deposits) to the Guarantor;

**“Adjusted Aggregate Loan Amount”** means the amount calculated pursuant to the formula set out in the Cover Pool Administration Agreement.

**“Administrative Servicer”** means Banco Popolare or any permitted successor or assignee thereof.

**“Administrative Services Agreement”** means the administrative services agreement entered into on or about the Initial Issue Date between the Administrative Servicer and the Guarantor.

**“Amortisation Test”** means the test intended to ensure that, following the occurrence of an Issuer Event of Default and service of a Notice to Pay (but prior to the service of an Acceleration Notice following the occurrence of a Guarantor Event of Default), on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Amortisation Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Amortisation Test Aggregate Loan Amount is equal to or higher than the Outstanding Principal Balance of the Covered Bonds.

**“Amortisation Test Aggregate Loan Amount”** has the meaning given to such term in the Cover Pool Administration Agreement.

**“Article 74 Event Cure Notice”** means a notice delivered by the Representative of the Covered Bondholders (having received, if it deems appropriate, and being entitled to rely on, prior confirmation of such cure event having occurred from competent professionals) to the Issuer, the Guarantor and the Asset Monitor, informing such parties that the Article 74 Event has been cured.

**“Asset Coverage Test”** means the test which will be carried out pursuant to the terms of the Cover Pool Administration Agreement in order to ensure that, on the relevant Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Outstanding Principal Balance of the Covered Bonds.

**“Asset Monitor”** means BDO Italia S.p.A., or any permitted successor or assignee thereof.

**“Asset Monitor Agreement”** means the Asset Monitor agreement entered into on or about the Initial Issue Date among, *inter alios*, the Asset Monitor, the Guarantor, the Representative of the Covered Bondholders and the Issuer.

**“Available Funds”** means (a) the Interest Available Funds, (b) the Principal Available Funds and (c) the Excess Proceeds.

**“Banking Act”** means Legislative Decree No. 385 of 1 September 1993, as amended and supplemented.

**“Breach of Tests Notice”** means the notice to be delivered by the Representative of the Covered Bondholders to the Issuer and the Guarantor in accordance with the terms of the Cover Pool Administration Agreement.



“**Broken Amount**” has the meaning given to such term in the relevant Final Terms.

“**Business Day**” means a day on which banks are generally open for business in London, Milan and Luxembourg and on which the Target System (or any successor thereto) is open.

“**Business Day Convention**”, in relation to any particular date, has the meaning given to such term 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 back 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 Banco Popolare, acting as such pursuant to the Cash Management and Agency Agreement and the Cover Pool Administration Agreement or any permitted successor or assignee thereof.

“**Calculation Amount**” has the meaning given to such term in the relevant Final Terms.

“**Calculation Date**” means the 18<sup>th</sup> day of March, June, September and December or, if that day is not a Business Day, the immediate following Business Day. The first Calculation Date will fall on 19 March 2012.

**“Calculation Period”** means each Collection Period and, after the delivery of a Test Performance Report assessing that a breach of any relevant Test has occurred and is outstanding, each period beginning on (and including) the first day of a calendar month and ending on (and including) the last day of the same calendar month until such time the relevant breach of Test has been cured or otherwise remedied in accordance with the Cover Pool Administration Agreement.

**“Call Option”** has the meaning given to such term in the relevant Final Terms.

**“Cash Management and Agency Agreement”** means the cash management and agency agreement entered into on or about the Initial Issue Date between, *inter alios*, the Guarantor, the Italian Account Bank, the Successor Account Bank, the Cash Manager, the Representative of the Covered Bondholders, the Calculation Agent, the Investment Agent, the Italian Paying Agent, the Principal Paying Agent and the Servicer.

**“Cash Manager”** means BNP Paribas Securities Services, Milan branch or any permitted successor or assignee thereof.

**“CB Interest Period”** means each period beginning on (and including) a CB Payment Date (or, in case of the first CB Interest Period, the Interest Commencement Date) and ending on (but excluding) the next CB Payment Date (or, in case of the last CB Interest Period, the Maturity Date).

**“CB Payment Date”** means 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 CB Payment Date) or the previous CB Payment Date (in any other case).

**“Clearstream”** means Clearstream Banking, *société anonyme*, Luxembourg.

**“Collection Account”** has the meaning given to such term in the Cash Management and Agency Agreement.

**“Collection Period”** means (a) prior to the service of an Acceleration Notice, each period commencing on (and including) the first calendar day of March, June, September and December and ending on (and including) the last calendar day of May, August, November and February, and in the case of the first Collection Period, commencing on (and including) the Initial Valuation Date and ending on (and including) 29 February 2012, and (b) following the service of an Acceleration Notice, each period commencing on (but excluding) the last day of the preceding Collection Period and ending on (and including) the immediately following Accumulation Date.

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

**“Corporate Servicer”** means TMF Management Italy S.r.l. or any permitted successor or assignee thereof.

**“Corporate Services Agreement”** means the corporate services agreement entered into on or about the Initial Issue Date between the Corporate Servicer and the Guarantor.

“**Cover Pool**” means the Receivables and the Integration Assets held by the Guarantor from time to time.

“**Cover Pool Administration Agreement**” means the Cover Pool administration agreement entered into on or about the Initial Issue Date between, *inter alios*, Banco Popolare (also as successor to Credito Bergamasco S.p.A.), the Guarantor, the Representative of the Covered Bondholders and the Calculation Agent.

“**Cover Pool Manager**” has the meaning given to such term in the Cover Pool Administration Agreement.

“**Covered Bondholders**” means the holders from time to time of Covered Bonds, title to which is evidenced in the manner described in Condition 2 (*Form, Denomination and Title*).

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Covered Bond for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a CB Interest Period) (the “**CB Calculation Period**”):

- (i) if “**Actual/Actual (ICMA)**” is specified in the relevant Final Terms:
  - (a) if the CB Calculation Period is equal to or shorter than the Regular Period during which it falls, the number of days in the CB Calculation Period divided by the product of (x) the number of days in such Regular Period and (y) the number of Regular Periods normally ending in any year; and
  - (b) if the CB Calculation Period is longer than one Regular Period, the sum of:
    - (A) the number of days in such CB Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the number of days in such CB Calculation Period falling in the next Regular Period divided by the product of (1) the number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is specified in the relevant Final Terms, the actual number of days in the CB Calculation Period divided by 365 (or, if any portion of the CB Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the CB Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the CB Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is specified in the relevant Final Terms, the actual number of days in the CB Calculation Period divided by 365;
- (iv) if “**Actual/360**” is specified in the relevant Final Terms, the actual number of days in the CB Calculation Period divided by 360;
- (v) if “**30/360**” “**360/360**” or “**Bond Basis**” is specified in the relevant Final Terms, the number of days in the CB 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:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the CB Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the CB Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the CB Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the CB Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the CB Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the CB Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the relevant Final Terms, the number of days in the CB 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:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the CB Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the CB Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the CB Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the CB Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the CB Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the CB Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if “**30E/360 (ISDA)**” is specified in the relevant Final Terms, the number of days in the CB 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:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the CB Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the CB Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the CB Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the CB Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the CB Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the CB 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 D<sub>2</sub> will be 30.

“**Dealer**” means UBS Limited and any other entity which may be appointed as such by the Issuer pursuant to the Programme Agreement.

“**Due for Payment Date**” means (a) at any time prior to the service of an Acceleration Notice, a Scheduled Due for Payment Date or (b) at any time following the service of an Acceleration Notice, the date on which the Acceleration Notice is served on the Guarantor. If the Due for Payment Date is not a Business Day, the date determined in accordance with the Business Day Convention specified as applicable in the relevant Final Terms.

“**Earliest Maturing Covered Bonds**” means, at any time, the relevant Series of Covered Bonds that has the earliest Maturity Date as specified in the applicable Final Terms.

“**Early Redemption Amount**” means, in respect of any Series or Tranche 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 Date**” means, as applicable, the Optional Redemption Date (Call), the Optional Redemption Date (Put) or the date on which any Series of Covered Bonds is to be redeemed pursuant to Condition 7(c) (*Redemption for tax reasons*) or Condition 7(g) (*Redemption due to illegality*).

“**Early Termination 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, these Conditions or the relevant Final Terms.

“**Eligible Deposits**” means the deposits held with banks having their registered office in Eligible States pursuant to article 2, paragraph 3 of the MEF Decree.

“**Eligible Institution**” means any depository institution organised under the laws of any state which is an Eligible State (a) whose short-term, unsecured and unsubordinated debt obligations are rated at least “P-1” by Moody’s and whose long-term, unsecured and unsubordinated debt obligations are rated at least “A2” by Moody’s or (b) whose obligations under the Transaction Documents to which it is a party are guaranteed in compliance with Moody’s criteria by a depository institution organised under the laws of any state which is an Eligible State, whose short-term, unsecured and unsubordinated debt obligations are rated at least “P-1” by Moody’s and whose long-term, unsecured and unsubordinated debt obligation are rated at least “A2” by Moody’s.

**“Eligible Investment”** means (a) Euro denominated government securities and (b) other short-term instruments meeting the requirements set out under article 2 of the MEF Decree, provided that in all cases such investments shall from time to time comply with Moody’s criteria so that, *inter alia*: (i) the relevant exposures shall have certain minimum long-term and short-term ratings from Moody’s, as specified by Moody’s from time to time (if so specified by Moody’s); and (ii) the maximum aggregate total exposures in general to classes of assets with certain ratings by Moody’s will, if specified by Moody’s, be limited to the maximum percentages specified by Moody’s; and (iii) all investments shall be denominated in Euro and have a maturity not longer than the Liquidation Date immediately preceding the next Guarantor Payment Date or be disposable at any time at no loss.

**“Eligible States”** means any country belonging to the European Economic Area, Switzerland and any other country attracting a zero per cent. risk weighting factor under the standardised method provided for by Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions.

**“English Law Deed of Charge and Assignment”** means a deed of charge under English law to be executed on or around the Initial Issue Date between the Guarantor and the Representative of the Covered Bondholders acting on its own behalf and as trustee of the Secured Creditors.

**“EURIBOR”** shall have the meaning given to such term in the relevant Final Terms.

**“Euro”**, **“€”** and **“EUR”** refer to the single currency of member states of the European Union which adopt the single currency introduced in accordance with the treaty establishing the European Community.

**“Euro Equivalent”** means, at any date, in relation to a loan, a bond or any other asset, the aggregate nominal principal amount outstanding of such loan, bond, or asset as at such date denominated in Euro where, if denominated in another currency, the exchange rate corresponds to (i) the current exchange rate fixed by the Calculation Agent in accordance with its usual practice at that time for calculating that equivalent should any currency hedging agreement not be in place or (ii) the exchange rate indicated in the relevant currency hedging agreement if such agreement is in place.

**“Euroclear”** means Euroclear Bank S.A./N.V.

**“Excess Proceeds”** means the amounts collected, received or recovered by the Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with article 4, paragraph 3 of the MEF Decree.

**“Expenses Account”** has the meaning given to such term in the Cash Management and Agency Agreement.

**“Extended Maturity Date”** means, in relation to any Series of Covered Bonds, the date if any specified as such in the relevant Final Terms on which the payment of all or (as applicable) part of the Final Redemption Amount otherwise payable on the Maturity Date will be deferred pursuant to Condition 7(b) (*Extension of maturity*).

**“Extension Determination Date”** means the date falling seven Business Days after the Maturity Date of the relevant Series of Covered Bonds.

**“Extraordinary Resolution”** has the meaning given to such term in the Rules of the Organisation of the Covered Bondholders attached to these Conditions.

**“Final Redemption Amount”** means, with respect to a Series or Tranche of Covered Bonds, the amount specified in, or determined in the manner specified in, the applicable Final Terms which, in

respect of any Series of Covered Bonds other than Zero Coupon Covered Bonds, shall be equal to the nominal amount of the relevant Covered Bond.

“**Fixed Coupon Amount**” has the meaning given to such term in the relevant Final Terms.

“**Fixed Rate Covered Bond**” means a Covered Bond specified as such in the relevant Final Terms.

“**Fixed Rate Provisions**” means the relevant provisions set out in Condition 4 (*Fixed Rate Provisions*).

“**Floating Rate Covered Bond**” means a Covered Bond specified as such in the relevant Final Terms.

“**Floating Rate Provisions**” means the relevant provisions set out in Condition 5 (*Floating Rate Provisions*).

“**Guaranteed Amounts**” means (i) prior to the service of an Acceleration Notice, with respect to any Scheduled Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Scheduled Due for Payment Date, or (ii) after the service of an Acceleration Notice, an amount equal to the relevant Early Redemption Amount plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Additional Scheduled Interest Amounts and all Additional Scheduled Principal Amounts (whenever the same arose) and any other amount payable by the Guarantor under the Covered Bonds, provided that any Guaranteed Amounts representing interest paid after the Maturity Date (or Extended Maturity Date, as the case may be) shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver, conservator, debtor-in-possession or trustee in bankruptcy or other insolvency or similar official for the Issuer, named or identified in the Order, and has not been paid or recovered from any other source (the “**Clawed Back Amounts**”).

“**Guarantor Events of Default**” has the meaning given to such term in Condition 10(c) (*Guarantor Events of Default*).

“**Guarantor Payment Date**” means (a) prior to the service of an Acceleration Notice, 2 April, 2 July, 2 October and 2 January of each year or if any such day is not a Business Day, the immediately following Business Day or (b) following the service of an Acceleration Notice, the day falling 10 Business Days after the Accumulation Date.

“**Hard Bullet Covered Bonds**” means the Series of Covered Bonds in relation to which (i) no Extended Maturity Date is specified to be applicable in the relevant Final Terms; (ii) the Final Redemption Amount will be due for payment on the Maturity Date; and (iii) the Pre-Maturity Test shall apply.

“**In Arrears**” means, in respect of any Mortgage Loans, any amount which has become due and payable by the relevant obligor or guarantor but has remained unpaid for more than five consecutive Business Days.

“**Initial Issue Date**” means the date on which the Issuer will issue the first Series of Covered Bonds.

“**Initial Receivables**” means the first portfolio of monetary claims arising from Mortgage Loans transferred by Banco Popolare as Seller (also as successor to Credito Bergamasco S.p.A.) to the Guarantor pursuant to the Master Transfer Agreement.

“**Initial Valuation Date**” means 7 January 2012.

**“Instalment Covered Bonds”** means Covered Bonds specified as being redeemable in instalments in the relevant Final Terms.

**“Integration Assets”** means the assets mentioned in article 2, paragraph 3, points 2 and 3 of the MEF Decree consisting of (i) Eligible Deposits; and (ii) securities issued by banks residing in Eligible States with residual maturity not greater than one year, in each case meeting the requirements set out in the definition of Eligible Investments.

**“Intercreditor Agreement”** means the agreement entered into on or about the Initial Issue Date between, *inter alios*, the Guarantor, the Servicer, the Seller, the Representative of the Covered Bondholders and the other Secured Creditors.

**“Interest Amount”** means:

- (i) in relation to any Series of Covered Bonds which are Fixed Rate Covered Bonds, and unless otherwise specified in the relevant Final Terms, the amount of interest determined in accordance with the Fixed Rate Provisions; and
- (ii) in relation to any Series of Covered Bonds which are Floating Rate Covered Bonds, the amount of interest payable per Calculation Amount for the relevant CB Interest Period.

**“Interest Available Funds”** means, in respect of any Guarantor Payment Date, the aggregate of:

- (A) any interest component collected by the Servicer in respect of the Receivables and credited into the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date together with any amount retained in the Transaction Account from the Interest Available Funds on the preceding Guarantor Payment Date (if any);
- (B) without duplication of (A) above, an amount equal to the interest components invested in Eligible Investments (if any) during the Collection Period preceding the relevant Guarantor Payment Date, following liquidation thereof;
- (C) all recoveries in the nature of interest and penalties received by the Servicer and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (D) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts and on the Eligible Deposits during the Collection Period preceding the relevant Guarantor Payment Date;
- (E) all interest amounts received from the Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;
- (F) any amount standing to the credit of the Reserve Account in excess of the Required Reserve Amount at the end of the Collection Period preceding the relevant Guarantor Payment Date;
- (G) (i) prior to the service of an Acceleration Notice on the Guarantor, any amount standing to the credit of the Reserve Account (but excluding item (B)(b) of the definition of Required Reserve Amount calculated as at the relevant Guarantor Payment Date), at the end of the Collection Period preceding the relevant Guarantor Payment Date; (ii) following the service of an Acceleration Notice on the Guarantor, any amount standing to the credit of the Reserve Account; and (iii) on the Guarantor Payment Date on which all Covered Bonds have been redeemed or cancelled in full and no more Covered Bonds may be issued under the Programme, any amount standing to the credit of the Reserve Account;



- (H) on the Guarantor Payment Date on which all Covered Bonds have been redeemed or cancelled in full and no more Covered Bonds may be issued under the Programme, any amount standing to the credit of the Expenses Account; and
- (I) any amount (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period.

“**Interest Basis**” has the meaning given to such term in the relevant Final Terms.

“**Interest Commencement Date**” means, in relation to any Tranche of Covered Bonds, the Issue Date of such Covered Bonds or such other date as may be specified as Interest Commencement Date in the relevant Final Terms.

“**Interest Coverage Test**” has the meaning given to such term in the Cover Pool Administration Agreement.

“**Interest Determination Date**” has the meaning given to such term in the relevant Final Terms.

“**Investment Account**” has the meaning given to such term in the Cash Management and Agency Agreement.

“**Investment Agent**” means Banco Popolare or any permitted successor or assignee thereof.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of Covered Bonds.

“**ISDA Determination**” means that the Rate of Interest will be determined in accordance with Condition 5(c) (ii) (*ISDA Determination for Floating Rate Covered Bonds*).

“**Issue Date**” means the date of issue of a Tranche of Covered Bonds as specified in the relevant Final Terms.

“**Issue Price**” has the meaning given to such term in the relevant Final Terms.

“**Issuer Event of Default**” has the meaning given to such term in Condition 10(a) (*Issuer Events of Default*).

“**Italian Account Bank**” means Banco Popolare or any permitted successor or assignee thereof.

“**Italian Deed of Pledge**” means a deed of pledge under Italian law to be executed on or around the Initial Issue Date between the Guarantor and the Representative of the Covered Bondholders acting on its own behalf and on behalf of the Secured Creditors.

“**Italian Paying Agent**” means BNP Paribas Securities Services, Milan branch or any permitted successor or assignee thereof.

“**Liquidation Date**” means one Business Day prior to end of the relevant Collection Period.

“**Listing Agent**” means BNP Paribas Securities Services, Luxembourg branch.

“**Mandate Agreement**” means the mandate agreement entered into on or about the Initial Issue Date between the Representative of the Covered Bondholders and the Guarantor.

“**Mandatory Tests**” means the tests provided for under article 3 of the MEF Decree and namely the Nominal Value Test, the NPV Test and the Interest Coverage Test.

“**Margin**” has the meaning given to such term in the relevant Final Terms.

“**Master Transfer Agreement**” means the master transfer agreement entered into on 13 January 2012, as subsequently amended, between Banco Popolare as Seller (also as successor to Credito Bergamasco S.p.A.) and the Guarantor.

“**Maturity Date**” has the meaning given to such term in the relevant Final Terms.

“**Maximum Rate of Interest**” has the meaning given to such term in the relevant Final Terms.

“**Maximum Redemption Amount**” has the meaning given to such term in the relevant Final Terms.

“**Meeting**” has the meaning given to such term in the Rules of the Organisation of the Covered Bondholders.

“**Minimum Rate of Interest**” has the meaning given to such term in the relevant Final Terms.

“**Minimum Redemption Amount**” has the meaning given to such term in the relevant Final Terms.

“**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 their customers with Monte Titoli (and includes any Relevant Clearing System which holds account with Monte Titoli or any depository banks appointed by the Relevant Clearing System).

“**Monthly Calculation Date**” means, following the delivery of a Test Performance Report assessing that a breach of any relevant Test has occurred, the 18<sup>th</sup> day of the month immediately following the date of such Test Performance Report and, thereafter, the 18<sup>th</sup> day of each month until the relevant breach of Test has been cured or otherwise remedied in accordance with the Cover Pool Administration Agreement, or, if any such day is not a Business Day, the immediately following Business Day.

“**Moody’s**” means Moody’s Investors Service Limited.

“**Mortgage Loans**” means Italian residential mortgage loans (*mutui ipotecari residenziali*) and Italian commercial mortgage loans (*mutui ipotecari commerciali*) having the characteristics set out in article 2, paragraph 1, lett. (a) and (b) of the MEF Decree.

“**Negative Carry Factor**” means 0.50 per cent.

“**Nominal Value Test**” has the meaning given to such term in the Cover Pool Administration Agreement.

“**Non Performing Loan**” means any receivable which either (i) qualifies as “*non performing*” in accordance with the EU Regulation No. 680/2014, as amended from time to time, as implemented in Italy under the “*Circolare della Banca d’Italia del 30 Luglio 2008, n. 272 (Matrice dei Conti)*”, as amended, or (ii) has been referred to the Servicer’s non performing loan division (the Servicer’s “*contenzioso*” department) pursuant to the latest servicing and collection policies of the Servicer.

“**Notice to Pay**” means the notice to be served by the Representative of the Covered Bondholders on the Issuer and the Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Issuer Event of Default.

“**NPV Test**” has the meaning given to such term in the Cover Pool Administration Agreement.

