Prospectus

BANCO BPM S.P.A.
(*incorporated as a joint stock company (società per azioni) in the Republic of Italy*)

€10,000,000,000 Covered Bond Programme

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

BPM Covered Bond S.r.l.
(*incorporated as a limited liability company in the Republic of Italy*)

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

Under this €10,000,000,000 covered bond programme (the **Programme**), Banco BPM S.p.A. (**Banco BPM** or the **Issuer** or the **Bank**) may from time to time issue covered bonds (the **Covered Bonds**) denominated in any currency agreed between the Issuer and the relevant Dealer(s). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described herein).

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

BPM Covered Bond S.r.l. (the **Guarantor**) has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee (the **Guarantee**) which is backed by a pool of assets (the **Cover Pool**) made up of a portfolio of residential and commercial mortgage loans assigned and to be assigned to the Guarantor by the Sellers (and/or, as the case may be, by any Additional Seller) and of other Eligible Assets and Substitution Assets. Recourse against the Guarantor under the Guarantee is limited to the Cover Pool.

This document has been approved by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), which is the competent authority under Regulation EU 2017/1129 (the **Prospectus Regulation**) in the Grand Duchy of Luxembourg, as a base prospectus, for the purposes of article 8 of the Prospectus Regulation (the **Prospectus**).

The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or the Guarantor or the quality of the Covered Bonds that are subject to this Prospectus. Investors should make their own assessment as to the suitability of investing in Covered Bonds.

Application has also been made for Covered Bonds issued under the Programme during the period of 12 (twelve) months from the date of this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2014/65/EU (as amended from time to time, the **MiFID II**). As referred to in Article 6(4) of the Luxembourg law on prospectuses for securities of 16 July 2019, by approving this Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the issuer.

This Prospectus is valid for a period of 12 months from its date ending on 22 July 2022 in relation to Covered Bonds which are to be admitted to trading on a regulated market in the European Economic Area (the EEA). The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

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

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

From their relevant issue dates, the Covered Bonds will be issued in dematerialised form or in any other form as set out in the relevant Conditions and/or Final Terms. The Covered Bond issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli S.p.A. (**Monte Titoli**) for the account of the relevant Monte Titoli account holders. Monte Titoli will also act as depository for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream**). The Covered Bonds issued in dematerialised form will at all times be evidenced by book-entries in accordance with the Financial Laws Consolidation Act and with the joint regulation of the Commissione Nazionale per le Società e la Borsa (**CONSOB**) and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form. This Prospectus does not relate to the Covered Bonds which may be issued under the Programme in any form other than dematerialised form pursuant to either separate documentation or the documents described in this Prospectus after having made the necessary amendments.

The Covered Bonds of each Series will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in Condition 8 (*Redemption and Purchase*)). Unless previously redeemed in full in accordance with the Terms and Conditions, the Covered Bonds of each Series will be redeemed at their Final Redemption Amount on the relevant Maturity Date (or, as applicable, the Extended Maturity Date), subject as provided in the relevant Final Terms.

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

Amounts payable under the Covered Bonds may be calculated by reference to EURIBOR, or to the sterling overnight index average rate (**SONIA**), in each case as specified in the relevant Final Terms. As at the date of this Prospectus, EURIBOR is provided and administered by the European Money Markets Institute (**EMMI**), and SONIA is provided and administered by the Bank of England. At the date of this Prospectus, EMMI is authorised as benchmark administrators, and included on, the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to Article 36 of Regulation (EU) 2016/1011 (the **Benchmarks Regulation**). As at the date of this Prospectus, the administrator of SONIA is not included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, SONIA does not fall within the scope of the Benchmarks Regulation.

The Covered Bonds issued under the Programme, if rated, are expected to be assigned a credit rating as specified in the relevant Final Terms by Moody's Deutschland GmbH (**Moody's**) and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any Series of Covered Bonds (the **Rating Agency**). Whether or not the credit rating applied for in relation to relevant Series of Covered Bonds will be (1) issued or endorsed by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (as amended, the **EU CRA Regulation**) or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the United Kingdom (**UK**) and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the **UK CRA Regulation**) or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the EU CRA Regulation unless such rating (1) is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the EU CRA Regulation or (2) is provided by a credit rating agency not established in the European Union which is certified under the EU CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless such rating (1) is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation. **A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency**. Please refer to the ESMA webpage http://www.esma.europa.eu/page/List-registeredand-certified-CRAs in order to consult the updated list of registered credit rating agencies.

JOINT ARRANGERS FOR THE PROGRAMME

BARCLAYS *UBS INVESTMENT BANK*

DEALERS

BANCA AKROS *BARCLAYS* *UBS INVESTMENT BANK*

The date of this Prospectus is 22 July 2021.

RESPONSIBILITY STATEMENT

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

The Issuer accepts responsibility for the information contained in this 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 Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect the importance of such information.

The Guarantor accepts responsibility for the information included in this Prospectus in the section headed "The Guarantor" and any other information contained in this Prospectus relating to itself. To the best of the knowledge of the Issuer, those parts of this Prospectus for which the Guarantor is responsible are in accordance with the facts and makes no omission likely to affect the importance of such information.