“**Official Gazette**” means the *Gazzetta Ufficiale della Repubblica Italiana*.

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

**“Optional Redemption Date (Call)”** has the meaning given to such term in the relevant Final Terms.

**“Optional Redemption Date (Put)”** has the meaning given to such term in the relevant Final Terms.

**“Order”** means a final, non-appealable judicial decision, ruling or award from a court of competent jurisdiction.

**“Organisation of the Covered Bondholders”** means the organisation of the Covered Bondholders created by the issue and subscription of the first Series of Covered Bonds and regulated by the Rules of the Organisation of the Covered Bondholders attached hereto as a schedule.

**“Outstanding Principal Balance”** means, at any date, in relation to a loan, a bond, a Series of Covered Bonds or any other asset, the aggregate nominal principal amount outstanding of such loan, bond, Series of Covered Bonds or asset at such date.

**“Paying Agents”** means the Principal Paying Agent, the Italian Paying Agent and each other paying agent appointed from time to time under the terms of the Cash Management and Agency Agreement.

**“Payments Account”** has the meaning given to such term in the Cash Management and Agency Agreement;

**“Payments Report Date”** means five Business Days following each Calculation Date.

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

- (i) if the Specified Currency is Euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the Specified Currency is not Euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the country of the relevant Specified Currency and in each (if any) Additional Financial Centre.

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

**“Place of Payment”** means, in respect of any Covered Bondholder, the place in which the Monte Titoli Account Holder for which such Covered Bondholder receives payment of interest or principal on the Covered Bonds is located.

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

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

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

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

**“Pre-Maturity Account”** means the account to be opened in accordance with Condition 7(m) (*Pre-Maturity Test*) and into which the Pre-Maturity Collateral Amount shall be deposited.

**“Pre-Maturity Collateral Amount”** has the meaning given to such term in Condition 7(m) (*Pre-Maturity Test*).

**“Pre-Maturity Rating Period”** means the period of 12 months preceding the Maturity Date of the relevant Series of Hard Bullet Covered Bonds.

**“Pre-Maturity Test”** has the meaning given to such term in Condition 7(m) (*Pre-Maturity Test*).

**“Pre-Maturity Test Breach Notice”** has the meaning given to such term in Condition 7(m) (*Pre-Maturity Test*).

**“Pre-Maturity Test Date”** means any Business Day falling during the Pre-Maturity Rating Period, prior to the occurrence of an Issuer Event of Default.

**“Previous Residential CB Programme”** means the “€ 10,000,000,000 Covered Bond Programme” established by Banco Popolare Soc. Coop. in March 2010 and relating to a portfolio of residential mortgage loans under which the Guarantor has issued a guarantee.

**“Previous Transaction Documents”** means the documents, deeds and agreements entered into by the Guarantor under, or in connection with, the Previous Residential CB Programme and defined as “Transaction Documents” in the prospectus related to the Previous residential CB Programme.

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

- (a) all principal amounts collected by the Servicer in respect of the Receivables and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date together with any amount retained in the Transaction Account from the Principal Available Funds on the preceding Guarantor Payment Date (if any);
- (b) all other recoveries in the nature of principal collected by the Servicer and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (c) all proceeds deriving from the sale, if any, of the Receivables during the Collection Period preceding the relevant Guarantor Payment Date;
- (d) without duplication with any of the proceeds deriving from the sale of the Receivables under (c) above, all proceeds deriving from the liquidation of Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;
- (e) on the Guarantor Payment Date falling immediately after the service of a Notice to Pay, amounts standing to the credit of the Pre-Maturity Account at the end of the Collection Period preceding the relevant Guarantor Payment Date;

- (f) any amount to be transferred pursuant to item (v) of the Pre-Issuer Event of Default Interest Priority of Payments;
- (g) any amount (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period; and
- (h) all amounts of principal standing to the credit of the Eligible Deposits at the end of the Collection Period preceding the relevant Guarantor Payment Date.

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

- (i) 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
- (ii) 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 Paying Agent”** means Banco Popolare or any permitted successor or assignee thereof.

**“Priority of Payments”** means, as the context requires, any of the Pre-Issuer Event of Default Interest Priority of Payments, Pre-Issuer Event of Default Principal Priority of Payments, Post-Issuer Event of Default Priority of Payments or Post-Guarantor Event of Default Priority of Payments.

**“Programme Limit”** means up to Euro 5,000,000,000 (and, for this purpose, any Covered Bonds (*Obbligazioni Bancarie Garantite*) denominated in another currency shall be translated into Euro at the date of the agreement to issue such Covered Bonds, and the Euro exchange rate used shall be included in the Final Terms) in aggregate principal amount of Covered Bonds outstanding at any one time.

**“Programme Resolution”** has the meaning given to such term in the Rules of the Organisation of the Covered Bondholders.

**“Put Option”** has the meaning given to such term in the relevant Final Terms.

**“Put Option Notice”** means a notice which must be delivered to the Principal Paying Agent and the Representative of the Covered Bondholders by any Covered Bondholder intending to exercise its right to redeem Covered Bonds in accordance with Condition 7(f) (*Redemption at the option of Covered Bondholders*).

**“Put Option Receipt”** means a receipt issued by the Principal Paying Agent to a depositing Covered Bondholder upon deposit of the Covered Bond with such Principal Paying Agent by any Covered Bondholder intending to exercise its right to redeem Covered Bonds in accordance with Condition 7(f) (*Redemption at the option of Covered Bondholders*).

**“Quotaholders’ Agreement”** means the quotaholders’ agreement executed on or about the Initial Issue Date by, *inter alios*, the Issuer and Stichting Barbarossa.

**“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.

**“Receivables”** means, collectively, the Initial Receivables, the Subsequent Receivables and the monetary receivables arising under any other eligible assets pursuant to the OBG Regulations and Integration Assets, other than Eligible Deposits, from time to time comprised in the Cover Pool.

**“Redemption/Payment Basis”** has the meaning given to such term in the relevant Final Terms.

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount, 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 to such term 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 Price”** has the meaning given to such term in the relevant Final Terms.

**“Reference Rate”** has the meaning given to such term in the relevant Final Terms.

**“Registered Paying Agent”** has the meaning given to such term in the Cash Management and Agency Agreement.

**“Registrar”** has the meaning given to such term in the Cash Management and Agency Agreement.

**“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 CB Payment Date and each successive period from and including one CB Payment Date to but excluding the next CB Payment Date;
- (ii) in the case of Covered Bonds where, apart from the first CB 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 CB Payment Date falls; and
- (iii) in the case of Covered Bonds where, apart from one CB Interest Period other than the first CB 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 CB Payment Date falls other than the CB Payment Date falling at the end of the irregular CB Interest Period.

**“Relevant Clearing System”** means Euroclear and/or Clearstream, 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 Date”** means, in relation to any payment in respect of the Covered Bonds, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date which is seven days after that on which the Principal Paying Agent has notified the Covered 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).

**“Relevant Dealer(s)”** means, in relation to any Tranche, the Dealer or Dealers with or through whom an agreement to issue Covered Bonds has been concluded, or is being negotiated, by the Issuer.

**“Relevant Financial Centre”** has the meaning given to such term 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 to such term in the relevant Final Terms.

**“Representative of the Covered Bondholders”** means the entity that will act as representative of the holders of each Covered Bond pursuant to the Transaction Documents and any permitted successor or assignee thereof.

**“Required Redemption Amount”** means, in respect of any Series of Covered Bonds, the amount calculated as the Euro Equivalent of the Outstanding Principal Balance of such Series of Covered Bonds multiplied by  $(1 + (\text{Negative Carry Factor} * (\text{days to the Maturity Date (or the Extended Maturity Date if applicable)} / 365)))$ .

**“Required Reserve Amount”** means, in respect of each relevant Guarantor Payment Date:

- (A) if the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least “P-3” by Moody's, nil or such other amount as agreed between the Issuer and the Guarantor from time to time; otherwise
- (B) an amount to be determined on each relevant Calculation Date which will be equal to the aggregate amount of:
  - (a) the aggregate amount payable on the immediately following Guarantor Payment Date in respect of items (ii) and (iii) of the Pre-Issuer Event of Default Interest Priority of Payments;
  - (b) the interest amount due under all outstanding Series of Covered Bonds in the immediately following three months; and
  - (c) Euro 200,000.

**“Reserve Account”** has the meaning given to such term in the Cash Management and Agency Agreement.

**“Scheduled Due for Payment Date”** means:

- (a) (i) each Scheduled Payment Date in respect of the relevant Guaranteed Amounts, and (ii) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Issuer Event of Default, the day which is two Business Days following service of the Notice to Pay on the Guarantor in respect of such Guaranteed Amounts, if such Notice to Pay has not been served by the relevant Scheduled Payment Date; or
- (b) if the applicable Final Terms specifies that an Extended Maturity Date is applicable to the relevant Series of Covered Bonds, the relevant CB Payment Date that would have been applicable if the Maturity Date of such Series of Covered Bonds had been the Extended Maturity Date and such other CB Payment Date(s) as specified in the relevant Final Terms.

**“Scheduled Interest”** means an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each CB Payment Date as specified in the Conditions and the applicable Final Terms falling on or after service of a Notice to Pay on the Guarantor and, where applicable after the Maturity Date, such other amounts of interest as may be specified in the relevant Final Terms, in each case less any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made in the circumstances set out in the Conditions. The Scheduled Interest shall: (i) prior to the service of an Acceleration Notice, exclude any additional amounts relating to premiums, default interest or interest upon interest payable by the Issuer following the service of a Notice to Pay (the **“Additional Scheduled Interest Amounts”**); and (ii) after the service of an Acceleration Notice, include such Additional Scheduled Interest Amounts (whenever the same arose) had the Covered Bonds not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms).

**“Scheduled Payment Date”** means, in relation to payments under the Covered Bond Guarantee, each CB Payment Date.

**“Scheduled Principal”** means an amount equal to the amount in respect of principal which would have been due and payable under the Covered Bonds on each CB Payment Date or the Maturity Date (as the case may be) as specified in the Conditions and the applicable Final Terms. The Scheduled Principal shall: (i) prior to the service of an Acceleration Notice, exclude any additional amount relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest payable by the Issuer following the service of a Notice to Pay (the **“Additional Scheduled Principal Amounts”**); and (ii) after the service of an Acceleration Notice, include such Additional Scheduled Principal Amounts (whenever the same arose) had the Covered Bonds not become due and repayable prior to their Maturity Date or, if the Final Terms specifies that an Extended Maturity Date is applicable to such relevant Series, such Extended Maturity Date.

**“Screen Rate Determination”** means that the Rate of Interest will be determined in accordance with Condition 5(c) (i) (*Screen Rate Determination for Floating Rate Covered Bonds*).

**“Secured Amounts”** has the meaning given to such term in the Intercreditor Agreement.

**“Secured Creditors”** means, collectively, the Covered Bondholders, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Seller, the Subordinated Loan Provider, the Servicer, the Corporate Servicer, the Administrative Servicer, the Italian Account Bank, the Successor Account Bank (for so long as an Issuer Downgrading Event is outstanding), the Italian Paying Agent, the Investment Agent, the Cash Manager, the Asset Monitor, the Cover Pool Manager (if any), the Registered Paying Agent (if any), the Registrar (if any), the Calculation Agent and any additional party who accedes to the Intercreditor Agreement.

**“Securities Account”** has the meaning given to such term in the Cash Management and Agency Agreement.

**“Selected Assets”** has the meaning given to such term in the Cover Pool Administration Agreement.

**“Seller”** means Banco Popolare (also as successor to Credito Bergamasco S.p.A.).

**“Series”** or **“Series of Covered Bonds”** means a series of Covered Bonds comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their Issue Price) have identical terms on issue and are expressed to have the same series number.

**“Servicer”** means Banco Popolare.



**“Servicer Report”** means the report prepared and submitted by the Servicer to the Guarantor, the Corporate Servicer, the Calculation Agent, the Representative of the Covered Bondholders and Moody’s, in the form set out in the Servicing Agreement, containing information as to the collections and recoveries made in respect of the Receivables during the preceding Collection Period.

**“Servicing Agreement”** means the servicing agreement entered into on 13 January 2012 between the Guarantor and Banco Popolare as Servicer (also as successor to Credito Bergamasco S.p.A.).

**“Specified Currency”** has the meaning given to such term in the relevant Final Terms.

**“Specified Denomination(s)”** means € 100,000 and integral multiples of € 1,000 in excess thereof or such higher denomination as may be specified in the applicable Final Terms (or its equivalent in another currency as at the date of issue of the relevant Covered Bonds).

**“Specified Office”** means, with reference to the Principal Paying Agent, its office at Piazza Nogara 2, Verona, Italy or such other office in the same city or town as the Principal Paying Agent may specify by notice to the Issuer and the other parties to the Cash Management and Agency Agreement in the manner provided therein.

**“Specified Period”** has the meaning given to such term in the relevant Final Terms.

**“Subordinated Loan Agreement”** means the subordinated loan agreement entered into on 13 January 2012, as subsequently amended, between the Guarantor and Banco Popolare as Subordinated Loan Provider (also as successor to Credito Bergamasco S.p.A.).

**“Subordinated Loan Provider”** means Banco Popolare, and any respective successor thereof, appointed as subordinated loan provider in accordance with the terms of the Subordinated Loan Agreement.

**“Subsequent Receivables”** means the further portfolios of monetary claims arising from Mortgage Loans, transferred or to be transferred to the Guarantor by the Seller pursuant to the Master Transfer Agreement and the Additional Sellers (if any) in accordance with the provisions of the Cover Pool Administration Agreement.

**“Subsidiary”** has the meaning given to such term in article 2359 of the Italian civil code.

**“Successor Account Bank”** means BNP Paribas Securities Services, London branch or any permitted assignee or successor thereof.

**“TARGET Settlement Day”** means any day on which the TARGET System is open.

**“TARGET System”** means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system (known as TARGET2) which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto.

**“Test Performance Report”** means the report to be delivered, on each Calculation Date and/or Monthly Calculation Date and/or on any other date on which the relevant Tests are to be performed under the Transaction Documents, as the case may be, by the Calculation Agent pursuant to the terms of the Cover Pool Administration Agreement.

**“Tests”** means, collectively, the Mandatory Tests, the Asset Coverage Test and the Amortisation Test and **“Test”** means any one of them as the context requires.

**“Transaction Account”** has the meaning given to such term in the Cash Management and Agency Agreement.

**“Transaction Documents”** means, collectively, the Master Transfer Agreements, the Warranty and Indemnity Agreements, the Servicing Agreement, the Intercreditor Agreement, the Cover Pool Administration Agreement, the Corporate Services Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Covered Bond Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Programme Agreement, the Quotaholders’ Agreement, the Italian Deed of Pledge, the English Law Deed of Charge and Assignment, the Subscription Agreement, the Mandate Agreement, these Conditions, the Rules of the Organisation of the Covered Bondholders and any document or agreement which supplements, amends or restates the content of any of the above-mentioned documents and any further documents or agreement entered into in connection with the Programme and designated as such by the Issuer, the Guarantor and the Representative of the Covered Bondholders.

**“Warranty and Indemnity Agreements”** means the warranty and indemnity agreements entered into on 13 January 2012 between the Guarantor and Banco Popolare as Seller (also as successor to Credito Bergamasco S.p.A.) and **“Warranty and Indemnity Agreement”** means any one of them as the context requires.

**“Zero Coupon Covered Bond”** means a Covered Bond specified as such in the relevant Final Terms.

**“Zero Coupon Provisions”** means the relevant provisions set out in Condition 6 (*Zero Coupon Provisions*).

- (ii) In these Conditions, the following events and the criteria are deemed to have occurred or been satisfied, as the case may be, as set out below:

an **“Insolvency Event”** will have occurred in respect of any bank, company or corporation if:

- (i) such bank, company or corporation becomes subject to any applicable bankruptcy, liquidation, administration, receivership, insolvency, composition or reorganisation (among which, without limitation, *fallimento*, *liquidazione coatta amministrativa*, *concordato preventivo*, *accordi di ristrutturazione* and *amministrazione straordinaria*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including also any equivalent or analogous proceedings under the law of the jurisdiction in which such bank, company or corporation is deemed to carry on business, including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, receivership, arrangement, adjustment, protection or relief of debtors) or similar proceedings or the whole or any substantial part of the undertaking or assets of such bank, company or corporation are subject to a *pignoramento* or similar 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 Covered Bondholders (who may in this respect rely on the advice of a lawyer selected by it), such proceedings are being disputed by the Issuer in good faith with a reasonable prospect of success;
- (ii) an application for the commencement of any of the proceedings under paragraph (i) above is made in respect of or by such bank, company or corporation or the same proceedings are otherwise initiated against such bank, company or corporation or notice is given of an intention to appoint an administrator in relation to such bank, company or corporation and, in the opinion of the Representative of the Covered Bondholders (who may in this respect rely on the advice of a lawyer selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success;

- (iii) such bank, company or corporation takes any action for a re-adjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than the Secured Creditors) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments; or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation, administration or dissolution in any form of such bank, company or corporation (except a winding-up for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered Bondholders) or any of the events under article 2484 of the Italian civil code occurs with respect to such bank, company or corporation; and

an “**Issuer Downgrading Event**” will have occurred if, and will be deemed to be outstanding for so long as, the long-term, unsecured and unsubordinated debt or counterparty obligations of the Issuer are rated below “Ba3” by Moody’s.

(iii) *Interpretation*

In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 9 (*Taxation in the Republic of Italy*), any premium payable in respect of any Covered Bond and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 (*Taxation in the Republic of Italy*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) if an expression is stated in Condition 1(i) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable”, then such expression is not applicable to the Covered Bonds;
- (iv) any reference to a Transaction Document shall be construed as a reference to such Transaction Document, as amended and/or supplemented from time to time;
- (v) any reference to a party to a Transaction Document (other than the Issuer and the Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Transaction Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a Series only; and
- (vi) any reference to any Italian legislation (whether primary legislation or regulations or other subsidiary legislation enacted to implement primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

## 2 **Form, Denomination and Title**

The Covered Bonds are in the Specified Denomination(s), which may include a minimum denomination of Euro 100,000 (or, where the Specified Currency is a currency other than Euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, in each case as specified in the

relevant Final Terms. The Covered Bonds will be issued in bearer form and in dematerialised form (*emesse in forma dematerializzata*) and will be wholly and exclusively deposited with Monte Titoli in accordance with article 83-*bis* of Italian legislative decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in article 83-*quater* of such legislative decree. The Covered Bonds will be held by Monte Titoli on behalf of the Covered Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. Monte Titoli shall act as depository for Clearstream and Euroclear. The Covered Bonds will at all times be in book entry form and title to the Covered Bonds will be evidenced by, and title thereto will be transferred by means of, book entries in accordance with: (i) the provisions of article 83-*bis* of Italian legislative decree No. 58 of 24 February 1998; and (ii) the regulation issued by the Bank of Italy and CONSOB on 22 February 2008, as subsequently amended, in each case as amended and supplemented from time to time. No physical documents of title will be issued in respect of the Covered Bonds. The rights and powers of the Covered Bondholders may only be exercised in accordance with these Conditions and the Rules of the Organisation of the Covered Bondholders.

Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Representative of the Covered Bondholders, the Guarantor and the Paying Agents may (to the fullest extent permitted by applicable laws) deem and treat the Monte Titoli Account Holder, whose account is at the relevant time credited with a Covered Bond, as the absolute owner of such Covered Bond for the purposes of payments to be made to the holder of such Covered Bond (whether or not the Covered Bond is overdue and notwithstanding any notice to the contrary, any notice of ownership or writing on the Covered Bond or any notice of any previous loss or theft of the Covered Bond) and shall not be liable for doing so.

### 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 Covered Bondholders will be collected, received, or recovered by the Guarantor on their behalf.

#### (b) Status of the Covered Bond Guarantee

The payment of Guaranteed Amounts in respect of each Covered Bond when due for payment will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Covered Bond Guarantee. However, the Guarantor shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amount on the Due for Payment Date until the occurrence of an Issuer Event of Default and service by the Representative of the Covered Bondholders on the Issuer and the Guarantor of a Notice to Pay. Any payment made by the Guarantor under the Covered Bond Guarantee shall discharge the corresponding obligations of the Issuer under the Covered Bonds *vis-à-vis* the Covered Bondholders. The payment obligations of the Guarantor under the Covered Bond Guarantee constitute direct and unconditional obligations of the Guarantor, recourse in respect of which is limited in the manner described in Condition 13 (*Limited Recourse and Non-Petition*). The payment obligations of the Guarantor under the Covered Bond Guarantee are secured over certain assets of the Guarantor pursuant to the Italian Deed of Pledge and the English Law Deed of Charge and Assignment. The Covered Bondholders acknowledge that the limited recourse nature of the Guarantor under the Covered Bond Guarantee produces the effects of a *contratto aleatorio* under Italian law and they accept the consequences thereof, including, but not limited to, the provisions of article 1469 of the Italian civil code.

(c) *Priority of Payments*

Amounts due by the Guarantor pursuant to the Covered Bonds Guarantee shall be paid in accordance with the Priority of Payments, as set out in the Intercreditor Agreement, and recourse in respect of the Guarantor is limited in the manner described in Condition 13 (*Limited Recourse and Non-Petition*).

#### **4 Fixed Rate Provisions**

(a) *Application*

This Condition 4 (*Fixed Rate Provisions*) is applicable only to Covered Bonds in respect of which the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*

Each Fixed Rate Covered Bond bears interest on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate of Interest. Interest payable in arrear on each CB Payment Date, subject as provided in Condition 8 (*Payments*), up to (and excluding) the Maturity Date, or, as the case may be, the Extended Maturity Date. Each Covered Bond will cease to accrue interest on the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the applicable Rate of Interest in the manner provided under this Condition 4 (*Fixed Rate Provisions*) to the Relevant Date.

(c) *Fixed Coupon Amount and Broken Amount*

Except as provided in the applicable Final Terms, the amount of interest payable in respect of each Fixed Rate Covered Bond for any CB Interest Period in respect of which the Fixed Rate Provisions apply will amount to the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, will amount to the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. Payments of interest on any CB Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

(d) *Calculation of interest amount*

If interest is required to be calculated for a period for which no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency (half a sub-unit being rounded upwards). For this purpose, a “**sub-unit**” means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

#### **5 Floating Rate Provisions**

(a) *Application*

This Condition 5 (*Floating Rate Provisions*) is applicable only to Covered Bonds in respect of which the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*

Each Floating Rate Covered Bond bears interest on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate of Interest payable in arrear on each CB Payment Date, subject as provided in Condition 8

(*Payments*) up to (and excluding) the Maturity Date, or, as the case may be, the Extended Maturity Date. Each Covered Bond will cease to accrue interest on the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the applicable Rate of Interest in the manner provided under this Condition 5 to the Relevant Date.

(c) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner specified in the applicable Final Terms.

(i) *Screen Rate Determination for Floating Rate Covered Bonds*

Where 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 CB Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other than EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Final Terms.

If, in the case of (1) above, such rate does not appear on that page or, in the case of (2) above, fewer than three such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable in each case as at the Relevant Time, the Principal Paying Agent will:

- (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question; and
- (C) if two or more of the Reference Banks provide the Principal Paying Agent with such offered quotations, determine the arithmetic mean of such quotations,

and if fewer than two such offered quotations are provided as requested, the Principal Paying Agent will determine the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Principal Paying Agent 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 CB Interest Period for loans in the Specified Currency to leading European banks for a

period equal to the relevant CB 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 CB 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 CB Interest Period, the Rate of Interest applicable to the Covered Bonds during such CB 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 the preceding CB Interest Period.

(ii) *ISDA Determination for Floating Rate Covered Bonds*

Where 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 CB Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any). For the purposes of this sub-paragraph (ii), “**ISDA Rate**” means, in relation to any CB Interest Period, a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent under an interest rate swap transaction if the Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent were acting as Calculation Agent (as that term is defined in the ISDA Definitions) for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option is as specified in the relevant Final Terms;
- (ii) the Designated Maturity is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date is either (A) if the relevant Floating Rate Option is based on the London inter bank offered rate (“**LIBOR**”) or on the Euro-zone inter-bank offered rate (“**EURIBOR**”), the first day of that CB Interest Period or (B) in any other case, as specified in the relevant Final Terms.

For the purposes of this sub-paragraph (ii), “**Floating Rate**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

(d) *Maximum Rate of Interest and/or Minimum Rate of Interest*

If any Maximum Rate of Interest and/or Minimum Rate of Interest is specified in the relevant Final Terms for any CB Interest Period, then the applicable Rate of Interest in respect of such CB Interest Period shall in no event be greater than the Maximum Rate of Interest and/or be less than the Minimum Rate of Interest so specified, as the case may be.

(e) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each CB Interest Period, determine the Rate of Interest for the relevant CB Interest Period.

The Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent will calculate the Interest Amount payable in respect of each Floating Rate Covered Bond for such CB Interest Period. Each Interest Amount shall be equal to the product of the Rate of Interest, the Calculation Amount and the Day Count Fraction for such CB Interest Period, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of

the relevant Covered Bond divided by the Calculation Amount. For this purpose, a “**sub-unit**” means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

(f) *Calculation of other amounts*

If the relevant Final Terms specifies that any other amount is to be calculated by the Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent, then the Principal Paying Agent or such calculation 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 or the relevant calculation agent in the manner specified in the relevant Final Terms.

(g) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent will cause each Rate of Interest and Interest Amount for each CB Interest Period, the relevant CB 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 Issuer, the Guarantor, the Italian Paying Agent and any stock exchange on which the Floating Rate Covered Bond are for the time being listed and admitted to trading as soon as practicable after such determination, but (in the case of each Rate of Interest, Interest Amount and CB Payment Date) in any event not later than the first day of the relevant CB Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders in accordance with Condition 16 (*Notices*). 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 CB Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

(h) *Determination and calculation by the Representative of the Covered Bondholders*

If for any reason at any relevant time the Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent does not for any reason comply with its obligation to determine the Rate of Interest or any Interest Amount in accordance with the above provisions or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraphs (f) and (g) above, the Representative of the Covered Bondholders shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Principal Paying Agent or, as the case may be, the calculation agent. In doing so, the Representative of the Covered Bondholders shall apply the foregoing provisions of this Condition 5 (*Floating Rate Provisions*), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(i) *Notifications etc.*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 (*Floating Rate Provisions*) by the Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents and the Covered Bondholders and (subject as aforesaid) no liability to any such Person



will attach to the Principal Paying Agent or the relevant calculation agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## **6 Zero Coupon Provisions**

### *(a) Application*

This Condition 6 (*Zero Coupon Provisions*) is applicable only to Covered Bonds in respect of which the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.

### *(b) Late payment on Zero Coupon Covered Bonds*

If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount calculated as provided in Condition 7(i) (*Early redemption of Zero Coupon Covered Bonds*) as though the references therein to the date fixed for the redemption were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) seven days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bond has been received by the Principal Paying Agent and notice to that effect has been given to the Covered Bondholders in accordance with Condition 16 (*Notices*).

## **7 Redemption and Purchase**

### *(a) At maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed at its Final Redemption Amount in the relevant Specified Currency on the relevant Maturity Date, subject as provided in Condition 7(b) (*Extension of maturity*) and Condition 8 (*Payments*). If an Extended Maturity Date is not specified in the relevant Final Terms as applying for a Series of Covered Bonds, Condition 7(m) (*Pre-Maturity Test*) shall apply. If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and, prior to the service of a Notice to Pay, the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Conditions will be, subject to sub-paragraph (b) below, automatically extended up to but no later than the Extended Maturity Date. The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least on the Extension Determination Date as to whether payment of the Final Redemption Amount in respect of the Covered Bonds will or will not be made in full on that Maturity Date or within two Business Days thereafter. Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

### *(b) Extension of maturity*

- (i) Without prejudice to Condition 10 (*Events of Default*), if an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer has failed to redeem all of those Covered Bonds in full on the Maturity Date or within two Business Days thereafter or an Issuer Event of Default is otherwise outstanding, the Guarantor has insufficient moneys available under the relevant Priorities 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 Covered

Bond Guarantee shall be deferred until the Extended Maturity Date, *provided that* any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

- (ii) Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an Extension of Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.
- (iii) The Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 16 (*Notices*)), Moody's, the Representative of the Covered Bondholders, the Principal Paying Agent and the Italian Paying Agent, as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Maturity Date, of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the Guarantor to notify such persons shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.
- (iv) In the circumstances described above, the Guarantor shall, on the relevant Scheduled Due for Payment Date, pursuant to the Covered Bond Guarantee, apply the moneys (if any) available (after making payments or provisions for payment of amounts ranking higher or *pari passu* with the relevant Priorities of Payments) *pro rata* towards payment of an amount equal to the Final Redemption Amount in respect of the relevant Series of 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 make any payment towards satisfaction of the Final Redemption Amount not so done on such Due for Payment Date shall be deferred as described above.
- (v) Where an Extended Maturity Date is specified in the relevant Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with this Condition 7(b) (*Extension of maturity*), the Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant CB Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date unless on such date payment of principal is improperly withheld or refused (in which case, interest will continue to accrue in accordance with these Conditions and as specified in the relevant Final Terms). In these events, interest shall be payable on those Covered Bonds at the rate determined in accordance with Condition 7(b)(vi) on the principal amount outstanding of the Covered Bonds in arrear on the CB Payment Date in each month after the Maturity Date in respect of the CB Interest Period ending immediately prior to the relevant CB Payment Date, subject as otherwise provided in the applicable Final Terms. The final CB Payment Date shall fall no later than the Extended Maturity Date.
- (vi) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with this Condition 7(b) (*Extension of maturity*), the rate of interest payable from time to time in respect of the principal amount outstanding of the Covered Bonds on each CB Payment Date after the Maturity Date in respect of the CB Interest Period ending

immediately prior to the relevant CB Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Principal Paying Agent or the Italian Paying Agent, as the case may be, or, where the applicable Final Terms specifies a calculation agent, the calculation agent so specified, two Business Days after the Maturity Date in respect of the first such CB Interest Period and thereafter as specified in the applicable Final Terms.

- (vii) The provisions set out in sub-paragraphs (v) and (vi) above shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds (in full) on the Maturity Date (or within two Business Days thereafter) and the maturity of those Covered Bonds is automatically extended up to the Extended Maturity Date in accordance with Condition 7(b) (*Extension of maturity*).
- (viii) Where an Extended Maturity Date is specified in the relevant Final Terms as applying to a Series of Covered Bonds, a failure to pay by the Guarantor on the Maturity Date shall not constitute a Guarantor Event of Default.

(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 not specified in the relevant Final Terms as being applicable); or
- (ii) on any CB 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 Representative of the Covered Bondholders and, in accordance with Condition 16 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), at their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption, if:

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

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

- (3) 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
- (4) where the Covered Bonds may be redeemed only on a CB Payment Date, 60 days prior to the CB 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 Italian Paying Agent and the Principal Paying Agent, with a copy to the Listing Agent and the Representative of the Covered Bondholders, a certificate signed by duly authorised officers of the

Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred (and such evidence shall be sufficient to the Italian Paying Agent and the Principal Paying Agent and conclusive and binding on the Covered Bondholders). Upon the expiry of any such notice as is referred to in this Condition 7(c) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 7(c) (*Redemption for tax reasons*).

Covered Bonds redeemed pursuant to this Condition 7(c) (*Redemption for tax reasons*) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(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 giving not less than 15 nor more than 30 days' notice to the Covered 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 are to be redeemed in part only on any date in accordance with Condition 7(d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed at 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 Covered Bondholders referred to in Condition 7(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 as being applicable to the relevant Covered Bonds, then the Optional Redemption Amount (Call) in respect of such Covered Bonds shall in no event be greater than the Maximum Redemption Amount or be less than the Minimum Redemption Amount so specified.

(f) *Redemption at the option of Covered Bondholders*

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any such Covered Bond, redeem such Covered Bond 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 the date fixed for redemption. To exercise such option, the Covered Bondholder must, not less than 15 nor more than 30 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 depositing Covered Bondholder. Once deposited in accordance with this Condition 7(f) (*Redemption at the option of Covered Bondholders*), no duly completed Put Option Notice may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any Covered Bond becomes immediately due and payable or, upon due presentation of any such Covered

Bond 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 Covered Bondholder at such address as may have been given by such Covered Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 7(f) (*Redemption at the option of Covered Bondholders*), the Covered Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(g) *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 Covered Bondholders and the Principal Paying Agent and, in accordance with Condition 16 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Covered Bondholders immediately before the giving of such notice that it has, or will, before the next CB 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 CB Payment Date.

Covered Bonds redeemed pursuant to this Condition 7(g) (*Redemption due to illegality*) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(h) *No other redemption*

The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 7(a) (*At maturity*) to 7(g) (*Redemption due to illegality*).

(i) *Early redemption of Zero Coupon Covered Bonds*

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Covered Bond at any time before the Maturity Date shall be an amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount per Calculation Amount} = \text{RP} \times (1 + \text{AY})_y$$

where:

“**RP**” means the Reference Price per Calculation Amount;

“**AY**” means the Accrual Yield expressed as a decimal; and

“**y**” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(j) *Instalments*

Instalment Covered Bonds will be redeemed in the amount and on the payment date specified in the relevant Final Terms. In the case of early redemption, Instalment Covered Bonds will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(k) *Purchase*

The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time purchase beneficially or procure others to purchase beneficially for its account Covered Bonds at any price in the open market or otherwise. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or any of its Subsidiaries (other than the Guarantor), cancelled. The Guarantor shall not purchase any Covered Bonds at any time.

(l) *Cancellation*

All Covered Bonds which are redeemed, in accordance with Conditions from 7(a) (*At maturity*) to 7(g) (*Redemption due to illegality*), shall forthwith be cancelled and may not be reissued or resold.

(m) *Pre-Maturity Test*

The Calculation Agent will on each Pre-Maturity Test Date, prior to the service of a Notice to Pay, in relation to a Series of Hard Bullet Covered Bonds specified as such in the relevant Final Terms, determine if the Issuer satisfies the following pre-maturity rating requirements (the “**Pre-Maturity Test**”) and shall immediately notify the Issuer, the Guarantor and the Representative of Covered Bondholders if the Issuer does not satisfy such Pre-Maturity Test.

The Issuer will not satisfy, and be in breach of, the Pre-Maturity Test if the Issuer’s (a) short-term credit rating for its unsecured, unsubordinated and unguaranteed debt obligations is equal to or lower than “Not Prime” from Moody’s and the Maturity Date of the Series of Hard Bullet Covered Bonds is scheduled to fall within six months following the relevant Pre-Maturity Test Date or (b) long-term credit rating for its unsecured, unsubordinated and unguaranteed debt obligations is lower than “Ba3” from Moody’s and the Maturity Date of the Series of Hard Bullet Covered Bonds is scheduled fall within 12 months following the relevant Pre-Maturity Test Date.

If the Pre-Maturity Test is breached in respect of a Series of Hard Bullet Covered Bonds within 12 months prior to the scheduled Maturity Date of that Series, the Calculation Agent will immediately serve a notice to that effect on the Issuer, the Guarantor and the Representative of the Covered Bondholders (the “**Pre-Maturity Test Breach Notice**”). Following the delivery of such notice, the Issuer will be required to procure, within the earlier of (i) 14 calendar days from the date on which the Pre-Maturity Test Breach Notice is notified to the Issuer and (ii) the Maturity Date of the relevant Series of Hard Bullet Covered Bonds, that (A) an amount equal to the Required Redemption Amount in respect of such Series of Hard Bullet Covered Bonds plus any amount that would be payable by the Guarantor in priority thereto in accordance with the Post-Issuer Event of Default Priority of Payments (regardless as to whether a Notice to Pay has been served) (the “**Pre-Maturity Collateral Amount**”) is credited to an account opened for that purpose by the Guarantor with an Eligible Institution (the “**Pre-Maturity Account**”), or, alternatively, (B) a guarantee is provided in respect of the payment of the Final Redemption Amount on the relevant Maturity Date for that Series of Hard Bullet Covered Bonds by a guarantor whose senior, unsecured and unsubordinated ratings are at least equal to “P-3” by Moody’s.

If any of the actions under (A) and (B) above is not taken, the Guarantor may, among others:

- (a) offer to sell Selected Assets in accordance with the Cover Pool Administration Agreement and subject to any right of pre-emption enjoyed by the Seller; and/or
- (b) seek to obtain the creation of Eligible Deposits from the Seller. The creation of Eligible Deposits will be financed through advances granted by the Seller under the Subordinated Loan Agreement.

Any proceeds deriving from the sale of Selected Assets and their related security and/or any contribution in cash by the Seller shall be credited to the Pre-Maturity Account.

Following the service of a Notice to Pay, the Guarantor shall apply funds standing to the Pre-Maturity Account to repay the relevant Series of Hard Bullet Covered Bonds on its Maturity Date in accordance with the Post-Issuer Event of Default Priority of Payments.

If the Issuer fully repays the relevant Series of Hard Bullet Covered Bonds on the Maturity Date thereof, any amount of cash standing to the credit of the Pre-Maturity Account after such repayment shall be applied in accordance with the relevant Priority of Payments, unless:

- (a) the Issuer does not satisfy the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case the cash will remain credited on the Pre-Maturity Account and used to provide liquidity for that other Series of Hard Bullet Covered Bonds; or
- (b) the Issuer does satisfy the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, but the Issuer resolves to retain the cash on the Pre-Maturity Account in order to provide liquidity for any future Series of Hard Bullet Covered Bonds.

## 8 Payments

### (a) *Payments through clearing systems*

Payment of interest and repayment of principal in respect of the Covered Bonds deposited with Monte Titoli will be credited, in accordance with the instructions of Monte Titoli, by the Principal Paying Agent and/or the Italian Paying Agent on behalf of the Issuer or the Guarantor (as the case may be) to the accounts with Monte Titoli of the banks and authorised brokers whose accounts 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. Payments made by or on behalf of the Issuer or the Guarantor (as the case may be) according to the instructions of Monte Titoli to the accounts with Monte Titoli of the banks and authorised brokers whose accounts are credited with those Covered Bonds will relieve the Issuer or the Guarantor (as the case may be) *pro tanto* from the corresponding payment obligations under the Covered Bonds or the Covered Bond Guarantee (as the case may be).

Alternatively, the Principal Paying Agent and/or the Italian Paying Agent may arrange for payments of principal and interest in respect of the Covered Bonds to be made to the Covered Bondholders through Euroclear and Clearstream to be credited to the accounts with Euroclear and Clearstream of the beneficial owners of the Covered Bonds, in accordance with the rules and procedures of Euroclear or, as the case may be, Clearstream. Payments made by or on behalf of the Issuer or the Guarantor (as the case may be) to the accounts with Euroclear and Clearstream of the beneficial owners of the Covered Bonds, in accordance with the rules and procedures of Euroclear or, as the case may be, Clearstream will relieve the Issuer or the Guarantor (as the case may be) *pro tanto* from the corresponding payment obligations under the Covered Bonds or the Covered Bond Guarantee (as the case may be).

### (b) *Payments subject to fiscal laws*

All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws, directives and regulations in the place of payment or other laws to which the Issuer, the Guarantor or their agents agree to be subject and neither Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 9 (*Taxation in the Republic of Italy*).

(c) *Payments on Business Days*

If the due date for any payment of principal and/or interest in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the holder of the relevant Covered Bond shall not be entitled to payment in such place of the amount due until the immediately succeeding Payment Business Day in such Place of Payment and shall not be entitled to any further interest or other payment in respect of any such delay.

## 9 Taxation in the Republic of Italy

(a) *Gross up by Issuer*

All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered 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* provided by Legislative Decree No. 239 of 1 April 1996, as amended (“**Decree No. 239**”) with respect to any Covered Bonds or, for the avoidance of doubt, Italian Legislative Decree No. 461 of 21 November 1997 (as amended by Italian Legislative Decree No. 201 of 16 June 1998) (as any of the same may be amended or supplemented) or any related implementing regulations, and in all circumstances in which the procedures set forth in Decree No. 239 in order to benefit from a tax exemption 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) with respect to any Covered Bond presented for payments:
  - (A) in the Republic of Italy; or
  - (B) by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond by reason of his having some connection with the Republic of Italy other than the mere holding of such Covered Bond; or
  - (C) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Covered Bond by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or



- (D) more than 30 days after the Maturity Date except to the extent that the relevant holder would have been entitled to an additional amount on presenting such Covered Bond for payment on such 30<sup>th</sup> day assuming that day to have been a CB Payment Date; or
- (E) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (F) in respect of any Covered Bond where such withholding or deduction is required pursuant to Presidential Decree No. 600 of 29 September 1973, as amended or supplemented from time to time; or
- (G) in respect of Covered Bonds classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of 30 September 1983, as amended and supplemented from time to time; or
- (iii) where such withholding or deduction required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) held by or on behalf of a Covered Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to a Paying Agent in another Member State of the EU but they failed to do so.

(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 avoidance of doubt, 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 Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders.

## 10 Events of Default

(a) *Issuer Events of Default*

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

- (A) failure by the Issuer for a period of seven days or more to pay any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series when due; or
- (D) breach by the Issuer of any material obligations under or in respect of the Covered Bonds (of any Series outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any

obligation to comply with the Tests, where applicable) and (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy, in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

- (E) if, following the delivery of a Breach of Tests Notice, the relevant Tests are not cured by the immediately following Monthly Calculation Date; or
- (F) if the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is not satisfied on any Pre-Maturity Test Date falling during the 12 month-period prior to the Maturity Date of that Series of Hard Bullet Covered Bonds, and such breach has not been cured in accordance with these Conditions on or before the earlier of (i) 14 calendar days from the date on which the Issuer is notified of the breach of the Pre-Maturity Test and (ii) the Maturity Date of that Series of Hard Bullet Covered Bonds, unless the Representative of the Covered Bondholders or the Meeting of the Organisation of the Covered Bondholders resolves otherwise; or
- (G) an Insolvency Event of the Issuer; or
- (H) an Article 74 Event,

then, the Representative of the Covered Bondholders may at its sole discretion, and shall if so directed by an Extraordinary Resolution of the Meeting of the Organisation of the Covered Bondholders, serve a Notice to Pay on the Issuer and Guarantor declaring that an Issuer Event of Default has occurred (specifying, in case of an Article 74 Event, that the Issuer Event of Default may be temporary).