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

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

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue, offering or sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Representative of the Bondholders or any of the Dealers or the Joint Arrangers or any of their respective affiliates or advisers. Neither the delivery of this Prospectus nor any sale or allotment made in connection therewith shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or the Guarantor or in other information contained herein since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this 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 Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Covered Bonds.

The distribution of this Prospectus and the offering or sale of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Joint Arrangers to inform themselves about and to observe any such restriction. The Covered Bonds have not been and will not be registered

*under the United States Securities Act of 1933, as amended (the **Securities Act**). Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States or to US persons. There are further restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the European Economic Area (including the Republic of Italy and the Republic of France), the United Kingdom and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Prospectus, see "Subscription and Sale".*

The information contained in this Prospectus was obtained from the Issuer and the other sources identified herein, but no assurance can be given by the Dealers or the Arranger as to the accuracy or completeness of such information. The Joint Arrangers and the Dealers have not separately verified the information contained in this Prospectus. None of the Dealers or the Joint Arrangers make any representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or any document or agreement relating to the Covered Bonds or any Transaction Document. None of the Dealers or the Joint Arrangers shall be responsible for any matter which is the subject of any statement, representation, warranty or covenant of the Issuer contained in the Covered Bonds or any Transaction Documents, or any other agreement or document relating to the Covered Bonds or any Transaction Document, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Representative of the Bondholders, the Joint Arrangers or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Covered Bonds. Each potential purchaser of Covered Bonds should determine for itself the relevance of the information contained in this Prospectus, including the merits and risks involved, and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. None of the Dealers, the Representative of the Bondholders or the Joint Arrangers undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of any of the Dealers, the Representative of the Bondholders or the Joint Arrangers. None of the Joint Arrangers and the Dealers has undertaken or will undertake any investigations, searches or other actions in respect of any of the Eligible Assets has prepared or will undertake to prepare any report or any other financial statement. The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Covered Bonds.

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

Third Party Information – Certain information and statistics presented in this Prospectus regarding markets and market share of the Issuer or the Group are either derived from, or are

based on, internal data or publicly available data from external sources. In addition, the sources for the rating information set out in the sections headed "Selected Consolidated Financial Data – Rating" and "Description of the Issuer and the Group – Recent Developments" of this Prospectus are the following rating agencies: Moody's and DBRS (each as defined below). In respect of information in this Prospectus that has been extracted from a third party, the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources.

In this Prospectus, unless otherwise specified or unless the context otherwise requires, all references to "£" or "Sterling" are to the currency of the United Kingdom, "Dollars" are to the currency of the United States of America and all references to "€", "euro" and "Euro" are to the lawful currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.

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

Furthermore, certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

STABILISATION

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

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

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

IMPORTANT - UK RETAIL INVESTORS *– If the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (**EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.*

MIFID II product governance / target market *– The Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending such Covered Bonds (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.*

UK MiFIR product governance / target market *– The Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds will include a legend entitled*

"UK MiFIR Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any distributor (as defined above) should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the ***UK MiFIR Product Governance Rules****) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.*

Suitability of Covered Bonds as investments *– 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:*

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) 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;

(iii) 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;

(iv) thoroughly understand the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios of 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 as 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.

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GENERAL DESCRIPTION OF THE PROGRAMME

This section constitutes a general description of the Programme for the purposes of Article 25 of Commission Regulation (EU) No. 2019/980 (as amended). The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Series of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meaning in this overview.

PARTIES

Issuer	**Banco BPM S.p.A.**, a bank incorporated in Italy as a joint stock company (*società per azioni*), having its registered office at Piazza F. Meda, 4, Milan, Italy, registered with the companies' Register (*registro delle imprese*) of Milan under number 09722490969 and with the register of banking groups held by the Bank of Italy "*Codice meccanografico*" 5034 under number 8065, authorised to carry out business in Italy pursuant to the Consolidated Banking Act (**Banco BPM** or the **Issuer**). For a more detailed description of the Issuer, see Section "*Business Description of the Issuer and the group*".
Guarantor	**BPM Covered Bond S.r.l.**, a company incorporated in Italy as a limited liability company (*società a responsabilità limitata*) pursuant to the Securitisation and Covered Bonds Law, with a share capital equal to Euro 10,000, having its registered office at Via Curtatone 3, 00185 - Rome, Italy, enrolled with the Companies' Register (*registro delle imprese*) of Rome under number 09646111006, enrolled with the register held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act, (the **Guarantor**). For a more detailed description of the Guarantor, see "*The Guarantor*".
Sellers	**Banco BPM S.p.A.**, a bank incorporated in Italy as a joint stock company (*società per azioni*), having its registered office at Piazza F. Meda, 4, Milan, Italy, registered with the companies' Register (*registro delle imprese*) of Milan under number 09722490969 and with the register of banking groups held by the Bank of Italy "*Codice meccanografico*" 5034 under number 8065 and authorised to carry out business in Italy pursuant to the Consolidated Banking Act.
Additional Seller(s)	any bank (other than Banco BPM S.p.A.) which is a member of the Banco BPM Group that wishes to sell