(b) *Effect of a Notice to Pay*

Upon service of a Notice to Pay to the Issuer and the Guarantor:

- (A) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (A) such events shall not trigger an acceleration against the Guarantor, (B) in accordance with Article 4, paragraph 3 of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer and (C) in case of the Issuer Event of Default referred to under point (F) above (I) the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the suspension period and (II) upon the end of the suspension period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer);
- (B) the Guarantor will pay the Guaranteed Amounts on the Scheduled Due for Payment Date in accordance with the provisions of the Covered Bond Guarantee and the Priority of Payments set out in the Intercreditor Agreement;
- (C) the Mandatory Tests (as defined above) shall continue to be applied and the Amortisation Test (as defined below) shall be also applied;
- (D) the Guarantor shall (only if necessary in order to effect timely due payments under the Covered Bonds), direct the Servicer to sell the Receivables in accordance with the provisions of the Cover Pool Administration Agreement;

(E) no further Covered Bonds may be issued;

*provided that*, (a) in case of an Article 74 Event the effects listed in items (A) to (E) of paragraph (b) above will only apply for as long as the Suspension Period will be in force and effect and (b) in case of the other events listed in items (A) to (D) of paragraph (a) above as Issuer Events of Default, the effects listed in items (A) to (E) of paragraph (b) above will only apply for as long as the relevant event has occurred and is outstanding or has not been otherwise remedied or cured.

“**Suspension Period**” means the period of time starting from the date on which a resolution pursuant to article 74 of the Banking Act is passed in respect of the Issuer (the “**Article 74 Event**”) and ending on the date on which the Representative of the Covered Bondholders serves an Article 74 Event Cure Notice to the Issuer and the Guarantor, informing such parties that the Article 74 Event has been cured, during which the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the Guaranteed Amounts that fall due and payable during such period.

(c) *Guarantor Events of Default*

Following the service of a Notice to Pay, if any of the following events (each, a “**Guarantor Event of Default**”) occurs and is continuing:

- (i) default by the Guarantor for a period of seven days or more to pay any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series; or
- (ii) breach of the Amortisation Test on any Calculation Date; or
- (iii) breach by the Guarantor of any material obligations under the provisions of any Transaction Documents to which the Guarantor is a party (other than any obligation for the payment of principal or interest on the Covered Bonds) and (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy, in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Guarantor, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or
- (iv) an Insolvency Event of the Guarantor,

then the Representative of the Covered Bondholders may at its sole discretion, and shall if so directed by an Extraordinary Resolution of the Meeting of the Organisation of the Covered Bondholders, serve an Acceleration Notice on the Guarantor declaring that a Guarantor Event of Default has occurred.

(d) *Effect of an Acceleration Notice*

From and including the date on which the Representative of the Covered Bondholders delivers an Acceleration Notice on the Guarantor:

- (i) the Covered Bonds shall become immediately due and payable by the Guarantor at their Early Redemption Amount together, if appropriate, with any accrued interest; and
- (ii) if a Guarantor Event of Default occurs with respect to a Series, each other Series of Covered Bonds will cross accelerate at the same time against the Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves; and
- (iii) subject to and in accordance with the terms of the Covered Bond Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered 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 Issuer*)) in accordance with the Priority of Payments set out in the Intercreditor Agreement; and

- (iv) subject to the failure of the Guarantor in taking the necessary actions pursuant to paragraph (ii) above, the Representative of the Covered Bondholders on behalf of the Covered Bondholders shall be entitled to take any steps and proceedings against the Issuer to enforce the provisions of the Covered Bonds, provided that the Representative of the Covered Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Guarantor 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 an Extraordinary Resolution of the Covered Bondholders.
- (e) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10 (*Events of Default*) by the Representative of the Covered Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor and all Covered Bondholders and (in such absence as aforesaid) no liability to the Covered Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Covered Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

## **11 Prescription**

Claims for payment under the Covered Bonds shall be barred and become void unless made within 10 years (in respect of principal) or five years (in respect of interest) of the appropriate Relevant Date in respect thereof.

## **12 Representative of the Covered Bondholders**

- (a) The Organisation of the Covered Bondholders shall be established upon, and by virtue of, the issuance 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 Covered Bonds of whatever Series. Pursuant to the Rules of the Organisation of the Covered Bondholders, for as long as the Covered Bonds are outstanding, there shall at all times be a Representative of the Covered Bondholders. The appointment of the Representative of the Covered Bondholders as legal representative of the Organisation of the Covered Bondholders is made by the Covered Bondholders subject to and in accordance with the Rules of the Organisation of the Covered Bondholders.
- (b) In the Programme Agreement, the Dealers have appointed the Representative of the Covered Bondholders to perform the activities described in the Programme Agreement, these Conditions (including the Rules of the Organisation of the Covered Bondholders), the Intercreditor Agreement and the other Transaction Documents, and the Representative of the Covered Bondholders has accepted such appointment for the period commencing on the Initial Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds have been cancelled or redeemed in accordance with these Conditions.
- (c) Each Covered Bondholder, by reason of holding Covered Bonds:
  - (i) recognises the Representative of the Covered Bondholders as its representative, acting in its name and on its behalf, and (to the fullest extent permitted by law) agrees to be bound by the terms of the Transaction Documents to which the Representative of the Covered Bondholders is

a party and by any agreement entered into from time to time by the Representative of the Covered Bondholders in such capacity as if such Covered Bondholder were a signatory thereto; and

- (ii) acknowledges and accepts that the Dealers shall not be liable, without prejudice for the provisions set forth under Article 1229 of the Italian civil code, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Covered Bondholders as a result of the performance by the Representative of the Covered Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

### **13 Limited Recourse and Non-Petition**

#### **(a) *Limited recourse***

The obligations of the Guarantor under the Covered Bond Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the OBG Regulations. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the assets comprised in the Cover Pool which constitute Available Funds 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 Covered Bondholders. The payment obligations of the Guarantor under the Covered Bond Guarantee are secured over certain assets of the Guarantor pursuant to the Italian Deed of Pledge and the English Law Deed of Charge and Assignment.

#### **(b) *Non-petition***

Only the Representative of the Covered Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Amounts or enforce the Covered Bond Guarantee and no Covered Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Covered Bond Guarantee. In particular:

- (i) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Covered Bondholders to enforce the Covered Bonds Guarantee or take any proceedings against the Guarantor to enforce the Covered Bond Guarantee;
- (ii) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any amount due from the Guarantor;
- (iii) until the date falling two years and one day after the date on which all Series of Covered Bonds issued in the context of the Programme, or any other covered bonds issued in the context of similar programmes established for the issuance of covered bond guaranteed by the Guarantor (including the Previous Residential CB Programme), have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or *pari passu* thereto, no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

- (iv) no Covered Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

#### **14 Agents**

In acting under the Cash Management and Agency Agreement and in connection with the Covered Bonds, the Paying Agents will act solely as agents of the Issuer and, following service of a Notice to Pay or an Acceleration Notice, as agents of the Guarantor and do not assume in the framework of the Programme any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders.

The Principal Paying Agent and its initial Specified Offices are set out in these Conditions. Any additional Paying Agent and its Specified Offices (if any) are specified in the relevant Final Terms. The Issuer, and (where applicable) the Guarantor, reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint an additional or successor paying agent; *provided, however, that:*

- (a) the Issuer, and (where applicable) the Guarantor, shall at all times maintain a paying agent; and
- (b) the Issuer, and (where applicable) the Guarantor, shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and
- (c) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent in any particular place, the Issuer, and (where applicable) the Guarantor, shall maintain a paying agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

#### **15 Further Issues**

The Issuer may from time to time, without the consent of the Covered Bondholders, create and issue further Covered Bonds under the Programme, including but not limited to Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

#### **16 Notices**

- (a) Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli and/or by a common depository for Euroclear and/or Clearstream, shall be deemed to have been validly given if delivered to Monte Titoli and/or Euroclear and/or Clearstream for communication by them to the entitled accountholders and any such notice shall be deemed to have been given on the date on which it was delivered to Monte Titoli, Clearstream and Euroclear, as applicable.
- (b) In addition, for so long as the Covered Bonds are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange and the rules of such exchange so require, any notice to the Covered Bondholders shall also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).
- (c) The Representative of the Covered Bondholders shall be at liberty to sanction any other method of giving notice to Covered 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 trading and provided that notice of such other method is given to the Covered Bondholders in such manner as the Representative of the Covered 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) These Covered Bonds, these Conditions, the Rules of the Organisation of the Covered Bondholders and the Transaction Documents (save for certain provisions of the Cash Management and Agency Agreement and the English Law Deed of Charge and Assignment which are governed by English law) and any non-contractual obligations arising out of, or in connection with, them are governed by, and shall be construed in accordance with, Italian law.
- (b) The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds, these Conditions and the Rules of the Organisation of the Covered Bondholders or their validity, interpretation or performance.
- (c) Anything not expressly provided for in these Conditions will be governed by the provisions of Law 130, the BoI Regulations and the MEF Decree.

# **RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS**

## **TITLE I GENERAL PROVISIONS**

### **1 General**

- 1.1 The Organisation of the Covered Bondholders in respect of the Covered Bonds issued under the Programme by Banco Popolare Società Cooperativa is created concurrently with the issue and subscription of the first Series of Covered Bonds and is governed by these Rules of the Organisation of the Covered 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 or Tranche.
- 1.3 The contents of these Rules are deemed to be an integral part of the Conditions of the Covered Bonds of each Series or Tranche issued by the Issuer.

### **2 Definitions and Interpretation**

#### **2.1 Definitions**

In these Rules, the terms below shall have the following meanings:

“**Blocked Covered Bonds**” means (i) the Covered Bonds which have been blocked in an account with the Relevant Clearing System, the Monte Titoli Account Holder or the relevant custodian, or (ii) in case of Covered Bonds issued in registered form, such Covered Bonds which have been blocked with the Registrar, for the purpose of obtaining from the Principal Paying Agent and/or the Registrar a Voting Certificate or a Block Voting Instruction, on terms that they will not be released until after the conclusion of the Meeting.

“**Block Voting Instruction**” means, in relation to a Meeting, a document issued by the Principal Paying Agent or by a Registrar, as the case may be:

- (a) in case of a Covered Bond issued in a dematerialised form, certifying that specified Covered Bonds have been blocked in an account with the Relevant Clearing System, the Monte Titoli Account Holder or the relevant custodian and will not be released until the earlier of:
  - (i) a specified date which falls after the conclusion of the Meeting; and
  - (ii) the notification to the Principal Paying Agent 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 the Principal Paying Agent to the Issuer;
- (b) in case of Covered Bonds issued in 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 Covered Bondholder, or the registered Holder in case of Covered Bonds issued in registered form, of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the Principal Paying Agent or the 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 total number 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.

“**Chairman**” means, in relation to any Meeting, the person who takes the chair in accordance with Article 6 (*Chairman of the Meeting*).

“**Covered Bondholder**” means in respect of Covered Bonds, the ultimate owner of such Covered Bonds.

“**Event of Default**” means an Issuer Event of Default or a Guarantor Event of Default, as the context requires.

“**Extraordinary Resolution**” means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast.

“**Holder**” means, in respect of Covered Bonds, the ultimate owner of such Covered Bonds and, in respect of the Covered Bonds issued in registered form, the ultimate registered owner of such Covered Bonds issued in registered form, as set out in the Register;

“**Liabilities**” means losses, liabilities, inconvenience, costs, expenses, damages, claims, actions or demands, judgments, proceeding or other liabilities whatsoever (including, without limitation, in respect of taxes, duties, levies and other charges) and including value added taxes or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.

“**Meeting**” means a meeting of Covered 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 their customers with Monte Titoli (and includes any relevant Clearing System which holds account with Monte Titoli or any depository banks appointed by the Relevant Clearing System).

“**Ordinary Resolution**” means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50 per cent. of the votes cast.

“**Programme Resolution**” means an Extraordinary Resolution passed at a single meeting of the Covered Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Guarantor pursuant to Conditions 10(b) (*Effect of a Notice to Pay*) and 10(d) (*Effect of an Acceleration Notice*), as applicable, or other similar Condition with reference to Covered Bonds issued in registered form.

“**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 Principal Paying Agent or the Registrar 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 revoked to vote at the Meeting when it is resumed.

**“Register”** means any register held by the Registrar for the purpose of recording payments and assignments of Covered Bonds issued in registered form.

**“Registered Paying Agent”** means any institution appointed by the Issuer to act as paying agent in respect of the Covered Bonds issued in a registered form under the Programme.

**“Registrar”** means any institution which may be appointed by the Issuer to act as registrar in respect of the Covered Bonds issued in registered form under the Programme, provided that, if the Issuer will keep the register and will not delegate such activity, any reference to the Registrar will be construed as a reference to the Issuer.

**“Resolutions”** means the Ordinary Resolutions and the Extraordinary Resolutions, collectively.

**“Swap Rate”** means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the respective swap agreement relating to such Covered Bond or Series of Covered Bonds (if any) or, in the absence of a swap agreement, the applicable spot rate.

**“Transaction Party”** means any person who is a party to a Transaction Document.

**“Voter”** means, in relation to a Meeting, the Covered Bondholder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by the 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 certificate requested by the interested Covered Bondholder and issued by the Relevant Clearing System, the Monte Titoli Account Holder or the relevant custodian or by a Registrar, as the case may be, and dated, stating:

- (a) that the Blocked Covered Bonds have been blocked in an account with the Relevant Clearing System, the Monte Titoli Account Holder or the relevant custodian, as the case may be, and will not be released until the earlier of: (i) the conclusion of the Meeting and (ii) the surrender of the certificate to the clearing system or the Monte Titoli Account Holder or to the Registrar who issued the same;
- (b) details of the Meeting concerned and the number of the Blocked Covered Bonds; and
- (c) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the Blocked Covered Bonds.:

**“Written Resolution”** means a resolution in writing signed by or on behalf of one or more persons holding or representing at least 75 per cent. of the Outstanding Principal Balance of the Covered Bonds, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Covered Bondholders.

**“24 hours”** means a period of 24 hours, including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in the place where the Principal Paying Agent has its specified office or, in case of Covered Bonds issued in registered form, the Registrar has its specified office.

**“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 relevant Conditions.

## 2.2 Interpretation

In these Rules:

- (a) any reference herein to an “**Article**” shall, except where expressly provided to the contrary, be a reference to an Article of these Rules of the Organisation of the Covered Bondholders;
- (b) any reference to 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 Transaction Document or to which, under such laws, such rights and obligations have been transferred; and
- (c) 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 Covered Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation of the Covered Bondholders*) and 4 (*Convening a Meeting*) and 27 (*Duties and Powers of the Representative of the Covered Bondholders*) to 34 (*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 Article 2.3:

- (a) Articles 25 (Appointment, Removal and Remuneration) and 26 (Resignation of the Representative of the Covered Bondholders); and
- (b) insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation of the Covered Bondholders*) to 4 (*Convening a Meeting*) and 27 (*Duties and Powers of the Representative of the Covered Bondholders*) to 34 (*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 “**Covered Bondholders**” shall be construed accordingly.

## 3 Purpose of the Organisation of the Covered Bondholders

- 3.1 Each Covered Bondholder is a member of the Organisation of the Covered Bondholders.
- 3.2 The purpose of the Organisation of the Covered Bondholders is to co-ordinate the exercise of the rights of the Covered Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Covered Bondholders.

## TITLE II MEETINGS OF THE COVERED BONDHOLDERS

## 4 Convening a Meeting

### 4.1 Convening a Meeting

The Representative of the Covered Bondholders, the Guarantor or the Issuer or (in relation to a meeting for the passing of a Programme Resolution) the Covered Bondholders of any Series may at any time and the Issuer shall upon request in writing signed by the holders of not less than one-tenth of the Outstanding Principal Balance of the Covered Bonds for the time being outstanding convene a meeting of the Covered Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the Representative of the Covered Bondholders or the relevant holder(s). The Representative of the Covered Bondholders may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the Representative of the Covered Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of these Rules shall apply thereto *mutatis mutandis*.

#### **4.2 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 Covered Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

#### **4.3 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 Covered Bondholders.

### **5 Notice**

#### **5.1 Notice of Meeting**

At least 21 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 Covered Bondholders, the Registrar (if any) and the Principal Paying Agent, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Covered Bondholders, or with a copy to the Representative of the Covered Bondholders, where the Meeting is convened by the Issuer subject to Article 4.2 (*Meetings convened by Issuer*).

#### **5.2 Content of notice**

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that the Voting Certificate for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time. The notice shall specify the nature of the resolutions to be proposed and shall explain how, according to these rules, Covered Bondholders may appoint Proxies, obtain Voting Certificates and use Block Voting Instructions and the details of the time limits applicable.

With reference to the Covered Bonds issued in registered form, the notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Covered Bond issued in registered form, may be blocked with the Registrar, or with any other entity authorised to do so by the Registrar, for the purposes of appointing Proxies under Block Voting Instructions until 48 hours before the time fixed for the Meeting and that holders of Covered Bonds issued in registered form may also appoint Proxies either under a Block Voting Instruction by delivering written instructions to the Registrar or the Registered Paying Agent or by

executing and delivering a form of Proxy to the Specified Office of the Registrar or the Registered Paying Agent, in either case until 48 hours before the time fixed for the Meeting.

### **5.3 Validity notwithstanding lack of notice**

A Meeting is valid notwithstanding that the formalities required by this Article 5 are not complied with if the Covered Bondholders constituting the Outstanding Principal Balance 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 Covered Bondholders are present.

## **6 Chairman of the Meeting**

### **6.1 Appointment of Chairman**

An individual (who may, but need not be, a Covered Bondholder), nominated by the Representative of the Covered Bondholders may take the chair at any Meeting, but if:

- (a) the Representative of the Covered Bondholders fails to make a nomination; or
- (b) the individual nominated declines to act or is not present within 15 minutes of 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.

### **6.2 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.

### **6.3 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 Covered Bondholders.

## **7 Quorum**

### **7.1 The quorum at any Meeting will be:**

- (a) in the case of an Ordinary Resolution, one or more persons (including the Issuer if at that time it owns any of the relevant Covered Bonds) holding or representing at least one-third of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or
- (b) in the case of an Extraordinary Resolution or a Programme Resolution (subject as provided below), one or more persons (including the Issuer if at that time it owns any of the relevant Covered Bonds) holding or representing at least 50 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons (including the Issuer if at that time it owns any of the relevant Covered Bonds) being or representing one-third of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding; or

- (c) 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 Articles 30 (*Amendments and Modifications*) and 31 (*Waiver*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:
- (i) 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 relevant Series of Covered Bonds;
  - (ii) alteration of the currency in which payments under the relevant Series of Covered Bonds are to be made;
  - (iii) alteration of the majority required to pass an Extraordinary Resolution;
  - (iv) any amendment to the Covered Bond Guarantee (except in a manner determined by the Representative of the Covered Bondholders not to be materially prejudicial to the interests of the Covered Bondholders of any Series);
  - (v) except in accordance with Articles 30 (*Amendments and Modifications*) and 31 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such relevant Series of 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
  - (vi) alteration of this Article 7.1 (c),

(each a “**Series Reserved Matter**”), one or more persons (including the Issuer if at that time it owns any of the relevant Series of Covered Bonds) being or representing holders of not less two-thirds of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, one or more persons (including the Issuer if at that time it owns any of the relevant Series of Covered Bonds) being or representing not less than one third of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding.

## 7.2 Adjournment for want of quorum

If a quorum is not present for the transaction of any particular business within 15 minutes of the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

- (a) if such Meeting was convened upon the request of Covered Bondholders, the Meeting shall be dissolved; and
- (b) in any other case, the Meeting (unless the Issuer and the Representative of the Bondholders otherwise agree) shall be adjourned (i) until such date (which shall be not less than 14 days and not more than 42 days later) and to such place as the Chairman determines or (ii) on the date and at the place indicated in the notice convening the Meeting (if such notice sets out the date and place of any adjourned Meeting); provided, however, that, in any case:
  - (i) a Meeting may be adjourned more than once for want of a quorum; and
  - (ii) the Meeting shall be dissolved if the Issuer and the Representative of the Bondholders together so decide.

## **8 Adjourned Meeting**

Without prejudice to Article 7 (*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.

## **9 Notice following Adjournment**

### **9.1 Notice required**

Article 5 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

- (a) at least 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 given; and
- (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes; and
- (c) it shall not be necessary to give notice of the convening of an adjourned Meeting (i) if the notice given in respect of the first Meeting already sets the time and place for an adjourned Meeting and specifies the quorum requirements which will apply when the Meeting resumes; or (ii) if the Meeting has been adjourned for any other reason.

### **9.2 Notice not required**

Except in the case of a Meeting to consider an Extraordinary Resolution, it shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 7 (*Quorum*).

## **10 Participation**

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

- (a) Voters;
- (b) the directors and the auditors of the Issuer and the Guarantor;
- (c) representatives of the Issuer, the Guarantor and the Representative of the Covered Bondholders;
- (d) financial advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders;
- (e) legal advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders; and
- (f) any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Covered Bondholders.

## **11 Voting Certificates and Block Voting Instructions**

- 11.1 A Covered Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting the Relevant Clearing System, the Monte Titoli Account Holder or the relevant custodian, as the case may be, to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time.
- 11.2 A Covered Bondholder may require the Principal Paying Agent to issue a Block Voting Instruction by arranging for their Covered Bonds to be blocked in an account with the Relevant Clearing System, the Monte Titoli Account Holder or the relevant custodian at least 48 hours before the time fixed for the

relevant Meeting, providing to the Principal Paying Agent, where appropriate, evidence that the Covered Bonds are so blocked. The Covered Bondholders may obtain such evidence by, *inter alia*, requesting the Relevant Clearing System, the Monte Titoli Account Holder or the relevant custodian to release a certificate in accordance with, as the case may be: (i) the practices and procedures of the Relevant Clearing System; or (ii) articles 21 and 22 of the regulation issued by the Bank of Italy and CONSOB on 22 February 2008, as subsequently amended and supplemented.

- 11.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.
- 11.4 So long as a Voting Certificate or Block Voting Instruction is valid, the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the holder of the Blocked Covered Bonds to which it relates for all purposes in connection with the Meeting.
- 11.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bond.
- 11.6 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.
- 11.7 Any registered Holder may require the Registrar to issue a Block Voting Instruction by arranging (to the satisfaction of the Registrar) for the related Covered Bonds issued in registered form 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 to issue a Block Voting Instruction by delivering to the Registrar 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. A Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates. A Form of Proxy and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Bond.

## **12 Validity of Block Voting Instructions and Voting Certificates**

A Block Voting Instruction or a Voting Certificate shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Representative of the Covered Bondholders or the Registrar, as the case may be, or at any other place approved by the Representative of the Covered 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 unless the Chairman decides otherwise before the Meeting proceeds to business. If the Representative of the Covered Bondholders so requires, a notarised copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holder or Proxy named therein shall be produced at the Meeting, although the Representative of the Covered Bondholders shall be entitled to assume without further investigation the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or Covered Bondholder named therein.

## **13 Voting by Show of Hands**

- 13.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.
- 13.2 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.

## **14 Voting by Poll**

### **14.1 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 Covered Bondholders or any one or more Voters, whatever the Outstanding Principal Balance of the Covered Bonds held or represented by such Voter. 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 as at the date of the taking of the poll.

### **14.2 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.

## **15 Votes**

### **15.1 Voting**

Each Voter shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, one vote in respect of each Euro 1,000 in principal amount of the Covered Bonds represented by the Voting Certificate produced by such Voter or in respect of which he is a Proxy or such other amount as the Representative of the Covered 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 Covered Bondholders in its absolute discretion may stipulate).

### **15.2 Block Voting Instruction and Voting Certificate**

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.

### **15.3 Voting tie**

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

## **16 Voting by Proxy**

### **16.1 Validity**

Any vote cast 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 Covered Bondholders, the Registrar or the Chairman has

been notified in writing by the Principal Paying Agent of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

## **16.2 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, exclusively, the meeting originally convened and 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.

## **17 Resolutions**

### **17.1 Ordinary Resolutions**

Subject to Article 17.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution:

- (a) To 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
- (b) to authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

### **17.2 Extraordinary Resolutions**

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

- (a) sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Covered Bondholders, the Covered Bondholders or any of them;
- (b) approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Covered Bondholders, the Issuer, the Guarantor, the Covered Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or any Transaction Document or any arrangement in respect of the obligations of the Issuer or the Guarantor 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 Covered Bondholders and/or any other party thereto;
- (c) assent to any modification of the provisions of these Rules or the Transaction Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Covered Bondholders or of any Covered Bondholder;
- (d) in accordance with Article 25 (*Appointment, Removal and Remuneration*), appoint and remove the Representative of the Covered Bondholders;
- (e) discharge or exonerate, whether retrospectively or otherwise, the Representative of the Covered Bondholders from any liability in relation to any act or omission for which the Representative

of the Covered Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;

- (f) grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;
- (g) authorise and ratify the actions of the Representative of the Covered Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document;
- (h) waive any breach or authorised any proposed breached by the Issuer, the Guarantor or any other party of its obligations under or in respect of these Rules, or waive the occurrence of an Issuer Event of Default, a Guarantor Event of Default or a breach of test, and direct the Representative of the Covered Bondholders to suspend the delivery of the relevant Notice to Pay, Acceleration Notice, or Breach of Test Notice;
- (i) to appoint any person (whether Covered Bondholders or not) as a committee to represent the interests of the Covered Bondholders and to confer on any such committee any powers which the Covered Bondholders could themselves exercise by Extraordinary Resolution;
- (j) authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution; and
- (k) in case of failure or request by the Representative of the Covered Bondholders to send a Notice to Pay, Acceleration Notice or Breach of Test Notice, direct the Representative of the Covered Bondholders to deliver such notice as a result of an Issuer Event of Default pursuant to Condition 10(a) (*Issuer Events of Default*) or an Acceleration Notice as a result of a Guarantor Event of Default pursuant to Condition 10(c) (*Guarantor Events of Default*).

### **17.3 Programme Resolutions**

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Guarantor pursuant to Conditions 10(b) (*Effect of a Notice to Pay*) and 10(d) (*Effect of an Acceleration Notice*), as applicable.

### **17.4 Other Series of Covered Bonds**

No Ordinary Resolution or Extraordinary Resolution (other than a Programme Resolution which shall be passed by the Holders of all the Series of Covered Bonds then outstanding) 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.

## **18 Effect of Resolutions**

### **18.1 Binding nature**

Subject to Article 17.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Covered Bondholders of the relevant Series duly convened and held in accordance with these Rules shall be binding upon all Covered Bondholders of the relevant Series, 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 and/or not voting.

### **18.2 Notice of voting results**

Notice of the results of every vote on a resolution duly considered by Covered Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Paying Agents (with a copy to the Issuer, the Guarantor, the Registrar and the Representative of the Covered Bondholders within 14 days of the conclusion of each Meeting).

## **19 Challenge to Resolutions**

Any absent or dissenting Covered Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

## **20 Minutes**

Minutes shall be made of all resolutions and proceedings of each Meeting and entered in books provided by the Issuer for that purpose. 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.

## **21 Written Resolution**

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

## **22 Individual Actions and Remedies**

Each Covered Bondholder has accepted and is bound by the provisions of Condition 13 (*Limited Recourse and Non Petition*), clause 4 (*Exercise of rights and subrogation*) and clause 11 (*Limited Recourse*) of the Covered Bond Guarantee and clause 10 (*Exercise of Certain Rights*) and clause 14 (*Limited Recourse*) of the Intercreditor Agreement and, accordingly, if any Covered Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Covered Bonds and the Covered Bond Guarantee, any such action or remedy shall be subject to a Meeting passing an Extraordinary Resolution consenting to such individual action or other remedy on the grounds that it is consistent with such Condition. In this respect, the following provisions shall apply:

- (a) the Covered Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Covered Bondholders of his/her intention;
- (b) the Representative of the Covered Bondholders will, without delay, call a Meeting in accordance with these Rules (including, for the avoidance of doubt, Article 23.1 (*Choice of Meeting*));
- (c) if the Meeting passes an Extraordinary Resolution consenting to the enforcement of the individual action or remedy, the Covered Bondholder will be permitted to take such action or remedy (without prejudice to the fact that, after a reasonable period of time, the same matter may be resubmitted for review at another Meeting); and
- (d) if the Meeting of Covered Bondholders does not consent to an individual action or remedy, the Covered Bondholder will be prohibited from taking such individual action or remedy.

## **23 Meetings and Separate Series**

### **23.1 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 these Rules shall have effect subject to the following modifications:

- (a) a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a meeting of the holders of the Covered Bonds of that Series;
- (b) a resolution which in the opinion of the Representative of the Covered 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;
- (c) a resolution which in the opinion of the Representative of the Covered 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;
- (d) a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Covered Bondholders of all Series; and
- (e) to all such meetings, all the preceding provisions of these Rules shall apply, *mutatis mutandis*, as though references therein to Covered Bonds and Covered 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.

### **23.2 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 the meeting or any such adjourned Meeting or any poll resulting therefrom or any such request or Written Resolution), the Outstanding Principal Balance 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 Euro 1,000 (or such other Euro amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate) of the Outstanding Principal Balance of the Covered Bonds (converted as above) which he holds or represents.

## **24 Further Regulations**

Subject to all other provisions contained in these Rules, the Representative of the Covered Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Covered Bondholders in its sole discretion may decide.

## **TITLE III**

### **THE REPRESENTATIVE OF THE COVERED BONDHOLDERS**

## **25 Appointment, Removal and Remuneration**

### **25.1 Appointment**

The appointment of the Representative of the Covered Bondholders takes place by Extraordinary Resolution of the Covered Bondholders in accordance with the provisions of this Article 25, except for

the appointment of the first Representative of the Covered Bondholders which will be BNP Paribas Securities Services, Milan Branch appointed under the Programme Agreement.

## **25.2 Identity of the Representative of the Covered Bondholders**

Save for BNP Paribas Securities Services, Milan Branch, as first Representative of the Covered Bondholders under the Programme, the Representative of the Covered Bondholders shall be:

- (a) a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or
- (b) a company or financial institution enrolled with the register held by the Bank of Italy pursuant to article 106 of the Banking Act; or
- (c) any other entity which is not prohibited from acting in the capacity of Representative of the Covered Bondholders pursuant to the law.

The directors and auditors of the Issuer and the Guarantor and those who fall within the conditions set out in article 2399 of the Italian civil code cannot be appointed as Representative of the Covered Bondholders and, if appointed as such, they shall be automatically removed.

## **25.3 Duration of appointment**

Unless the Representative of the Covered Bondholders is removed by Extraordinary Resolution of the Covered Bondholders pursuant to Article 17.2 (*Extraordinary Resolutions*) or resigns pursuant to Article 26 (*Resignation of the Representative of the Covered Bondholders*), it shall remain in office until full repayment or cancellation of all Series of Covered Bonds.

## **25.4 After termination**

In the event of a termination of the appointment of the Representative of the Covered Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Covered Bondholders, which shall be an entity specified in Article 25.2 (*Identity of the Representative of the Covered Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Covered 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.

## **25.5 Remuneration**

The Issuer and, following the delivery of a Notice to Pay, the Guarantor shall pay to the Representative of the Covered Bondholders an annual fee for its services as Representative of the Covered Bondholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions. Such fees may be increased, in accordance with the provisions of the Programme Agreement, in the event that the Representative of the Covered Bondholders undertakes duties of exceptional nature.

## **26 Resignation of the Representative of the Covered Bondholders**

The Representative of the Covered 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 Covered Bondholders shall not become effective until a new Representative of the Covered Bondholders has been appointed in accordance with Article 25.1 (*Appointment*) and such new Representative of the Covered Bondholders has accepted its appointment, provided that, if Covered Bondholders fail to select a new Representative of the Covered Bondholders within three months of written notice of resignation delivered by the Representative of the Covered Bondholders, the Representative of the Covered Bondholders may appoint a successor which is a qualifying entity pursuant to Article 25.2 (*Identity of the Representative of the Covered Bondholders*).

## **27 Duties and Powers of the Representative of the Covered Bondholders**

### **27.1 Representative of the Covered Bondholders as legal representative**

The Representative of the Covered Bondholders is the legal representative of the Organisation of the Covered Bondholders and has the power to exercise the rights conferred on it by the Transaction Documents in order to protect the interests of the Covered Bondholders.

### **27.2 Meetings and resolutions**

Unless any Resolution provides to the contrary, the Representative of the Covered Bondholders is responsible for implementing all resolutions of the Covered Bondholders. The Representative of the Covered Bondholders has the right to convene and attend Meetings (together with its advisers at the Issuer's expenses, provided that such expenses are reasonably incurred and duly documented) to propose any course of action which it considers from time to time necessary or desirable.

### **27.3 Delegation**

The Representative of the Covered Bondholders may, in the exercise of the powers, discretions and authorities vested in it by these Rules and the Transaction Documents:

- (a) act by responsible officers or a responsible officer for the time being of the Representative of the Covered Bondholders; and
- (b) whenever it considers it expedient and in the interest of the Covered Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Covered Bondholders may think fit in the interest of the Covered Bondholders. The Representative of the Covered Bondholders shall not, other than in the normal course of its business, be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, *provided that* the Representative of the Covered Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Covered 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.

### **27.4 Judicial proceedings**

The Representative of the Covered Bondholders is authorised to represent the Organisation of the Covered Bondholders in any judicial proceedings, including any Insolvency Event in respect of the Issuer and/or the Guarantor.

## **27.5 Consents given by Representative of Covered Bondholders**

Any consent or approval given by the Representative of the Covered Bondholders under these Rules and any other Transaction Document may be given on such terms as the Representative of the Covered Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Transaction Documents, such consent or approval may be given retrospectively.

## **27.6 Discretions**

Save as otherwise expressly provided herein, the Representative of the Covered Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Covered Bondholders by these Rules or by operation of law.

## **27.7 Obtaining instructions**

In connection with matters in respect of which the Representative of the Covered 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 Covered Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Covered Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Covered Bondholders shall be entitled to request that the Covered Bondholders indemnify it and/or provide it with security as specified in Article 28.2 (*Specific limitations*).

## **27.8 Remedy**

The Representative of the Covered Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be remedied, and, if the Representative of the Covered Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate, subject to the passing of any Extraordinary Resolution under Article 17.2 paragraph (h), shall be conclusive and binding upon the Issuer, the Covered Bondholders, the other creditors of the Guarantor and any other party to the Transaction Documents.

# **28 Exoneration of the Representative of the Covered Bondholders**

## **28.1 Limited obligations**

The Representative of the Covered Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

## **28.2 Specific limitations**

Without limiting the generality of this Article 28.2 (*Specific limitations*), the Representative of the Covered Bondholders:

- (a) shall not be under any obligation to take any steps to ascertain whether an Issuer Event of Default or a Guarantor 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 Covered Bondholders hereunder or under any other Transaction Document, has occurred and, until the Representative of the Covered Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Issuer Event of Default or a Guarantor Event of Default or such other event, condition or act has occurred;
- (b) 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



Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Covered Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;

- (c) shall not be under any obligation to disclose (unless and to the extent so required under the Conditions, the terms of any Transaction Documents or by applicable law) to any Covered Bondholders or other Secured Creditor or any other party, any information (including, without limitation, information of a confidential, financial or price sensitive nature) made available to the Representative of the Covered Bondholders by the Issuer, the Guarantor or any other person in respect of the Cover Pool or, more generally, of the Programme and no Covered Bondholders shall be entitled to take any action to obtain from the Representative of the Covered Bondholders any such information;
- (d) except as expressly required in these Rules or any Transaction 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 Transaction Document;
- (e) shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or rights created or purported to be created hereby or thereby or pursuant hereto or thereto, nor shall be responsible for assessing any breach or alleged breach by the Issuer, the Guarantor and any other Party to the transaction, 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 herewith;
  - (iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;
  - (iv) the failure by the Guarantor 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, the Account Banks, and the Corporate Servicer and the Principal Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;
- (f) 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;
- (g) shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;
- (h) 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 Covered Bondholders contained herein or in any Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

- (i) shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;
- (j) 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 Covered Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;
- (k) shall not be under any obligation to guarantee or procure the repayment of the Receivables contained in the Cover Pool or any part thereof;
- (l) shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;
- (m) 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;
- (n) 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 Transaction Document;
- (o) shall not be under any obligation to insure the Cover Pool or any part thereof;
- (p) shall, when in these Rules or any Transaction Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Covered Bondholders, have regard to the overall interests of the Covered 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 Covered Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Covered 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, and the Representative of the Covered Bondholders shall not be entitled to require, nor shall any Covered Bondholders be entitled to claim, from the Issuer, the Guarantor, the Representative of the Covered Bondholders or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Covered Bondholders;
- (q) 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 Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than 75 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series then outstanding;
- (r) shall, as regards to the powers, trusts, authorities and discretions vested in it by the Transaction Documents, except where expressly provided therein, have regard to the interests of both the Covered Bondholders and the other creditors of the Guarantor but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between their interests, the Representative of the Covered Bondholders will have regard solely to the interest of the Covered Bondholders;

- (s) may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured and/or pre-funded to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all Liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Covered 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, provided that the Representative of the Bondholders shall be indemnified and/or secured to its satisfaction beforehand if it so requests in conjunction with the exercise of any right, power, authority or discretion hereunder; and
- (t) shall not be liable or responsible for any Liabilities directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Covered Bondholders or any other Secured Creditors or any other person which may result from anything done or omitted to be done by it in accordance with the provisions of these Rules or the Transaction 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 Covered Bondholders.

### 28.3 Security

The Representative of the Covered Bondholders shall be entitled to exercise all the rights granted by the Guarantor in favour of the Representative of the Covered Bondholders on behalf of the Covered Bondholders and the other Secured Creditors under the security for the discharge of the Secured Amount, created by the Guarantor on or around the Initial Issue Date, pursuant the Italian Deed of Pledge and the English Law Deed of Charge and Assignment (the “**Security**”).

The Representative of the Covered Bondholders, acting on behalf of the Covered Bondholders and the other Secured Creditors, may:

- (a) prior to enforcement of the Security, appoint and entrust the Guarantor to collect, in the Covered Bondholders and the other Secured Creditors’ interest and on their behalf, any amounts deriving from the Security and may instruct, jointly with the Guarantor, the obligors whose obligations form part of the Security to make any payments to be made thereunder to an Account of the Guarantor;
- (b) acknowledge that the Accounts to which payments have been made in respect of the Security shall be deposit accounts for the purpose of article 2803 of the Italian civil code and agree that such Accounts shall be operated in compliance with the provisions of the Cash Management and Agency Agreement and the Intercreditor Agreement; and
- (c) agree that all funds credited to the Accounts from time to time shall be applied prior to enforcement of the Security, in accordance with the Conditions and the Intercreditor Agreement.

The Representative of the Covered 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 Security, except in accordance with the foregoing, the Conditions and the Intercreditor Agreement.

### 28.4 Illegality

No provision of these Rules shall require the Representative of the Covered 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 Covered 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 liabilities which it may incur as a consequence of such action. The Representative of the Covered Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

## **29 Reliance on Information**

### **29.1 Advice**

The Representative of the Covered Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, tax adviser, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Covered 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 Covered 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.

### **29.2 Certificates of Issuer and/or Guarantor**

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

- (a) 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; and
- (b) that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Covered 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.

### **29.3 Resolution or direction of Covered Bondholders**

The Representative of the Covered 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 Covered 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 Covered Bondholders.

### **29.4 Certificates of Monte Titoli Account Holders**

The Representative of the Covered 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.

#### **29.5 Clearing Systems or Registrar**

The Representative of the Covered 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 or Registrar, as the case may be, as the Representative of the Covered Bondholders considers appropriate, or any form of record made by any clearing system or Registrar, as the case may be, 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.

#### **29.6 Rating Agencies**

If the Representative of the Covered Bondholders, in order to properly exercise its rights or fulfil its obligations, deems it necessary to obtain the views of Moody's as to how a specific act would affect any outstanding rating of the Covered Bonds (if any), the Representative of the Covered Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Covered Bondholders, or the Representative of the Covered Bondholders may seek and obtain such views itself at the cost of the Issuer.

#### **29.7 Certificates of parties to Transaction Document**

The Representative of the Covered 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 Transaction Document:

- (a) in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;
- (b) as any matter or fact prima facie within the knowledge of such party; or
- (c) as to such party's opinion with respect to any issue,

and the Representative of the Covered 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 Liabilities 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.

#### **29.8 Auditors**

The Representative of the Covered Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

### **30 Amendments and Modifications**

- 30.1 The Representative of the Covered Bondholders may at any time and without the consent or sanction of the Covered Bondholders concur with the Issuer and/or the Guarantor and any other relevant parties in making any amendment and modification (and for this purpose the Representative of the Covered Bondholders may disregard whether any such amendment and modification relates to a Series Reserved Matter):

- (a) to these Rules, the Conditions and/or the other Transaction Documents which, in the opinion of the Representative of the Covered Bondholders, it may be proper to make and will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series; and
- (b) to these Rules, the Conditions or the other Transaction Documents which is of a formal, minor or technical nature or, which, in the opinion of the Representative of the Covered Bondholders, is made to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or an error which is proven or is necessary or desirable for the purposes of clarification or to comply with mandatory provisions of law; and
- (c) to these Rules, the Conditions or the other Transaction Documents which is required or opportune for the purposes of complying with a change in law or in the interpretation or administration of the MEF Decree, the Law 130, the BoI Regulations or any guidelines issued by the Bank of Italy in respect thereof.

30.2 Any such modification may be made on such terms and subject to such condition (if any) as the Representative of the Covered Bondholders determines and shall be binding upon the Covered Bondholders and, unless the Representative of the Covered Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

30.3 The Representative of the Covered Bondholders shall be bound to concur with the Issuer and the Guarantor and any other party in making any of the above-mentioned modifications if it is so directed by an Extraordinary Resolution and only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

#### **30.4 Establishing an error**

In establishing whether an error has occurred as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to a certificate from the Arranger:

- (i) stating the intention of the parties to the relevant Transaction 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 Transaction Documents that is required to reflect such intention.

### **31 Waiver**

#### **31.1 Waiver of breach**

The Representative of the Covered Bondholders may, at any time and from time to time without any consent or sanction of the Covered Bondholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act, but only if, and insofar as, in its opinion the interests of the Covered Bondholders then outstanding shall not be materially prejudiced thereby:

- (a) authorise or waive, on such terms and subject to such conditions (if any) as it may decide, any proposed breach or breach of any of the covenants or provisions contained in the Covered Bond Guarantee or any of the obligations of or rights against the Guarantor under any other Transaction Documents; or

- (b) determine that any Event of Default shall not be treated as such for the purposes of the Transaction Documents.

### **31.2 Binding nature**

Any authorisation, waiver or determination referred to in this Article 31 (*Waiver*) shall be binding on the Covered Bondholders.