	Eligible Assets to the Guarantor, subject to satisfaction of certain conditions (which shall include a prior written notice to the Rating Agency), and which, for such purpose, shall enter into, *inter alia*, a master receivables purchase agreement with the Guarantor, on substantially the same terms and conditions of the Master Receivables Purchase Agreements.
Joint Arrangers	**Barclays Bank Ireland PLC**, acting through its investment bank divisions with office at One Molesworth Street, Dublin 2, Ireland D02RF29, and any other entity appointed as an arranger for the Programme.**UBS Europe SE**, registered with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Frankfurt am Main under HRB 107 046, whose registered address is at Bockenheimer Landstraße 2-4, 60306 Frankfurt am Main, Germany (**UBS**).
Dealer(s)	• **Banca Akros S.p.A.** (Gruppo Banco BPM); • **Barclays Bank Ireland PLC**; and • **UBS Europe SE**, and any other dealer appointed from time to time in accordance with the Programme Agreement, which appointment may be for the issue of a specific Series of Covered Bonds or on an ongoing basis.
Servicer	Pursuant to the terms of the Servicing Agreement, Banco BPM will act as Servicer. For a more detailed description of Banco BPM, see Section "*The Issuer*".
Sub-Servicers	**Banco BPM S.p.A.** and each Additional Seller who will accede to the Servicing Agreement and will act as Sub-Servicer in relation to the relevant Portfolio.
Back-Up Servicer	Means any entity which may be appointed as Back-up Servicer by the Guarantor, together with the Representative of the Bondholders.
Investment Manager	Pursuant to the Cash Allocation, Management and Payment Agreement, Banco BPM has been appointed as Investment Manager. For a more detailed description of Banco BPM, see Section "*The Issuer*".

Calculation Agent	Pursuant to the Cash Allocation, Management and Payment Agreement, Banco BPM has been appointed as Calculation Agent. For a more detailed description of Banco BPM, see Section "*The Issuer*".
Representative of the Bondholders	**The Bank Of New York Mellon SA/NV – Luxembourg Branch**, a credit institution organised and existing under the laws of Belgium, with company number 0806.743.159, whose registered office is at 46 Rue Montoyer, B-1000 Brussels, Belgium, acting through its Luxembourg branch located in the Grand Duchy of Luxembourg at 2-4 Rue Eugene Ruppert, L-2453 Luxembourg, registered with the RCS under number B 105087.
Asset Monitor	A reputable firm of independent accountants and auditors will be appointed as Asset Monitor pursuant to a mandate granted by the Issuer and the Asset Monitor Agreement, as an independent monitor to perform tests and procedures including those in accordance with the applicable legal regulations. The Asset Monitor will be BDO Italia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi, 94 - 20131 Milan, Italy, share capital of Euro 1,000,000, of which paid Euro 1,000,000, fiscal code and enrolment with the companies' register (*registro delle imprese*) of Milan No. 07722780967, R.E.A. 1977842 and enrolled under No. 167911 with the special register of accounting firms held by the *Commissione Nazionale per le Società e la Borsa* pursuant to article 161 of the Financial Laws Consolidation Act.
Interest Rate Swap Provider	Any swap provider who agrees to act as Interest Rate Swap Provider to the Guarantor in order to mitigate certain interest rate, currency and/or other risks in respect of amounts received by the Guarantor under the Cover Pool Agreement and amounts payable under the Term Loans (prior to the service of a Issuer Default Notice) and under the Guarantee in respect of the Covered Bonds (after an Issuer Default Notice).
Account Bank	**Banco BPM** will act as Account Bank pursuant to the Cash Allocation, Management and Payment Agreement, provided that, as long as Banco BPM will not be an Eligible Institution, it will be substituted in the performance of its activities as Account Bank by the Back-up Account Bank.

	For a more detailed description of Banco BPM, see Section "*The Issuer*".
Luxembourg Listing and Paying Agent	**The Bank Of New York Mellon SA/NV – Luxembourg Branch**, a credit institution organised and existing under the laws of Belgium, with company number 0806.743.159, whose registered office is at 46 Rue Montoyer, B-1000 Brussels, Belgium, acting through its Luxembourg branch located in the Grand Duchy of Luxembourg at 2-4 Rue Eugene Ruppert, L-2453 Luxembourg, registered with the RCS under number B 105087.
Principal Paying Agent and Back-up Account Bank	**The Bank of New York Mellon (Luxembourg) S.A.**, Italian branch, a bank incorporated under the laws of Grand Duchy of Luxembourg, having its registered office at Vertigo Building – Polaris – 2-4 rue Eugène Ruppert – L-2453, Luxembourg, Grand Duchy of Luxembourg, acting through its Italian branch with offices at Via Carducci, 31, 20123 Milan, Italy, fiscal code and enrolment with the companies' register (*registro delle imprese*) of Milan number 05694250969 and registered with the register held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act as a "filiale di banca estera" under number 5662 and with ABI code 3351.4, will act as Principal Paying Agent and Back-up Account Bank pursuant to the terms of the Cash Allocation, Management and Payment Agreement.
Guarantor Corporate Servicer	**KPMG Fides Servizi di Amministrazione S.p.A.**, a company incorporated under the laws of Italy, having its registered office at via Vittor Pisani 27, Milan, Italy, acting through its branch in Rome, at Via Curtatone 3, Rome, Italy, has been appointed as Guarantor Corporate Servicer pursuant to the Corporate Services Agreement.
Guarantor Quotaholders	**Banco BPM and Stichting Horizonburg**, a company incorporated under the laws of The Netherlands, having its registered office at Hoogoorddreef 15, 1101BA Amsterdam, The Netherlands, holding, respectively 80% and 20% of the Guarantor's quotas, are the quotaholders of the Guarantor.