### **31.3 Restriction on powers**

The Representative of the Covered Bondholders shall not exercise any powers conferred upon it by this Article 31 in contravention of any express direction by an Extraordinary Resolution of the holders of the Covered Bonds then outstanding or of a request or direction in writing made by the holders of not less than 75 per cent. in aggregate Outstanding Principal Balance of the Covered Bonds (in the case of any such determination, with the Covered Bonds of all Series taken together as a single Series as aforesaid) and at all times then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing but so that no such direction or request:

- (a) shall affect any authorisation, waiver or determination previously given or made; or
- (b) authorise or waive any such proposed breach or breach relating to a Series Reserved Matter unless holders of Covered Bonds of each such Series has, by Extraordinary Resolution, so authorised its exercise.

### **31.4 Notice of waiver**

Unless the Representative of the Covered Bondholders agrees otherwise, the Issuer shall cause any such authorisation, waiver or determination to be notified to the Covered Bondholders and the Secured Creditors, as soon as practicable after it has been given or made in accordance with Condition 16 (*Notices*).

## **32 Indemnity**

Pursuant to the Programme Agreement, the Issuer has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Covered Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands duly documented and properly incurred by or made against the Representative of the Covered Bondholders, including, but not limited to, legal expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Covered Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Covered Bondholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Transaction 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 Covered Bondholders.

## **33 Liability**

Notwithstanding any other provision of these Rules, the Representative of the Covered Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

**TITLE IV**  
**THE ORGANISATION OF THE COVERED BONDHOLDERS AFTER SERVICE**  
**OF AN ACCELERATION NOTICE**

**34 Powers to Act on Behalf of the Guarantor**

It is hereby acknowledged that, upon the service of an Acceleration Notice or, prior to the service of an Acceleration Notice, failing the Guarantor to exercise any right to which it is entitled, pursuant to the Intercreditor Agreement and the Mandate Agreement, the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, shall be entitled (also in the interests of the Secured 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 Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, will be authorised, pursuant to the terms of the Intercreditor 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 Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

**TITLE V**  
**GOVERNING LAW AND JURISDICTION**

**35 Governing Law**

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

**36 Jurisdiction**

The Courts of Milan will have exclusive 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 Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.*

**Final Terms dated [●]**

**Banco Popolare Società Cooperativa**

*(a bank incorporated in Italy as a limited co-operative company*

*(società cooperativa in the Republic of Italy)*

**Issue of [Aggregate Nominal Amount of Tranche] [Description] Covered Bonds due**  
**[Maturity]**

**unconditionally and irrevocably guaranteed as to payments of interest and principal by**  
**BP Covered Bond S.r.l.**

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

**under the Euro 5,000,000,000 Programme**

### PART A

#### CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the base prospectus dated [ ] September 2015 [and the supplement[s] to the base prospectus dated [ ] 2015 which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Directive 2003/71/EC, as amended (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 and must be read in conjunction with such 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 the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu). These Final Terms will be published on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and will be available from the registered office of the Issuer and from the Specified Office of the Paying Agent.]

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]*

[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 30 July 2014 which are incorporated by reference in the Prospectus dated [ ] September 2015. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [ ] September 2015 [and the supplement[s] to it dated [●] [and [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Base Prospectus**”), including the Conditions incorporated by reference in the Base Prospectus. 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 the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu). These Final Terms will be published on the

website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and will be available from the registered office of the Issuer and from the Specified Office of the Paying Agent.]

*[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 subparagraphs. Italics denote guidance for completing the Final Terms.]*

- 1
  - (i) Series Number: [●]
  - (ii) Tranche Number: [●]
  - (iii) [Date on which the Covered Bonds will become fungible:] [The Covered Bonds will be consolidated, form a single Series and be interchangeable for trading purposes with the Covered Bonds identified by ISIN CODE: No. *[insert ISIN Code]* on *[the Issue Date]*] / [Not Applicable]
- 2 Specified Currency or Currencies: [●]
- 3 Aggregate Nominal Amount: [●]
  - (i) Series: [●]
  - (ii) Tranche: [●]
- 4 Issue Price: [●] per cent. of the aggregate nominal amount [plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- 5
  - (i) Specified Denominations: [€ 100,000] [plus integral multiples of [●] in addition to the said sum of € [1,000]] (*Include the wording in square brackets where the Specified Denomination is Euro 100,000 or equivalent plus multiples of a lower principal amount*)
  - (ii) Calculation Amount: [●]
- 6
  - (i) Issue Date: [●]
  - (ii) Interest Commencement Date: [*Specify*]/Issue Date/Not Applicable]
- 7 Maturity Date: [*Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year*]
- 8 Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Covered Bond Guarantee: [*Not applicable/Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year*] (as referred to in Condition 7(b))
- 9 Interest Basis:
 

[[●] per cent. Fixed Rate]

[[*Specify reference rate*] +/- [*Margin*] per cent. Floating Rate]

[Zero Coupon (as referred to in Condition 6)]

(further particulars specified in items [15] / [16] / [17] below)
- 10 Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Covered Bonds (other than Zero Coupon Covered Bonds) will be redeemed on the Maturity Date at

- par (as referred to in Condition 7(a))] / [Subject to any purchase and cancellation or early redemption, Instalment Covered Bonds will be redeemed at par on the payment dates and the relevant amounts specified in item [23] (as referred to in Condition 7(j))
- 11 Change of Interest Basis: [Not Applicable] / [●]  
*[Change of interest rate may be applicable in case an Extended Maturity Date is specified as applicable, as provided for in Condition 7(b)]*
- 12 Put/Call Options: [Not Applicable]  
 [Put Option (as referred to in Condition 7(f))]  
 [Call Option (as referred to in Condition 7(d))]  
 [(further particulars specified in items [18] / [19] below)]
- 13 [Date of [Board] approval for issuance of Covered Bonds [and of receipt of Covered Bond Guarantee]: [●] [and [●]], respectively  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Covered Bond Guarantee)]*
- 14 Method of distribution: [Syndicated/Non-syndicated]

**Provisions Relating to Interest (if any) Payable**

- 15 **Fixed Rate Provisions** [Applicable/Not Applicable] (as referred to in Condition 4)  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear on each CB Payment Date]
- (ii) CB Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the CB Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [Actual/Actual (ICMA)/  
 Actual/Actual/  
 Actual/Actual (ISDA)/  
 Actual/365 (Fixed)/  
 Actual/360/  
 30/360/  
 360/360/  
 Bond Basis/  
 30E/360/  
 Eurobond Basis/

	30E/360 (ISDA)]
16 Floating Rate Provisions	[Applicable/Not Applicable] (as referred to in Condition 5) (If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i) CB Interest Period(s):	[●]
(ii) Specified Period:	[●] (Specified Period and CB Payment Dates are alternatives. A Specified Period, rather than CB 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) CB Payment Dates:	[●] (Specified Period and CB Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")
(iv) First CB Payment Date:	[●]
(v) Business Day Convention:	[Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention]
(vi) Additional Business Centre(s):	[Not Applicable/ Insert relevant place for Additional Business Centre]
(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 (no need to specify if the Principal Paying Agent is to perform this function)]
(ix) Screen Rate Determination:	
• Reference Rate:	[For example, LIBOR or EURIBOR]
• Interest Determination Date(s):	[●]
• Relevant Screen Page:	[For example, Reuters LIBOR 01/EURIBOR 01]
• Relevant Time:	[For example, 11.00 a.m. London time/Brussels time]
• Relevant Financial Centre:	[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
(x) ISDA Determination:	
• Floating Rate Option:	[●]
• Designated Maturity:	[●]
• Reset Date:	[●]
(xi) Margin(s):	[+/-][●] per cent. per annum

(xii) Minimum Rate of Interest:	[●] per cent. per annum
(xiii) Maximum Rate of Interest:	[●] per cent. per annum
(xiv) Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/Actual (ISDA)/ Actual/360/ 30/360/ 360/360 Bond Basis/ 30E/360/ Eurobond Basis/ 30E/360 (ISDA)]
<b>17 Zero Coupon Provisions</b>	[Applicable/Not Applicable] (as referred to in Condition 6) <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Accrual Yield:	[●] per cent. per annum
(ii) Reference Price:	[●]
<b>Provisions Relating to Redemption</b>	
<b>18 Call Option</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s) of Covered Bonds and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii) If redeemable in part:	
Minimum Redemption Amount:	[●] per Calculation Amount
Maximum Redemption Amount:	[●] per Calculation Amount
(iv) Notice period:	[●]
<b>19 Put Option</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s) of each Covered Bonds and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii) Notice period:	[●]
<b>20 Final Redemption Amount</b>	[●] per Calculation Amount <i>(The Final Redemption Amount in respect of any Series of Covered Bonds other than Zero Coupon Covered Bonds shall be equal to the nominal amount of the relevant Covered Bonds)</i>

- 21 **Early Redemption Amount** [Not Applicable / [●] per Calculation Amount] (as referred to in Condition 7)
- Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Guarantor Event of Default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):
- (If both the Early Redemption Amount and the Early Termination Amount are the principal amount of the Covered Bonds/specify the Early Redemption Amount and/or the Early Termination Amount if different from the principal amount of the Covered Bonds)]*

#### **General Provisions Applicable To The Covered Bonds**

- 22 Additional Financial Centre(s): [Not Applicable/Insert place for Additional Financial Centre]
- [Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii) and 16 (vi) relate]*
- 23 Details relating to Covered Bonds for which principal is repayable in instalments: amount of each instalment, date on which each payment is to be made: [Not Applicable/insert amount of each instalment, date on which each payment is to be made]

#### **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

**BANCO POPOLARE SOCIETÀ COOPERATIVA**

By: .....

Duly authorised

Signed on behalf of

**BP COVERED BOND S.r.l.**

By: .....

Duly authorised

## PART B OTHER INFORMATION

### 1 Listing And Admission To Trading

- (i) Listing: [Official List of the Luxembourg Stock Exchange / *(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 admitted to trading on [the regulated market of the Luxembourg Stock Exchange/*specify other regulated market*] with effect from [●].] [Not Applicable.]  
[The [●] were admitted to trading on [the regulated market of the Luxembourg Stock Exchange/ [●] (*specify other regulated market*)] with effect from [●]]  
*(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading: [●]

### Ratings

- Ratings: The Covered Bonds to be issued have been rated:  
[Moody's: [●]]  
[[Other]: [●]]  
*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*  
[The credit ratings included or referred to in these Final Terms have been issued by [Moody's], which is established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies as amended from time to time (the “**CRA Regulation**”) as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the ESMA's website (for more information please visit the ESMA webpage <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>).] / [have not been issued or endorsed by any credit rating agency which is established in the European Union and registered under the CRA Regulation].

*(Include the relevant wording as applicable depending on the relevant rating agency assigning a rating to the Covered Bonds issued)*

### **Interests of Natural and Legal Persons Involved in the Issue/Offer**

[Save for any fees payable to the Dealer(s),] so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer.

*(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

### **[Fixed Rate Covered Bonds only – Yield**

Indication of yield: [•]

### **[Floating Rate Covered Bonds only – Historic Interest Rates**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters/[\_\_\_\_]].]

### **Distribution**

(i) If syndicated, names of Managers: [Not Applicable/give names]

(ii) Stabilising Manager(s) (if any): [Not Applicable/give name]

If non-syndicated, name of Dealer: [Not Applicable/give name]

Date of Subscription Agreement or of other contractual arrangement to subscribe the Covered Bonds: [•]

U.S. Selling Restrictions: [Reg. S Compliance Category: TEFRA C/TEFRA D/TEFRA Not Applicable]

### **Operational Information**

ISIN: [•]

Common Code: [•]

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

Address of any Relevant Clearing System(s) other than Monte Titoli S.p.A., Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme [Not Applicable / [\_\_\_\_]].]



Delivery:	Delivery [against/free of] payment.
Names and Specified Offices of additional Paying Agent(s) (if any):	[•]
Calculation Agent(s), Listing Agent(s) or Representative of the Covered Bondholders (if any):	[•]
Intended to be held in a manner which would allow Eurosystem eligibility:	<p>[Yes/No]</p> <p>[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 (<i>emesse in forma dematerializzata</i>) and wholly and exclusively deposited with Monte Titoli in accordance with 83-<i>bis</i> of Italian legislative decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in article 83-<i>quater</i> of such legislative decree) and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]</p>

## KEY FEATURES OF REGISTERED COVERED BONDS (*NAMENSSCHULD VERSCHREIBUNGEN*)

The Issuer may issue, under the Programme, German law governed covered bonds in registered form (*Namensschuld verschreibungen*) (the “**Registered Covered Bonds**”), each issued with a minimum denomination indicated in the applicable terms and conditions of the relevant Registered Covered Bonds (the “**Registered CB Conditions**”).

The Registered Covered Bonds shall be governed by a set of legal documentation in the form from time to time agreed with the relevant Dealer and will not be governed by the Conditions set out in this Base Prospectus. Such legal documentation will comprise the relevant Registered CB Conditions, the form of assignment agreement, attached to the Registered CB Conditions, to be used for any subsequent transfer of the Registered Covered Bonds (the “**Assignment Agreement**”), the related Registered Covered Bonds rules of organisation agreement, in the form from time to time agreed with the relevant Dealer, pursuant to which the holders of the Registered Covered Bonds will (a) agree to be bound by the terms of the Transaction Documents and (b) undertake to comply with the obligations, limitations and other covenants as to the exercise of certain rights in accordance with the principles set out in the Rules of the Organisation of the Covered Bondholders (the “**Registered CB Rules Agreement**”) and the letter of appointment of (i) any additional paying agent in respect of the Registered Covered Bonds (the “**Registered Paying Agent**”) and (ii) the registrar in respect of the Registered Covered Bonds (the “**Registrar**”). Notwithstanding the foregoing, the Issuer will be entitled to enter into a different or additional set of documentation as agreed with the relevant Dealer in relation to a specific issue of Registered Covered Bonds.

The relevant Registered Covered Bonds, together with the related Registered CB Conditions attached thereto, the relevant Registered CB Rules Agreement and any other document expressed to govern such Registered Covered Bonds, will constitute the full terms and conditions of the relevant Registered Covered Bonds.

The Registered Covered Bonds will constitute direct, unconditional, unsubordinated obligations of the Issuer, guaranteed by the Guarantor pursuant to the terms of the Covered Bond Guarantee with limited recourse to the Available Funds. The Registered Covered Bonds will rank *pari passu* and without any preference among themselves and the Covered Bonds, except in respect of the applicable maturity of each Series or Tranche of the Covered Bonds and the Registered Covered Bonds (as applicable), and (save for any applicable statutory provisions) at least equally with all other present and future unsecured, unsubordinated obligations of the Issuer having the same maturity of each Series of Registered Covered Bonds or Series or Tranche of Covered Bonds, from time to time outstanding.

In accordance with the legal framework established by Law 130 and the MEF Decree and with the terms and conditions of the relevant Registered CB Rules Agreement and the Transaction Documents, the holders of Registered Covered Bonds shall have recourse to the Issuer and to the Guarantor, provided, however, that recourse to the Guarantor shall be limited to the Available Funds and the assets comprised in the Cover Pool, subject to, and in accordance with, the relevant Priority of Payments.

The payment obligations under all the Registered Covered Bonds and the Covered Bonds issued from time to time shall be cross-collateralised by all the assets included in the Cover Pool, through the Covered Bond Guarantee.

The Registered Covered Bonds will not be listed and/or admitted to trading on any market and will not be settled through a clearing system. Registered Covered Bonds will be issued in registered form (*nominativi*) as *Namensschuld verschreibungen* and will not be dematerialised.

The Registered Covered Bonds will be governed by the laws of the Federal Republic of Germany, save that, in any case, certain provisions (including those relating to status, limited recourse of the Registered Covered Bonds and those applicable to the Issuer and the Cover Pool) shall be governed by Italian law.

In connection with the Registered Covered Bonds, references in this Base Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the relevant Registered CB Conditions, the Registered CB Rules Agreement relating thereto or any other document expressed to govern such Registered Covered Bonds and, as applicable, each other reference to Final Terms in the Base Prospectus shall be construed and read as a reference to such Registered CB Conditions, the Registered CB Rules Agreement thereto or any other document expressed to govern such Registered Covered Bonds.

A transfer of Registered Covered Bonds shall not be effective until the transferee has delivered to the Registrar a duly executed Assignment Agreement. A transfer can only occur for the minimum denomination indicated in the applicable Registered CB Conditions or multiples thereof.

## TAXATION IN THE REPUBLIC OF ITALY

*The statements herein regarding taxation are based on the laws in force in Italy as of 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 overview 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 overview will not be updated by the Issuer after the Issue Date to reflect changes in laws after the Issue Date and, if such a change occurs, the information in this overview could become invalid.*

*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.*

Legislative Decree No. 239 of 1 April 1996 (“**Decree 239**”), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, inter alia, by Italian banks, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*). For this purpose, debentures similar to bonds are securities issued in series (*titoli di massa*) that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value, and do not grant to the relevant holders any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued or to control the same management.

### **Bonds and debentures similar to bonds**

#### **Italian resident Covered Bondholders**

Pursuant to Decree 239, where an Italian resident Covered Bondholder 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 – where applicable), (b) a partnership (other than *società in nome collettivo*, *società in accomandita semplice* or a similar partnership), de facto partnerships not carrying out commercial activities and professional associations; (c) a public and private entity (other than a company) and trust not carrying out commercial activities; or (d) an investor exempt from Italian corporate income taxation interest (including the difference between the redemption amount and the issue price), premium and other income relating to the Covered Bonds accrued during the relevant holding period, are subject to an *imposta sostitutiva*, levied at the rate of 26 per cent. If the Covered Bondholders described under (a) or (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the income tax due.

Where an Italian resident Covered Bondholder is an Italian company or similar commercial entity or a permanent establishment in Italy, to which the Covered Bonds are effectively connected, of a non-Italian resident entity and the Covered Bonds are deposited with an authorised intermediary, interest (including the difference between the redemption amount and the issue price), premium and other income from the Covered Bonds will not be subject to *imposta sostitutiva*, but would be treated as part of the taxable income (“**IRES**”) (and in certain circumstances, depending on the “status” of the Covered Bondholder, also as part of the net value of production for the regional tax on productive activities (“**IRAP**”) purposes) subject to taxation according to the ordinary rules and at the ordinary rates. Where the Covered Bondholder is an Italian S.I.I.Q. (*società di investimento immobiliare quotata*), the ordinary tax regime of Italian companies will apply to any interest (including the difference between the redemption amount and the issue price), premium or other

income from the Covered Bonds; thus, if the Covered Bonds are deposited with an authorised intermediary, interest (including the difference between the redemption amount and the issue price), premium and other income from the Covered Bonds will not be subject to *imposta sostitutiva* and will be included in the IRES taxable income of the Covered Bondholder subject to ordinary Italian corporate taxation.

Where the Italian resident Covered Bondholder is an Italian real estate investment fund (“**Italian Real Estate Fund**”) or an Italian real estate SICAF (“**Real Estate SICAF**”) and the Covered Bonds are deposited with an authorised intermediary, payments of interest (including the difference between the redemption amount and the issue price), premiums or other proceeds in respect of the Covered Bonds are subject neither to substitute tax nor to any other income tax in the hands of the real estate investment fund. A withholding tax may apply in certain circumstances at the rate of 26 per cent on distributions made by Italian Real Estate Funds or Real Estate SICAFs and, in certain cases, a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Fund or Real Estate SICAFs owning more than 5 per cent of the relevant units or shares.

Where a Covered Bondholder is an Italian open-ended or a closed-ended investment fund or a SICAV (*società d’investimento a capitale variabile*) or a SICAF (*società di investimento a capitale fisso*) that does not invest in real estate established in Italy and either (i) the fund or SICAV or SICAF or (ii) their manager is subject to the supervision of a regulatory authority (the “**Fund**”) and the relevant Covered Bonds are held by an authorised intermediary, interest (including the difference between the redemption amount and the issue price), premium and other income relating to the Covered Bonds are subject neither to substitute tax nor to any other income tax in the hands of the Fund. A withholding tax may apply in certain circumstances at the rate of 26 percent on distributions made in favour of unitholders or shareholders (the “**Collective Investment Fund Tax**”).

Where an Italian resident Covered Bondholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005, “**Decree 252**”, as subsequently amended), and the Covered Bonds are deposited with an authorised intermediary, interest (including the difference between the redemption amount and the issue price), premium and other income relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent substitute tax (with certain adjustments for the fiscal year 2014 as provided by Law No. 190 of 23 December 2014 the “**Italian Finance Act 2015**”).

Pursuant to Decree 239, the *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (“**SIMs**”), fiduciary companies, *società di gestione del risparmio* (“**SGRs**”), stockbrokers and other entities identified by a Decree of the Ministry of Economy and 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 a transfer of the Covered Bonds to another deposit or account held with the same or another Intermediary.

Where the Covered Bonds are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying interest to a Covered Bondholder (or by the Issuer, should the interest be paid directly by the latter) as a provisional tax and may be deducted from the income tax due.

### **Non-Italian resident Covered Bondholders**

Where the Covered Bondholder is a non-Italian resident, without permanent establishment in Italy to which the Covered Bonds are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner of the Covered Bondholder is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended from time to time (the “**White List**”) or in any other decree or regulation that will be issued in the future to provide the list of such countries (the “**New White List**”), including any country that will be deemed listed therein for the purpose of any interim rule; (b) an international body or entity 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; (d) an institutional investor which is incorporated in a country included in the White List (or the New White List, once effective), even if it is not subject to income tax therein.