THE PROGRAMME

Programme description	A covered bond issuance programme under which Covered Bonds (*Obbligazioni Bancarie Garantite*) will be issued by

	the Issuer to Bondholders and guaranteed by the Guarantor under the Guarantee.
Programme Limit	The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed €10,000,000,000 (or its equivalent in other currencies to be calculated as described in the Programme Agreement). The Issuer may however increase the aggregate nominal amount of the Programme in accordance with the Programme Agreement.
THE COVERED BONDS	
Form of Covered Bonds	The Covered Bonds will be issued in bearer and dematerialised form or in any other form as set out in the relevant Conditions and/or Final Terms. The Covered Bonds issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli account holders and title thereto will be evidenced by book entries. Monte Titoli will act as depository for Euroclear and Clearstream. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.
Denomination of Covered Bonds	The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealers in accordance with the Conditions and specified in the relevant Final Terms save that the minimum denomination of each Covered Bond will be Euro 100,000 or such other amount 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 relevant Specified Currency.
Status of the Covered Bonds	The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a winding-up, liquidation, dissolution or bankruptcy of the Issuer, any funds realised and payable to the Bondholders will be collected by the Guarantor on their behalf.
Specified Currency	Covered Bonds will be issued, subject to any applicable legal or regulatory restrictions, in such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent

	and the Representative of the Bondholders (as set out in the applicable Final Terms).
Maturities	The Covered Bonds will have such Maturity Date as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Redemption	The applicable Final Terms relating to each Series of Covered Bonds will indicate either that the Covered Bonds of such Series of Covered Bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following a Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer or at the option of the Bondholders on a date or dates specified prior to the specified Maturity Date and at a price and on other terms as may be agreed between the Issuer and the Dealer(s) (as set out in the applicable Final Terms). For further details, see Condition 8 (*Redemption and purchase*). For the avoidance of doubt any reference in this Prospectus to such Condition 8 (*Redemption and purchase*) shall be read as a redemption at 100 per cent of the aggregate principal amount of the Covered Bonds.
Extended Maturity Date	The applicable Final Terms relating to each Series of Covered Bonds issued may indicate that the Guarantor's obligations under the Guarantee to pay Guaranteed Amounts equal to the final redemption amount of the applicable Series of Covered Bonds on their Maturity Date may be deferred until the Extended Maturity Date. Where such Extended Maturity Date is provided for in the Final Terms, the deferral will occur automatically if the Issuer fails to pay in full the final redemption amount on the Maturity Date for such Series of Covered Bonds and if the Guarantor does not pay the final redemption amount in respect of the relevant Series of Covered Bonds (for example, because the Guarantor has insufficient funds after making other payments ranking higher in accordance with the Guarantee Priority of Payments) by the Extension Determination Date. Interest will continue to accrue and be payable on the unpaid amount up to the Extended Maturity Date. If the term of the Covered Bond is extended, the

	Extended Maturity Date shall be the date falling one calendar year after the relevant Maturity Date and the Guarantor will make payments of Guaranteed Amounts on each relevant Guarantor Payment Date until the Extended Maturity Date. For further details, see Condition 8 (*Redemption and Purchase*).
Issue Price	Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis (as set out in the relevant Final Terms).
Interest	Covered Bonds may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or zero coupon and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms). Interest on Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s).
Fixed Rate Covered Bonds	Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
Floating Rate Covered Bonds	Floating Rate Covered Bonds will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

	in each case, as set out in the applicable Final Terms. The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds, as set out in the applicable Final Terms.
Zero Coupon Covered Bonds	Zero Coupon Covered Bonds, bearing no interest, may be offered and sold at a discount to their nominal amount unless otherwise specified in the applicable Final Terms.
Amortising Covered Bonds	Covered Bonds with a predefined, prescheduled amortisation schedule where, alongside interest, the Issuer will pay, at each Interest Payment Date specified in the relevant Final Terms, a portion of principal until maturity.
Taxation	Subject to certain exceptions, all payments in relation to Covered Bonds will be made without Tax Deduction or Withholding Tax. If any deduction or withholding is made on account of Tax, the Issuer shall, subject to a number of exceptions, be required to pay additional amounts in respect of the amounts so deducted or withheld. Under the Guarantee the Guarantor will not be liable to pay any such additional amounts. For further details, see Condition 10 (*Taxation*).
Issuer cross default	Each Series of Covered Bonds will cross-accelerate as against each other Series but will not otherwise contain a cross default provision. Accordingly, neither an event of default under any other indebtedness of the Issuer (including other debt securities of the Issuer) nor any acceleration of such indebtedness will of itself give rise to an Issuer Event of Default. In addition, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default, *provided however that*, where a Guarantor Default Notice is served on the Guarantor as a result of a Guarantor Event of Default in respect of any one Series of Covered Bonds, all obligations of the Guarantor under the Guarantee will be accelerated in respect of all Series of Covered Bonds outstanding. For further details, see Condition 11 (*Segregation Event and Events of Default*).
Notice to the Rating Agency	The issue of certain types of Covered Bonds (including Zero Coupon Covered Bonds or Covered Bonds whose Final Terms do not provide for an Extended Maturity Date) in each case as specified in the applicable Final Terms as well as the sale of any Subsequent Portfolio which has

characteristics and/or features that differ materially from the characteristics and/or features of the Initial Portfolio, including any Subsequent Portfolio which comprises loans originated by entities different from Banco BPM, shall be subject to prior notice to the Rating Agency.

Listing and admission to trading

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

Ratings

The Covered Bonds issued under the Programme, if rated, are expected to be assigned a credit rating as specified in the relevant Final Terms by Moody's Deutschland GmbH (**Moody's**) and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any Series of Covered Bonds (the **Rating Agency**).

Whether or not the credit rating applied for in relation to relevant Series of Covered Bonds will be (1) issued or endorsed by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (as amended, the **EU CRA Regulation**) or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the United Kingdom (**UK**) and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the **UK CRA Regulation**) or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the Final Terms.

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

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation as it forms part of domestic law by virtue of the EWA.

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

Moody's is a rating agency established in the EEA and registered under the EU CRA Regulation. All credit ratings assigned to the Covered Bonds issued under the Programme will be disclosed in the relevant Final Terms. **A credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be subject to suspension, reduction or withdrawal at any time by the Rating Agency**.

Governing Law

The Covered Bonds will be governed by Italian law or by any other law as set out in the relevant Conditions and/or Final Terms. The Transaction Documents will be governed by Italian law, except for the Swap Agreements and the Deed of Charge, which will be governed by English law.

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

Breach of Tests

If the Calculation Agent notifies the breach of any Test in accordance with the Cover Pool Management Agreement, the Guarantor will, within the Test Grace Period, as the case may be: (i) purchase Subsequent Portfolios from the Sellers (and/or any Additional Seller) in accordance with the Master Receivables Purchase Agreements, and/or (ii) purchase Substitution Assets or other Eligible Assets in accordance with the Cover Pool Management Agreement, in each case in an amount sufficient to ensure that as of the subsequent Calculation Date, all Tests are satisfied with respect to the Cover Pool.

Segregation Events

A Segregation Event will occur upon the notification by the Calculation Agent that a breach of the Mandatory Tests and/or the Amortisation Test and/or, prior to the delivery of an Issuer Default Notice, the Asset Coverage Test, has not been remedied within the applicable Test Grace Period.

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

In such case:

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

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

(c) the purchase price for any Eligible Assets or Substitution Assets to be acquired by the Guarantor shall be paid only using the proceeds of a Term Loan, except where the breach referred to in the Breach of Test Notice may be cured by using the Guarantor Available Funds.

Following the occurrence of a Segregation Event and until an Issuer Default Notice has been delivered, payments due under the Covered Bonds will continue to be made by the Issuer.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor will sell the Eligible Assets and the Substitution Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the rights of pre-emption in favour of the Seller in respect of such Eligible Assets and Substitution Assets pursuant to the relevant Master Receivables Purchase Agreement and the Cover Pool Management Agreement.

Following the delivery of a Breach of Tests Notice but prior to the delivery of an Issuer Default Notice, the right of the Guarantor to sell Eligible Assets and Substitution Assets shall cease to apply if on any Calculation Date prior to the expiry of the Test Remedy Period the Tests are subsequently met, unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to deliver a subsequent Breach of Tests Notice at any time thereafter to the extent a further Segregation Event occurs. If the relevant Test(s) is/are met within the Test Remedy Period, the Representative of the Bondholders will promptly deliver to the Issuer, the Guarantor and the Asset Monitor a notice informing such parties that the Breach of Tests Notice then outstanding has been revoked.

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

Issuer Events of Default

An Issuer Event of Default will occur if:

(i) following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the Calculation Date falling at the end of the Test Remedy Period unless a Programme Resolution is passed resolving to extend the Test Remedy Period;

(ii) default is made by the Issuer in (a) the payment of any principal or redemption amount due on the relevant Maturity Date in respect of the Covered Bonds of any Series, or (b) for a period of 7 days or more in the payment of any interest amount due in respect of the Covered Bonds of any Series; or

(iii) a default is made in the performance by the Issuer of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any

Series and/or any obligation to ensure compliance of the Cover Pool with the Tests) under the provisions of the Covered Bonds of any Series or any other Transaction Document to which the Issuer is a party which, (unless certified by the Representative of the Bondholders, in its sole opinion, to be incapable of remedy) shall continue for more than 30 days or such longer period as the Representative of the Bondholders may permit, after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Issuer by the Representative of the Bondholders, or

(iv) an Insolvency Event occurs in respect of the Issuer;

(v) a resolution pursuant to article 74 of the Consolidated Banking Act is issued in respect of the Issuer;

and the Representative of the Bondholders will serve notice (the **Issuer Default Notice**) on the Issuer and the Guarantor that an Issuer Event of Default has occurred, specifying, in case of the Issuer Event of Default referred to under point (v) above, that the Issuer Event of Default may be temporary.