In order to ensure gross payment, non-Italian resident Covered Bondholders must be the beneficial owners of payments of interest, premium or other income and (a) deposit, directly or indirectly, the Covered Bonds, together with the receipts or the coupons with a resident bank or a SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a statement of the relevant Covered Bondholder, which remains valid until revoked or withdrawn, in which the Covered Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is requested neither for the 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 the Ministerial Decree dated 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent., or – subject to proper compliance with relevant subjective and procedural requirements – at the reduced rate provided for by the applicable double tax treaty, if any, to interest, premium and other income paid to Covered Bondholders which are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy or for which the above-mentioned provisions are not met.

### **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*), shares or securities similar to shares pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, levied at the rate of 26 per cent..

Where the Covered Bondholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity to which the Covered Bonds are effectively connected, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution and trust, such withholding tax applies as a provisional withholding tax. In all other cases the withholding tax is levied as a final withholding tax.

Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian resident Covered Bondholders, subject to proper compliance with relevant subjective and procedural requirements.

### **Payments made by an Italian resident guarantor**

In accordance with one interpretation of Italian tax law, any payment of liabilities corresponding to interest and other proceeds from the Covered Bonds made by the Italian resident guarantor will 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.

### **Capital gains tax**

#### **Italian resident Covered Bondholders**

Any gain obtained from the sale or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Covered Bondholder, also as part of the net value of production for IRAP purposes) if realised by (a) Italian resident companies; (b) Italian resident commercial partnerships; (c) permanent establishments in Italy of non-Italian resident entities, to which the Covered Bonds are effectively connected; or (d) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

Any capital gain realised by an Italian S.I.I.Q. is taxable pursuant to the same ordinary regime of Italian resident companies and will thus be treated as part of the taxable income of the Covered Bondholder to be subject to Italian corporate taxation.

Where an Italian resident Covered Bondholder is an individual holding the Covered Bonds not in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Covered Bondholder from the sale or redemption of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent., pursuant to Legislative Decree No. 461 of 21 November 1997 (“**Decree 461**”).

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Covered Bondholder holding the Covered Bonds not in connection 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 *imposta sostitutiva* on such gains together with any balance income tax due for such year. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 (“**Decree 66**”), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Covered Bondholders holding the Covered Bonds not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Covered Bonds (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Covered Bondholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Covered Bonds, net of any incurred capital loss, and is required to

pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Covered Bondholder or using funds provided by the Covered Bondholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Covered Bonds results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Covered Bondholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by Italian resident individuals holding the Covered Bonds not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Covered Bonds, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Covered Bondholder is not required to declare the capital gains realised in its annual tax return. Pursuant to Decree 66, investment portfolio losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by a Covered Bondholder which is an Italian Real Estate Fund or a Real Estate SICAF concurs to the year-end appreciation of the managed assets, which is exempt from any income tax according to the tax treatment described above. A withholding tax may apply in certain circumstances at the rate of 26 per cent on distributions made by Italian Real Estate Funds or Real Estate SICAFs and, in certain cases, a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Fund or Real Estate SICAFs owning more than 5 per cent of the relevant units or shares.

Capital gains realised by a Covered Bondholder which is a Fund will not be subject neither to substitute tax nor to any other income tax in the hands of the Fund. The Collective Investment Fund Tax may apply in certain circumstances on distributions made in favour of unitholders or shareholders.

Any capital gains on Covered Bonds held by a Covered Bondholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Decree 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent substitute tax (with certain adjustments for the fiscal year 2014 as provided by the Italian Finance Act 2015).

### **Non-Italian resident Covered Bondholders**

The 26 per cent. final *imposta sostitutiva* on capital gains may be payable on capital gains realised upon sale for consideration or redemption of the Covered Bonds by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Covered Bonds are effectively connected, if the Covered Bonds are held in Italy.

However, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale for consideration or redemption of the Covered Bonds are exempt from taxation in Italy if the Covered Bonds are traded on a regulated market in Italy or abroad and, in certain cases, subject to timely filing of required documentation (in particular, a self-



declaration not to be resident in Italy for tax purposes), even if the Covered Bonds are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

In case the Covered Bonds are not traded on a regulated market in Italy or abroad, pursuant to the provisions of Article 5 of Decree 461, non-Italian resident beneficial owners of the Covered Bonds without a permanent establishment in Italy to which the Covered Bonds are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gains realised, upon sale for consideration or redemption of the Covered Bonds, if they are resident, for tax purposes, in a country included in the White List (or the New White List, once effective).

In such case, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected hold the Covered Bonds with an Italian authorised financial intermediary, in order to benefit from an exemption from Italian taxation on capital gains, such non-Italian residents may be required to timely file with the authorised financial intermediary an appropriate self-declaration stating they are resident for tax purposes in a country included in the White List (or the New White List, once effective).

Subject to timely filing of the required documentation, exemption from Italian *imposta sostitutiva* on capital gains realised upon disposal of Covered Bonds not traded on a regulated market also applies to non-Italian residents who are (a) international bodies and organisations established in accordance with international agreements ratified in Italy; (b) certain foreign institutional investors established in a country included in the White List (or the New White List, once effective), even if not subject to income tax therein; and (c) Central Banks or other entities, managing also official State reserves.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Covered Bonds are effectively connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Covered Bonds are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the Covered Bonds.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected hold the Covered Bonds with an Italian authorised financial intermediary, in order to benefit from exemption from Italian taxation on capital gains, such non-Italian residents may be required to timely file, with the authorised financial intermediary, appropriate documents which include, *inter alia*, a certificate of residence issued by the competent tax authorities of the country of residence of the non-Italian residents.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Covered Bonds deposited for safekeeping or administration at Italian banks, SIMs and other eligible entities, but non-resident Covered Bondholders retain the right to waive this regime. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and deposit accounts held in their names in which third parties' financial assets are held.

### **Inheritance and gift taxes**

Under Law Decree No. 262 of 3 October 2006 (converted with amendments into Law No. 286 of 24 November 2006), as subsequently amended, transfers of any valuable asset (including shares, bonds or other securities) as a result of death or gift or gratuities are taxed as follows:

- (a) transfers in favour of spouses, direct ascendants or descendants are subject to an inheritance and gift tax applied at a rate of 4 per cent on the entire value of the inheritance or the gift exceeding € 1,000,000.00 for each beneficiary;

- (b) transfers in favour of relatives within the fourth degree, ascendants or descendants relatives in law or other relatives in law within 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 entire value of the inheritance or the gift exceeding € 100,000.00 for each beneficiary; 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 the gift.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised pursuant to Law No. 104 of 5 February 1992, the tax is applied only on the value of the assets received in excess of € 1,500,000.00 at the rates illustrated above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

Moreover, an anti-avoidance rule is provided for in case of gift of assets, such as the Covered Bonds, whose sale for consideration would give rise to capital gains to be subject to the *imposta sostitutiva* provided for by Decree 461, as subsequently amended. In particular, if the donee sells the Covered Bonds for consideration within five years from their receipt as a gift, the donee is required to pay the relevant *imposta sostitutiva* as if the gift had never taken place.

### **Transfer tax**

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of € 200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

### **Stamp duty**

According to Article 19(1) of Decree 6 December 2011, No. 201 (“**Decree No. 201**”), a proportional stamp duty applies on a yearly basis to any periodic reporting communications which may be sent by a financial intermediary to a Covered Bondholder in respect of any Covered Bonds which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed € 14,000 for taxpayers other than individuals; 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.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy from time to time) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

### **Wealth tax on financial assets deposited abroad**

According to Article 19 of Decree 201, Italian resident individuals holding financial assets – including the Covered Bonds – outside of the Italian territory are required to pay a wealth tax at the rate of 0.20 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial assets held outside of the Italian territory. 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 and implementation in Italy**

Legislative Decree No. 84 of 18 April 2005 implemented in Italy, as of 1 July 2005, Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”). Under the EU Savings Directive, Member States, if a number of important conditions are met, are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person

within their jurisdiction to an individual resident in that other Member State. However, for a transitional period, Austria instead operates (unless during that period it elects otherwise) a withholding tax system in relation to such payments. The withholding tax system applies for a transitional period with the rate of withholding currently at 35 per cent. The transitional period is to terminate at the end of the first full tax year following agreement by certain non-EU countries to the exchange of information relating to such payments. Certain details concerning payments of interest (or similar income) shall be provided to the tax authorities of a number of non-EU countries and territories, which have agreed to adopt similar measures with effect from the same date.

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 include extending 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.

However, the European Commission has proposed the repeal of the EU Savings Directive as from 1 January 2017 in the case of Austria and as from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

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 payment 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.

#### **FATCA withholding tax**

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS BASE PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”), non-U.S. financial institutions that enter into agreements with the IRS (“**IRS Agreements**”) or become subject to provisions of local law intended to implement an intergovernmental agreement (“**IGA legislation**”) entered into pursuant to FATCA, may be required to identify “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting

regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable laws in its jurisdiction, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction (such as Italy) and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding may be required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) 1 July 2014 in respect of certain US source payments, (ii) 1 January 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce US source interest or dividends and (iii) 1 January 2017 (at the earliest) in respect of “foreign passthru payments” and then only on “obligations” that are not treated as equity for U.S. federal income tax purposes and that are issued or materially modified on or after (a) 1 July 2014, and (b) if later, in the case of an obligation that pays only foreign passthru payments, 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.

Whilst the Covered Bonds are held with Monte Titoli, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Covered Bonds by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain beginning with the Issuer and ending with Monte Titoli is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Covered Bonds.

### **The proposed financial transactions tax (“FTT”)**

On 14 February 2014, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Covered Bonds (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

## LUXEMBOURG TAXATION

*The following overview is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### Taxation of the Covered Bondholders

#### Withholding Tax

Under Luxembourg tax law currently in force and subject to certain exceptions (as described below), there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest).

In accordance with the law of 25 November 2014 (as amended and/or supplemented from time to time), Luxembourg elected out of the withholding tax system in favour of an automatic exchange of information under the Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”) as from 1 January 2015. Payments of interest or repayments of principal by Luxembourg paying agents to non resident individual Covered Bondholders and to certain residual entities are thus no longer subject to any Luxembourg withholding tax.

In accordance with the law of 23 December 2005, as amended and/or supplemented from time to time (the “**Law**”), interest payments made by Luxembourg paying agents to Luxembourg individual residents and to certain residual entities are subject to a 10 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

#### Income Taxation

##### *Non-resident Covered Bondholders*

Non-resident corporate Covered Bondholders or non-resident individual Covered Bondholders acting in the course of the management of a professional or business undertaking, who do not have a permanent establishment or permanent representative in Luxembourg to which such Covered Bonds are attributable, are not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Covered Bonds or on any gains realised upon the sale or disposal, in any form whatsoever, of the Covered Bonds.

### *Resident Covered Bondholders*

A resident corporate Covered Bondholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Covered Bonds, in its taxable income for Luxembourg income tax assessment purposes. The same inclusion applies to an individual Covered Bondholder, acting in the course of the management of a professional or business undertaking.

A Covered Bondholder that is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, is neither subject to Luxembourg income tax in respect of interest accrued or received, redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Covered Bonds.

A resident individual Covered Bondholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the Covered Bonds, except if (i) withholding tax has been levied on such payments in accordance with the Law, or (ii) the individual Covered Bondholder has opted for the application of a 10 per cent. (self-applied) tax in full discharge of income tax in accordance with the Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the EU Savings Directive. A gain realised by an individual Covered Bondholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of the Covered Bonds is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Covered Bonds were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if withholding tax has been levied on such interest in accordance with the Law.

### **Net Wealth Taxation**

A corporate Covered Bondholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which such Covered Bonds are attributable, is subject to Luxembourg wealth tax on these Covered Bonds, except if the Covered Bondholder is governed by (i) the law of 11 May 2007 on family estate management companies, as amended and/or supplemented from time to time, (ii) the law of 17 December 2010 on undertakings for collective investment, as amended and/or supplemented from time to time, (iii) the law of 13 February 2007 on specialised investment funds, as amended and/or supplemented from time to time, (iv) the law of 22 March 2004 on securitisation, as amended and/or supplemented from time to time, or (v) the law of 15 June 2004 on venture capital vehicles, as amended and/or supplemented from time to time.

An individual Covered Bondholder, whether she/he is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Covered Bonds.

### **Other Taxes**

Neither the issuance nor the transfer of Covered Bonds will give rise to any Luxembourg stamp duty, value added tax, issuance tax, registration tax, transfer tax or similar taxes or duties, unless the documents relating to the Covered Bonds are voluntarily registered in Luxembourg.

Where a Covered Bondholder is a resident of Luxembourg for tax purposes at the time of her/his death, the Covered Bonds are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Covered Bonds if embodied in a Luxembourg deed or recorded in Luxembourg.

### **European Savings Directive**

Under the Luxembourg laws dated 21 June 2005 implementing Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments, as amended, (the “**EU Savings Directive**”) and several agreements executed between Luxembourg and certain associated or dependant territories of the EU as amended, *inter alia*, by the Luxembourg law dated 25 November 2014 (the “**Laws**”), a Luxembourg paying agent (within the meaning of the EU Savings Directive) is required to provide the Luxembourg Tax Administration with information on payments of interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity within the meaning of Article 4.2 of the EU Savings Directive (resident or established in a EU Member State other than Luxembourg, or in any of the associated territories).

The Luxembourg tax administration then automatically communicates such information to the competent authority of such EU Member State or associated territory.

On 24 March 2014, the Council of the European Union adopted a Council Directive which, *inter alia*, amends and broadens the scope of the EU Savings Directive to include notably (i) payments made through certain intermediate structures (whether or not established in a EU Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

The amended EU Savings Directive will have to be transposed by EU Member States before 1 January 2016.

On 9 December 2014, the Council of the European Union adopted Directive 2014/107/EU amending Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation. The adoption of the aforementioned Directive implements the OECD Common Reporting Standard and generalises the automatic exchange of information within the EU as of 1 January 2016 (except that Austria is allowed to start applying these measures up to one year later). The Savings Directive may be repealed in due course in order to avoid overlap with the amended Council Directive 2011/16/EU on administrative cooperation in the field of taxation.

## SUBSCRIPTION AND SALE

### Programme Agreement

Covered Bonds may be sold from time to time by the Issuer to any one or more dealers (the “**Dealers**”). The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in a programme agreement, entered into on or about the date of this Base Prospectus, and made between Banco Popolare as Seller (also as successor to Credito Bergamasco S.p.A.) and Issuer, the Guarantor, the Representative of the Covered Bondholders, the Arranger and the Initial Dealer (the “**Programme Agreement**”). The Programme Agreement makes provision for, *inter alia*, an indemnity to the Dealers against certain liabilities in connection with the offer and sale of the Covered Bonds. The Programme Agreement also makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Series or Tranche. The Programme Agreement contains stabilising and market making provisions.

### Subscription Agreement

In respect of any syndicated issue of Covered Bonds, the Issuer, the Representative of the Covered Bondholders and any one or more of the Dealers and/or any additional or other dealers, from time to time will enter into a subscription agreement (a “**Subscription Agreement**” and each Dealer party thereto, a “**Relevant Dealer**”). Each 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 Covered Bondholders by the Relevant Dealer as initial holder of the Covered Bonds then being issued.

### Selling Restrictions

#### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base 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 a legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 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 of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.



For the purposes of this provision, the expression an “offer of Covered Bonds to the public” in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended , including by Directive 2010/73/EU, to the extent implemented in the Relevant Member State) .

### ***United States of America***

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Security Act.

The Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Covered Bonds, (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 the 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 meaning 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, any 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 (Law 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, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law 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 represents and agrees 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 an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not or, in the case of the Issuer, would not, if it was not an authorised person, apply to the Issuer or the Guarantor; 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.

### ***Republic of Italy***

The offering of the 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 Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) 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 other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Italian Banking Act**”); and
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (iii) 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. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply to the best of its knowledge and belief with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any

other Dealer shall have responsibility therefor (with specific reference to the jurisdictions of the United States of America, United Kingdom, Japan and the Republic of Italy, see above).

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in this paragraph headed “General”.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Series or Tranche) or (in any other case) in a supplement to this Base Prospectus.

## **GENERAL INFORMATION**

### **Listing, admission to trading and minimum denomination**

Application has been made for the Covered Bonds (other than Registered Covered Bonds) to be admitted during the period of 12 months from the date of this Base Prospectus to the Official List and be traded on the regulated market of the Luxembourg Stock Exchange.

Covered Bonds (other than Registered Covered Bonds) may be listed on such other stock exchange as the Issuer and the Relevant Dealer(s) may agree, as specified in the relevant Final Terms, or may be issued on an unlisted basis.

Where Covered Bonds (other than Registered 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 Euro 100,000 (or, where the Covered Bonds are issued in a currency other than Euro, the equivalent amount in such other currency).

The Registered CBConditions will specify the minimum denomination for the Registered Covered Bonds. No Registered Covered Bond will be listed and/or admitted to trading on any market.

### **Authorisations**

The establishment of the Programme was authorised by the resolutions of the Board of Directors of the Issuer on 13 December 2011. The publication of this Base Prospectus was authorised by a resolution of the Board of Directors of the Issuer on 23 June 2015. The granting of the Covered Bond Guarantee was authorised by a resolution of the Board of Directors of the Guarantor on 10 January 2012.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

### **Clearing of the Covered Bonds**

The Covered Bonds (other than the Registered Covered Bonds) will be issued in bearer form and in dematerialised form and held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders (including Euroclear and Clearstream). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. 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.

The Registered Covered Bonds will not be settled through a clearing system. The Registered CBConditions will specify the agent or registrar through which payments under the Registered Covered Bonds will be made and settled.

### **Common codes and ISIN numbers**

The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Series or Tranche (other than the Registered Covered Bonds) will be specified in the Final Terms relating thereto.

### **The Representative of the Covered Bondholders**

Pursuant to the provisions of the Conditions and the Rules of Organisation of the Covered Bondholders, there shall be at all times a Representative of the Covered Bondholders appointed to act in the interest and on behalf of the Covered Bondholders. The initial Representative of Covered Bondholders shall be BNP Paribas Securities Services, Milan Branch.

### **No material litigation**

During the 12 months preceding the date of this Base Prospectus, there have been no governmental, legal or arbitration proceedings, nor is the Issuer (save as described under section “*Description of the Issuer – Legal Disputes*”) or the Guarantor aware of any pending or threatened proceedings of such kind, which have had or may have significant effect on the Issuer’s or the Guarantor’s financial position or profitability.

### **No material adverse change**

There has been no material adverse change in the prospects of the Issuer and its Group since 31 December 2014 (the last date to which the latest audited published financial information of the Issuer was prepared).

There has been no material adverse change in the prospects of the Guarantor since 31 December 2014 (the last date to which the latest audited published financial information of the Guarantor was prepared).

### **No significant change in the Issuer’s and Guarantor’s financial or trading position**

There has been no significant change in the financial position of the Issuer and its subsidiaries taken as a whole since 30 June 2015 (the end of the last financial period for which either audited financial information or interim financial information has been published).

There has been no significant change in the financial position of the Guarantor since 31 December 2014 (the end of the last financial period for which either audited financial information or interim financial information has been published).

### **Luxembourg Listing Agent**

The Issuer has undertaken to maintain a listing agent in Luxembourg so long as Covered Bonds are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

### **Documents available for inspection**

For so long as the Programme remains in effect or any Covered Bonds shall be outstanding and listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the Specified Office of the Luxembourg Listing Agent, namely:

- (a) the Programme Agreement;
- (b) the Cover Pool Administration Agreement;
- (c) the Conditions;
- (d) the Covered Bond Guarantee;
- (e) the Master Transfer Agreement;
- (f) the Warranty and Indemnity Agreements;
- (g) the Subordinated Loan Agreement;

- (h) the Servicing Agreement;
- (i) the Asset Monitor Agreement;
- (j) the Intercreditor Agreement;
- (k) the Cash Management and Agency Agreement;
- (l) the Corporate Services Agreement;
- (m) the Administrative Services Agreement;
- (n) the Quotaholders' Agreement;
- (o) the English Law Deed of Charge and Assignment;
- (p) the Italian Deed of Pledge;
- (q) the Mandate Agreement;
- (r) the Issuer's by-laws (*Statuto*) as of the date hereof;
- (s) the Guarantor's by-laws (*Statuto*) as of the date hereof;
- (t) the audited annual financial consolidated statements of the Issuer (including the auditor's report thereon and notes thereto) in respect of the financial years ended on 31 December 2013 and 31 December 2014, respectively;
- (u) the audited annual financial statements of the Guarantor (including the auditor's report thereon and the notes thereto) in respect of the financial years ended on 31 December 2013 and 31 December 2014, respectively;
- (v) the unaudited consolidated Interim Report of the Issuer in respect of the period ended on 30 June 2014;
- (w) the unaudited consolidated Interim Report of the Issuer in respect of the period ended on 30 June 2015;
- (x) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;
- (y) any reports, letters, balance sheets, valuations and statements of experts included or referred to in the Base Prospectus (other than consent letters);
- (z) any Final Terms relating to Covered Bonds which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. In the case of any Covered Bonds which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Covered Bondholders; and
- (aa) any other document incorporated by reference.