Upon the service of an Issuer Default Notice:

(a) interest and principal falling due on the Covered Bonds will be payable by the Guarantor, subject to and in accordance with the terms of the Guarantee and the Guarantee Priority of Payments at the time and in the manner provided under the Conditions (including, to the extent applicable, Condition 8 (b) (*Extension of maturity*));

(b) the covered Bonds will become immediately due and payable at their Early Termination Amount together with any accrued interest by the Issuer and will rank *pari passu* among themselves if so resolved by a Programme Resolution; and

(c) the provisions governing the Segregation Events shall apply,

provided that, in case of the Issuer Event of Default referred to under point (v) above, the effects listed in items from (a) to (c) above will only apply for as long as the suspension of payments will be in force and effect and accordingly (A) the Guarantor, in accordance with Decree

No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the suspension period and (B) at the end of the suspension period the Issuer shall be 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).

Please also see Condition 11.2 (*Issuer Events of Default*).

Guarantor Event of Default

A Guarantor Event of Default will occur if:

(i) default is made by the Guarantor for a period of 7 days or more in the payment by the Guarantor of any amounts due for payment in respect of the Covered Bonds of any Series; or

(ii) following the occurrence of an Issuer Event of Default there is a breach of the Mandatory Tests and/or of the Amortisation Test on any Calculation Date;

(iii) an Insolvency Event occurs in respect of the Guarantor;

(iv) default is made in the performance by the Guarantor of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series and/or any obligation to ensure compliance of the Cover Pool with the Tests) under the provisions of the Covered Bonds of any Series or any other Transaction Document to which the Guarantor is a party which, (unless certified by the Representative of the Bondholders, in its sole opinion, to be incapable of remedy) shall continue for more than 30 days or such longer period as the Representative of the Bondholders may permit, after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Guarantor by the Representative of the Bondholders;

and the Representative of the Bondholders will serve notice (the **Guarantor Default Notice**) on the Guarantor that a Guarantor Event of Default has occurred, unless the Representative of the Bondholders, having exercised its discretion, resolves otherwise or a Programme Resolution is passed resolving otherwise.

After the delivery of a Guarantor Default Notice, all Series of Covered Bonds then outstanding will become immediately due and payable by the Guarantor at their Early Termination Amount together with any accrued interest and will rank *pari passu* among themselves in accordance with the Post-enforcement Priority of Payments.

For a detailed description, see Condition 11.3 (*Guarantor Events of Default*).

THE TESTS

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

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

THE GUARANTOR AND THE GUARANTEE

Guarantee

Payments of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor to make payments in respect of the Guaranteed Amounts when Due for Payment are subject to the conditions that an Issuer Event of Default has occurred, an Issuer Default Notice has been served on the Issuer and on the Guarantor or, if earlier, a Guarantor Event of Default has occurred and a Guarantor Default Notice has been served on the Guarantor. The obligations of the Guarantor will accelerate with respect to all Guaranteed Amounts once the Guarantor Default Notice has been delivered to the Guarantor. The obligations of the Guarantor under the Guarantee constitute direct obligations of the Guarantor backed by the Cover Pool and recourse against the Guarantor is limited to such assets.

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

Cover Pool

The Guarantee will be backed by the Cover Pool constituted by (i) the Portfolios comprised of Receivables and related collateral assigned to the Guarantor by the Sellers (and/or any Additional Seller(s), if any, as the case may be), in accordance with the terms of the Master Receivables Purchase Agreements and (ii) any other Eligible Assets and Substitution Assets held by the Guarantor with respect to the Covered Bonds and the proceeds thereof which will, *inter alia*, comprise the funds

	generated by the Eligible Assets and the Substitution Assets including, without limitation, funds generated by the sale of assets from the Cover Pool and funds paid in the context of a liquidation of the Issuer. For further details, see "*Description of the Cover Pool*".
Limited recourse	The obligations of the Guarantor to the Bondholders and, in general, to the Sellers (and/or any Additional Seller(s), if any) and other creditors will be limited recourse obligations of the Guarantor. The Bondholders, the Sellers (and /or any Additional Seller(s), if any) and such other creditors will have a claim against the Guarantor only to the extent of the Guarantor Available Funds subject to the relevant Priorities of Payments, in each case subject to, and as provided for in, the Guarantee and the other Transaction Documents.
Term Loans	The Seller will grant to the Guarantor a Term Loan for the purposes of (a) funding the purchase from the Seller (and any Additional Seller(s), if any) of Subsequent Portfolios in order to collateralise new Series of Covered Bonds to be issued under the Programme and/or (b) funding the purchase of Substitution Assets and/or other Eligible Assets in order to remedy a breach of the Tests or of the representations and warranties provided by the Seller (and any Additional Seller(s), if any). The Guarantor will pay interest and/or Premium in respect of each Term Loan but will have no liability to gross up for withholding Taxes. Payments from the Guarantor to the Seller (and each Additional Seller(s), if any) under the Term Loans will be limited recourse and subordinated and paid in accordance with the Priorities of Payments to the extent the Guarantor has available funds, provided that any extra available fund will be used to repay the Term Loans. For further details, see "*Description of the Transaction Documents – Subordinated Loan Agreement*".
Excess Assets and support for further issues	Any Eligible Assets and Substitution Assets forming part of the Cover Pool which are in excess of the value of the Eligible Assets and Substitution Assets required to satisfy the Tests may be (i) purchased by the Seller (or the relevant Additional Seller(s), if any) in accordance with the provisions of the Cover Pool Management Agreement and the relevant Master Receivables Purchase Agreement or (ii) applied to acquire further Eligible Assets and Substitution Assets so as to support the issue of new Series of Covered Bonds and ensure compliance with such Tests, or (iii) retained in the Cover Pool. Provided that in each

	case any such disposal or purchase shall occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310 and no disposal under item (i) above may occur if it would cause the Tests to be breached. For further details, see "*Description of the Transaction Documents - The Cover Pool Management Agreement*".
Segregation of Guarantor's rights and collateral	The Covered Bonds benefit from the provisions of article 7-*bis* of the Securitisation and Covered Bonds Law, pursuant to which the Cover Pool is segregated by operation of law from the Guarantor's other assets. In accordance with article 7-*bis* of the Securitisation and Covered Bonds Law, prior to and following a winding up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Guarantee to be called, proceeds of the Cover Pool paid to the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to the Bondholders, to the Swap Providers under the Swap Agreements and to any other creditors exclusively in satisfaction of the transaction costs of the Programme. The Cover Pool may not be seized or attached in any form by creditors of the Guarantor other than the entities referred to above, until full discharge by the Guarantor of its payment obligations under the Guarantee or cancellation thereof.
Cross-collateralisation	Each Eligible Asset and Substitution Asset transferred from the Sellers to the Guarantor or otherwise acquired by the Guarantor will from time to time form the collateral supporting the Guarantee *pari passu* and *pro rata* in respect of all Series of Covered Bonds.
Claim under the Guarantee	The Representative of the Bondholders, for and on behalf of the Bondholders, may submit a claim to the Guarantor and make a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or enforce the Guarantee if so instructed by the Bondholders.
Guarantor cross default	Where a Guarantor Event of Default occurs, the Representative of the Bondholders will serve upon the Guarantor a Guarantor Default Notice, thereby

	accelerating the Guarantee in respect of each Series of outstanding Covered Bonds issued under the Programme. However, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default. For further details, see Condition 11.3 (*Guarantor Events of Default*).
Disposal of assets included in the Cover Pool	After the service of a Breach of Test Notice on the Guarantor, the Guarantor may, or following an Issuer Default Notice or a Guarantor Default Notice shall, sell the Eligible Assets and Substitution Assets in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the right of pre-emption in favour of the Issuer in respect of such Eligible Assets and Substitution Assets. The proceeds from any such sale will be credited to the Transaction Account and applied as set out in the applicable Priority of Payments. For further details, see Condition 11.3 (*Guarantor Events of Default*).
Actions of the Representative of the Bondholders	Each holder of the Covered Bonds, by purchasing any Covered Bond, shall be deemed to agree, and each of the Other Guarantor Creditors will acknowledge pursuant to the Intercreditor Agreement, that the Representative of the Bondholders shall not be bound to make any claim on the Guarantor or make a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or enforce the Guarantee if so instructed by the Bondholders or exercise any rights granted under the mandate conferred on it under the Mandate Agreement or the Intercreditor Agreement or exercise any other discretion or power unless, in each case, it has been indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing. The Representative of the Bondholders shall not be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by any holder of the Covered Bonds or by any Other Guarantor Creditor as a result of the performance of its duties save where such loss, liability, claim, expense or damage is suffered or incurred as a result of gross negligence (*colpa grave*), wilful default (*dolo*) or fraud (*frode*) of the Representative of the Bondholders.

SALE AND DISTRIBUTION

Distribution	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions to be set forth in the Programme Agreement. Each Series of Covered Bonds issued will be denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply and will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. There are restrictions on the offer, sale and transfer of Covered Bonds in the United States, the European Economic Area (including the United Kingdom and the Republic of Italy) and in Japan. Other restrictions may apply in connection with the offering and sale of a particular Series of Covered Bonds. For further details, see Section "*Subscription and Sale*" below.

RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect their ability to fulfil their obligations under the Covered Bonds issued under the Programme. Most of these factors are contingencies which may or may not occur. In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Covered Bonds issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur for other reasons which may not be considered significant risks by the Issuer nor the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in the "Terms and Conditions of the Covered Bonds" below or elsewhere in this Prospectus have the same meaning in this section.

1. RISK FACTORS RELATING TO THE ISSUER

Risks related to the impact of global macro-economic factors and the ongoing coronavirus (COVID-19) pandemic

Risks related to the impact of global macro-economic factors

The performance of the Banco BPM Group is influenced by: Italian and EU-wide macroeconomic conditions, the conditions of the financial markets in general, and in particular, by the stability and trends in the economies of those geographical areas in which Banco BPM conducts its activity. The earning capacity and solvency of the Banco BPM Group are affected, inter alia, by factors such as investor perception, long-term and short-term interest rate fluctuations, exchange rates, liquidity of financial markets, availability and costs of funding, sustainability of sovereign debt, family incomes and consumer spending, unemployment levels, inflation and property prices. Adverse changes in these factors, especially during times of economic and financial crisis, could result in potential losses, an increase in the Issuer's and/or the Banco BPM Group's borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

Global and Italian macro-economic conditions have been, and continue to be, affected by a novel strain of coronavirus (COVID-19), which has spread to numerous countries throughout the globe; the World Health Organization declared the outbreak a pandemic in March 2020. Notwithstanding the recent vaccination efforts by national governments, the Covid-19 pandemic continues to affect economic activity at global and regional level. Both the outbreak and government measures taken in response (including border closings, travel restrictions, confinement measures) have had and are likely to continue to have a significant impact, both directly and indirectly, on economic activity and financial markets globally. The slowdown of the economies particularly affected in 2020 (e.g. China, Italy, France, Spain, the United Kingdom, other European countries and the United States) as well as the reduction in global trade and commerce more generally have had and are likely to continue to have negative effects

on global economic conditions as global production, investments, supply chains and consumer spending are affected and further restrictions are implemented.