Copies of all such documents shall also be available to Covered Bondholders at the Specified Office of the Representative of the Covered Bondholders.

#### **Financial statements available**

For so long as the Programme remains in effect or any Covered Bonds listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent publicly

available financial statements and consolidated financial statements of the Issuer may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent.

For so long as the Programme remains in effect or any Covered Bonds listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent available financial statements of the Guarantor may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent.

The external auditors have given, and have not withdrawn, their consent to the inclusion of their report on the accounts of the Issuer and the Guarantor in this Base Prospectus in the form and context in which it is included.

In addition, for so long as the Programme remains in effect or any Covered Bonds listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent Investor Report may be obtained, free of charge, during normal business hours at the specified office of the Luxembourg Listing Agent.

### **Publication on the Internet**

This Base Prospectus, any supplement hereto and the Final Terms will be available on the internet site of the Luxembourg Stock Exchange, at [www.bourse.lu](http://www.bourse.lu).

### **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 Covered Bondholders.

### **Auditors**

Reconta Ernst & Young S.p.A. whose registered office is in Rome, via Po 32, are currently the independent auditors of the Issuer and of the Guarantor and are 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 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.

The financial statements as of and for the years ended 31 December 2013 and 31 December 2014 of the Issuer and of the Guarantor, respectively, incorporated by reference in the Base Prospectus, have been audited by Reconta Ernst & Young S.p.A. Reconta Ernst & Young S.p.A. did not refuse to issue the audit reports on the financial statements as of and for the years ended 31 December 2013 and 31 December 2014, nor the audit reports contained qualifications or disclaimers of opinion.

## GLOSSARY

*The following terms are used throughout this Base Prospectus. The page number opposite a term indicates the page on which such term is first defined. These and other terms used in this Base Prospectus are subject to, and in some cases are summaries of, the definitions of such terms set out in the Transaction Documents, as they may be amended from time to time.*

£ .....	4	Adjusted Required Redemption Amount .....	189
€ .....	4, 214	Administrative Servicer .....	42, 208
2010 PD Amending Directive .....	1	Administrative Services Agreement .....	182, 208
2015 Reform .....	202	Admitted States .....	196
24 hours .....	250	Advances .....	177
30/360 .....	211	Affected Loan .....	167
30E/360 .....	212	Affected Receivables .....	177
30E/360 (ISDA) .....	212	Amending Directive .....	31, 291
360/360 .....	211	Amortisation LTV Adjusted Principal Balance .....	170
48 hours .....	250	Amortisation Test .....	71, 169, 208
Acceleration Notice .....	59, 207	Amortisation Test Aggregate Loan Amount .....	170, 208
Account .....	207	AQR .....	121
Account Bank .....	207	Arranger .....	42
Account Banks .....	207	Article .....	251
Accounts .....	207	Article 74 Event .....	179, 243
Accrual Yield .....	207	Article 74 Event Cure Notice .....	179, 208
Accumulation Date .....	61, 207	Articles .....	77
Actual/360 .....	211	Asset Coverage Test .....	167, 208
Actual/365 (Fixed) .....	211	Asset Monitor .....	43, 149, 201, 208
Actual/Actual .....	211	Asset Monitor Agreement .....	191, 208
Actual/Actual (ICMA) .....	211	Asset Percentage .....	169
Actual/Actual (ISDA) .....	211	Asset Percentage Adjusted Principal Balance .....	168
Additional Business Centre(s) .....	208	Assigning Banks .....	129
Additional Financial Centre(s) .....	208	Assignment Agreement .....	282
Additional Scheduled Interest Amounts .....	181, 224	Available Funds .....	66, 208
Additional Scheduled Principal Amounts .....	182, 224	Banco Popolare .....	1, 41, 77, 205
Additional Sellers .....	208	Banco Popolare Group .....	41, 77
Adjusted Aggregate Loan Amount .....	167, 208	Bank Recovery and Resolution Directive .....	15



Banking Act .....	41, 197, 208	Cash Manager .....	43, 210
Bankruptcy Law .....	197	CB .....	128
Base Prospectus .....	1, 273	CB Calculation Period .....	211
Basel Committee .....	12	CB Interest Period .....	46, 210
Basel III .....	12	CB Payment Date .....	46, 210
Block Voting Instruction .....	248	CET1 .....	12, 196
Blocked Covered Bonds .....	248	CET1 Capital .....	120
BNPSS .....	43, 44	Chairman .....	249
BoI Regulations .....	1, 53, 205	CHF .....	4
Bond Basis .....	211	Clawed Back Amounts .....	181, 215
Bond Loan .....	126	Clearstream .....	1, 210
Borrower .....	68	Collection Account .....	210
Borrowers .....	68	Collection Period .....	64, 210
BPI .....	77	Collective Investment Fund Tax .....	285
BPI Group .....	87	Commission's Proposal .....	292
BPL .....	95, 98	Commitment Limit .....	73
BPL Mortgages 7 .....	129	Company .....	77
BPL SPE .....	129	Condition .....	205
BPN .....	86, 98	Conditions .....	49, 205, 273
BPV .....	86	Conditions to the Issue .....	53
BPVN .....	77	CONSOB .....	1, 47, 210
Breach of Tests Notice .....	73, 188, 208	Corporate Servicer .....	42, 210
Breach Related Loss .....	168	Corporate Services Agreement .....	182, 210
Broken Amount .....	209	Cover Pool .....	54, 211
BRRD .....	15	Cover Pool Administration Agreement .....	187, 211
Business Day .....	209	Cover Pool Manager .....	188, 211
Business Day Convention .....	209	Covered Bond Guarantee .....	178, 195, 206
C Rules .....	46	Covered Bond SPE .....	129
Calculation Agent .....	44, 209	Covered Bondholder .....	249
Calculation Amount .....	209	Covered Bondholders .....	52, 211, 251
Calculation Date .....	57, 209	Covered Bonds .....	1, 205, 206, 251
Calculation Period .....	210	CRA Regulation .....	1, 11, 279
Call Option .....	210	CRD IV .....	12, 119
Cash Management and Agency Agreement ..	184, 210	CRD IV Directive .....	12

CRIA.....	97	Eligible Institution .....	43, 213
Criteria.....	69, 153	Eligible Investment.....	214
CRR .....	12, 119	Eligible Investments .....	70
CSSF.....	1	Eligible States .....	69, 214
Cure Period.....	177	English Law Deed of Charge and Assignment ....	193, 214
D Rules .....	46	ESMA .....	1
Day Count Fraction.....	211	ESRB .....	13
DBRS.....	11	EU Savings Directive .....	31, 290, 293, 295
Dealer.....	213	EUR .....	4, 214
Dealers .....	206, 296	EURIBOR.....	214, 231
Debtor .....	68	euro .....	4
Decree 239.....	284	Euro .....	4, 214
Decree 252.....	285	Euro Equivalent .....	214
Decree 461 .....	287	Eurobond Basis.....	212
Decree 53/2015.....	195	Euroclear.....	1, 214
Decree 66.....	287	Eurodollar Convention.....	209
Decree Competitività .....	195	Event of Default.....	249
Decree No. 201 .....	290	Excess Proceeds.....	66, 214
Decree No. 239.....	240	Expense Required Amount .....	61
Decree No. 88.....	86	Expenses .....	60
Designated Maturity .....	231	Expenses Account.....	214
Destinazione Italia Decree.....	195	Extended Maturity Date.....	51, 214
Discount Factor.....	166	Extension Determination Date.....	52, 214
Due for Payment Date .....	180, 213	Extraordinary Resolution.....	214, 249
each Series of Covered Bonds .....	206	FATCA.....	34, 291
Earliest Maturing Covered Bonds.....	190, 213	FFI .....	34
Early Redemption Amount .....	180, 213	FIEA .....	297
Early Redemption Date.....	213	Final Redemption Amount.....	181, 214
Early Termination Amount .....	213	Final Terms .....	49, 205
EBA .....	13	Financial Law .....	1, 205
ECB .....	7, 116, 119	Financial Services Act .....	298
Eligible Cover Pool.....	166	Fitch .....	11
Eligible Deposits.....	54, 213	Fixed Coupon Amount.....	215
Eligible Deposits Advance.....	70, 177		

Fixed Rate Covered Bond.....	215	Initial Transfer Date.....	65
Fixed Rate Provisions.....	215	Initial Valuation Date.....	65, 215
Floating Rate.....	231	Insolvency Event.....	57
Floating Rate Convention.....	209	Insolvency Event.....	226
Floating Rate Covered Bond.....	215	Instalment Covered Bonds.....	216
Floating Rate Option.....	231	Insurance Policy.....	23
Floating Rate Provisions.....	215	Integration.....	199
Following Business Day Convention.....	209	Integration Advance.....	70, 177
FRF.....	103	Integration Assets.....	54, 69, 172, 199, 216
FRN Convention.....	209	Integration Assets Limit.....	69, 172
FTT.....	292	Integration Assignment.....	67, 172
Fund.....	285	Intercreditor Agreement.....	182, 216
general bail-in tool.....	15	Interest Amount.....	216
General Criteria.....	68, 150	Interest Available Funds.....	62, 216
General Criteria.....	173	Interest Basis.....	217
Group.....	41, 77	Interest Commencement Date.....	47, 217
G-SIBs.....	13	Interest Coverage Test.....	165, 217
G-SIFI.....	13	Interest Determination Date.....	217
Guaranteed Amounts.....	181, 215	Intermediary.....	285
Guarantor.....	1, 41, 146, 205	Investment Account.....	217
Guarantor Event of Default.....	243	Investment Agent.....	43, 217
Guarantor Events of Default.....	59, 215	Investor Report.....	184
Guarantor Payment Date.....	61, 215	Investor's Currency.....	32
Guarantor's Rights.....	183	Investor's Report Date.....	186
Hard Bullet Covered Bonds.....	215	IRAP.....	284
Holder.....	249	IRES.....	284
IASB.....	39, 88, 91	IRS.....	34
ICBPI.....	143	IRS Agreements.....	291
ICCRI.....	97	ISDA Definitions.....	217
IFRIC.....	39	ISDA Determination.....	217
IGA legislation.....	291	ISDA Rate.....	231
In Arrears.....	166, 215	Issuance Advance.....	70, 177
Initial Issue Date.....	215	Issuance Assignment.....	67, 172
Initial Receivables.....	67, 150, 172, 215	Issue Date.....	46, 217

Issue Price.....	46, 217	Master Transfer Agreement .....	67
Issuer.....	1, 41, 77, 205	Master Transfer Agreement .....	218
Issuer Downgrading Event.....	227	Maturity Date.....	51, 218
Issuer Event of Default .....	217, 241	Maximum Rate of Interest.....	218
Issuer Events of Default.....	56	Maximum Redemption Amount .....	218
IT Holding .....	96	Meeting.....	218, 249
Italian Account Bank .....	43, 217	MEF Decree.....	1, 52, 195, 205
Italian Banking Act.....	77, 298	Merger .....	77
Italian Bankruptcy Law .....	98	Minimum Rate of Interest.....	218
Italian Deed of Pledge.....	193, 217	Minimum Redemption Amount .....	218
Italian Finance Act.....	78	Modified Business Day Convention .....	209
Italian Finance Act 2015 .....	285	Modified Following Business Day Convention....	209
Italian Mutual Banks Reform .....	140	Monte Titoli .....	1, 218
Italian Paying Agent .....	44, 217	Monte Titoli Account Holder .....	249
Italian Real Estate Fund.....	285	Monte Titoli Account Holders .....	1, 218
Italy.....	4	Monthly Calculation Date.....	218
Latest Valuation .....	169	Moody's.....	1, 11, 218
Law .....	293	Moody's Set-Off Exposure .....	169
Law 130 .....	1, 41, 205	Mortgage Credit Directive.....	26
Law 33/2015 .....	140	Mortgage Loans .....	54, 150, 172, 218
Law No. 342 .....	26	MREL .....	16
Laws .....	295	MTA.....	86
Liabilities.....	249	MTG Group Securities Market.....	102
LIBOR .....	231	Negative Carry Factor.....	169, 218
Limits to the Assignment .....	67	Net Available Redemption Funds .....	165
Liquidation Date .....	217	Net Interest Collections from the Eligible Cover Pool.....	165
Listing Agent .....	217	Net Present Value of the Eligible Cover Pool .....	166
LTV Adjusted Principal Balance.....	167	Net Present Value of the Outstanding Covered Bonds .....	166
Luxembourg Listing Agent.....	44	New White List.....	286
Maflow.....	97	No Adjustment .....	209
Mandate Agreement.....	194, 217	Nominal Value Test.....	165, 218
Mandatory Tests.....	165, 217	Non Performing Loan .....	166, 218
Margin .....	218		
Master Transfer Agreement .....	172		

non-viability loss absorption.....	15	Post-Issuer Event of Default Priority of Payments	66, 220
Notice to Pay .....	56, 218	Potential Commingling Amount .....	169
NPV Test.....	165, 218	Potential Set-Off Amounts.....	169
OBG Regulations.....	1, 205	Preceding Business Day Convention .....	209
Official Gazette.....	218	Pre-Issuer Event of Default Interest Priority of Payment .....	61
Official List.....	1	Pre-Issuer Event of Default Interest Priority of Payments.....	219
OMT .....	116	Pre-Issuer Event of Default Principal Priority of Payments.....	62, 220
Option Agreement.....	96	Pre-Maturity Account .....	164, 220, 238
Optional Redemption Amount (Call).....	219	Pre-Maturity Collateral Amount .....	164, 220, 238
Optional Redemption Amount (Put) .....	219	Pre-Maturity Rating Period.....	74, 165, 220
Optional Redemption Date (Call) .....	219	Pre-Maturity Test .....	163, 220, 238
Optional Redemption Date (Put) .....	219	Pre-Maturity Test Breach Notice .....	164, 220, 238
Order.....	181, 219	Pre-Maturity Test Date.....	74, 164, 220
Ordinary Resolution.....	249	Previous Residential CB Programme.....	41, 146, 220
Organisation of the Covered Bondholders.....	219	Previous Transaction Documents.....	220
Originator.....	24	Price Adjustment Advance.....	70, 177
Originator Banks.....	129	Principal Available Funds .....	64, 220
Outstanding Principal Balance.....	219	Principal Financial Centre .....	221
PA Investments .....	96	Principal Paying Agent .....	44, 221
Pandette .....	96, 126	Priorities of Payments.....	67
Parent Company.....	77	Priority of Payments .....	221
Partial Cover Pool.....	190	Privacy Law .....	175
Participating FFI .....	34	Programme.....	1, 205
participating Member States .....	292	Programme Agreement .....	192, 206, 296
Paying Agents.....	219	Programme Limit.....	45, 221
Payment Business Day .....	219	Programme Resolution .....	221, 249
Payments Account .....	219	Programme Termination Date.....	174
Payments Report.....	184	Prospectus Directive .....	1, 273, 297
Payments Report Date .....	186, 219	Proxy.....	249
Person .....	219	Prudential Regulations for Banks .....	13
Place of Payment .....	219	Put Option.....	126, 221
Post-Acceleration Report.....	184		
Post-Guarantor Event of Default Priority of Payments.....	67, 219		

Put Option Notice .....	177, 221	Relevant Member State.....	296
Put Option Receipt.....	221	Relevant Screen Page .....	223
Quotaholders.....	147	Relevant Time.....	223
Quotaholders' Agreement .....	192, 221	Renegotiated Loan .....	168
Random Basis .....	190	Representative of the Covered Bondholders..44, 206, 223	
Rate of Interest.....	221	Required Outstanding Principal Balance Amount	189
RCS.....	96	Required Redemption Amount .....	66, 189, 223
RCS Shares .....	126	Required Reserve Amount.....	63, 223
Real Estate SICAF.....	285	Reserve Account .....	223
Receivables .....	54, 222	Reset Date.....	231
Redemption Amount .....	222	Resolutions .....	250
Redemption/Payment Basis .....	222	Responsible Persons .....	2
Reference Banks .....	222	Restated Banking Directive .....	196
Reference Price.....	222	Revolving Assignment.....	172
Reference Rate.....	222	Revolving Assignment.....	67
Register.....	250	RTS .....	16
Registered CB Conditions .....	1, 282	Rules .....	248
Registered CB Rules Agreement .....	47, 282	Rules of the Organisation of the Covered Bondholders.....	207
Registered Covered Bondholders .....	47	S&P.....	130
Registered Covered Bonds.....	1, 44, 282	Scheduled Due for Payment Date .....	181, 223
Registered Paying Agent.....	44, 222, 282	Scheduled Interest.....	181, 224
Registered Paying Agent.....	250	Scheduled Payment Date .....	182, 224
Registrar.....	32, 44, 222, 250, 282	Scheduled Principal .....	182, 224
Regular Date .....	222	Screen Rate Determination .....	224
Regular Period .....	222	Secured Amounts.....	224
Regulation No. 11971 .....	298	Secured Creditors.....	183, 224
Relevant Clearing System.....	222	Securities Account .....	224
Relevant Clearing Systems .....	1	Securities Act.....	4
Relevant Date .....	222	Security .....	267
Relevant Dealer .....	296	Selected Assets.....	189, 224
Relevant Dealer(s) .....	222	Seller.....	42, 224
Relevant Dealers.....	193	Seller's Claims .....	61
Relevant Financial Centre.....	223		
Relevant Implementation Date .....	296		

Series .....	45, 205, 224	T1 .....	196
Series of Covered Bonds.....	224	TARGET Settlement Day .....	225
Series Reserved Matter .....	254	TARGET System .....	225
Servicer.....	42, 174, 224	TEFRA.....	46
Servicer Report.....	225	Test.....	225
Servicer Termination Event .....	176	Test Performance Report .....	74, 188, 225
Servicing Agreement .....	174, 225	Tests .....	169, 225
SGRs.....	285	Threshold.....	140
SIMs .....	285	TLTRO.....	116
SMEs .....	87	Traditional Areas.....	79
Specific Criteria.....	69, 152	Traditional Lodi Area.....	79
Specified Currency .....	46, 225	Traditional Novara Area .....	79
Specified Denomination(s) .....	225	Traditional Verona Area .....	79
Specified Office .....	225	Tranche .....	45, 205
Specified Period.....	225	Transaction Account .....	225
SRB.....	16	Transaction Documents .....	226
SSM .....	119	Transaction Party .....	250, 251
Stabilising Manager(s).....	4	U.S. Dollar .....	4
Subordinated Loan.....	70, 177	U.S.\$ .....	4
Subordinated Loan Agreement .....	70	UK Sterling.....	4
Subordinated Loan Agreement .....	177	Usury Law .....	25
Subordinated Loan Agreement .....	225	Usury Law Decree .....	25
Subordinated Loan Interest.....	177	Usury Rates.....	25
Subordinated Loan Provider .....	42, 225	Usury Regulations .....	25
Subscription Agreement.....	206, 296	Valuation Date .....	65, 172
Subsequent Receivables.....	67, 150, 172, 225	Voter.....	250
Subsidiary .....	225	Voting Certificate.....	250
sub-unit.....	229, 232	Warranty and Indemnity Agreement.....	176
successor.....	251	Warranty and Indemnity Agreement.....	68
Successor Account Bank.....	43, 225	Warranty and Indemnity Agreement.....	226
Successor Servicer.....	42, 175	Warranty and Indemnity Agreements .....	176
Suspension Period.....	182, 243	Warranty and Indemnity Agreements .....	68
Swap Curve.....	166	Warranty and Indemnity Agreements .....	226
Swap Rate .....	250	White List .....	286

Written Resolution .....	250
Yen.....	4

Zero Coupon Covered Bond .....	226
Zero Coupon Provisions .....	226



**ISSUER, SERVICER, SELLER, PRINCIPAL PAYING AGENT, INVESTMENT AGENT, ITALIAN ACCOUNT BANK,  
ADMINISTRATIVE SERVICER, ARRANGER AND CALCULATION AGENT**

**Banco Popolare Società Cooperativa**

Piazza Nogara, 2  
37121 Verona  
Italy

**GUARANTOR**

**BP Covered Bond S.r.l.**

Foro Buonaparte, 70  
20121 Milano  
Italy

**INITIAL DEALER**

**UBS Limited**

1, Finsbury Avenue  
London EC2M 2PP  
United Kingdom

**REPRESENTATIVE OF THE COVERED BONDHOLDERS**

**BNP Paribas Securities Services, Milan Branch**

Via Ansperto, 5  
20123 Milano  
Italy

**ITALIAN PAYING AGENT AND CASH MANAGER**

**BNP Paribas Securities Services, Milan branch**

Via Ansperto, 5  
20123 Milano  
Italy

**SUCCESSOR ACCOUNT BANK**

**BNP Paribas Securities Services, London branch**

55 Moorgate  
London EC2R 6PA  
United Kingdom

**LUXEMBOURG LISTING AGENT**

**BNP Paribas Securities Services, Luxembourg branch**

33, rue de Gasperich  
Howald – Hesperange L-2085  
Luxembourg

**LEGAL ADVISERS**

**To the Issuer and Arranger**

*As to Italian law and English law*

**Studio Legale Associato in association with Linklaters LLP**

via Broletto, 9  
20121 Milan  
Italy

**AUDITORS**

**To the Issuer and the Guarantor**

**Reconta Ernst & Young S.p.A.**

via Po 32  
00198 Rome  
Italy