In response to the adverse economic and market consequences of the pandemic, various governments and central banks have taken or announced measures to support the economy (such as loan guarantee schemes, tax payment deferrals, expanded unemployment coverage) or to improve liquidity in the financial markets (such as increased asset purchases, funding facilities). No assurance can be given that such measures will suffice to offset the negative effects of the pandemic on the economy regionally or globally, to stave off regional or global recessions or to stabilise financial markets. The economic environment may well deteriorate further before beginning to improve.

The Group is exposed to risks from the pandemic and its economic and market consequences both due to its inherent general sensitivity to macroeconomic and market conditions, as well as to specific implications, as described below.

In fact, the Group's results and financial condition could be adversely affected by reduced economic activity and potentially recessions in its principal markets. The containment measures taken in Italy since the first half of 2020 and through 2021, and in particular in Northern Italy, where the Group primarily operates have significantly reduced economic activity; while the principal containment measures have been lifted as of the date of this Prospectus, any potential future reinstatement of such measures could result in local or regional decline in economic activity. The impact of these measures have affected and could continue to affect the Group's results due to reduced revenues, changes in the Issuer's credit risk and consequential impact on its financial liabilities measured at fair value, increase in operational costs and costs connected to the contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund (see also "*Risks connected to the contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund*"), costs connected with the actions taken by the Group to secure its premises and branch, as well as its employees and customers, from the risk of spread of Covid-19, and deteriorated asset quality, both generally and in specific sectors that are particularly affected. For additional information, see also Banco BPM's 2020 Annual Financial Statements, which are incorporated by reference in this Prospectus. The Group's results and financial condition could be adversely affected to the extent that the counterparties to whom it has exposure could be materially and adversely affected, resulting, in particular, in an increase in the Group's cost of risk.Uncertainty as to the duration and extent of the pandemic makes the overall impact on the world economy unpredictable. The extent to which the pandemic and its economic consequences will affect the Group's results and financial condition will depend on future developments, including (i) the impact of the measures taken to date or future measures that may be taken by governments and central banks, particularly the Italian government and the Bank of Italy, and (ii) the actual severity and duration of the pandemic and the nature, extent and duration of the measures taken to contain or treat its impact in Italy and the other the markets where the Group operates. In addition, while central bank and government actions and support measures taken in response to the pandemic may well help attenuate its adverse economic and market consequences, they have also issued and may issue additional restrictions or recommendations in respect of banks' actions (for example, the recommendation issued by the European Central Bank on 27 March 2020, as subsequently amended). In particular, they may limit or seek to limit banks' flexibility

in managing their business and taking action in relation to capital distribution and capital allocation.

In addition, a number of uncertainties remain in the current macroeconomic environment, namely: (a) the impact of the COVID-19 pandemic on global growth and individual countries (see the preceding paragraphs); (b) confirmation of growth trend, or recovery and consolidation perspectives, for the US and Chinese economies, which have shown consistent progresses in recent years but have recently lost momentum; (c) the ongoing commercial dispute between the US and China, which have impacted international trade and therefore global supply chains and global production; (d) the European Central Bank's (**ECB**), in the Euro area, and the Federal Reserve System's, in the US, monetary policy effectiveness and their future developments, adverse future developments in the Dollar area, policies implemented by other countries aimed at promoting their currencies' competitive devaluations; (e) sovereign debt sustainability of certain countries and the related recurring tensions on the financial markets; and (f) increased tensions between Iran and the US in the Middle East, as well as ongoing geopolitical tensions in other countries.

In addition, pursuant to a referendum held in June 2016, the UK has voted to leave the European Union (**EU**) and, on 29 March 2017, the UK Government invoked article 50 of the Lisbon Treaty and officially notified the European Union of its decision to withdraw from the European Union. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the European Union (the **Article 50 Withdrawal Agreement**). On 31 January 2020 the UK and the European Union finalised and ratified the Article 50 Withdrawal Agreement. Part Four of the Article 50 Withdrawal Agreement provided for a transition period which ended on 31 December 2020. The UK left the EU on 31 January 2020 at 11pm, and the transition period has ended on 31 December 2020 at 11pm. As a result, the Treaty on the European Union and the Treaty on the Functioning of the European Union have ceased to apply to the UK. The UK is also no longer part of the European Economic Area. The EU-UK Trade and Cooperation Agreement (the **Trade and Cooperation Agreement**), which governs the relations between the EU and the UK following the end of the transition period and which had provisional application pending completion of ratification procedures, entered into force on 1 May 2021.

The European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) and secondary legislation made under powers provided in this Act ensure that there is a functioning statute book in the UK. While the UK introduced a temporary permission regime to allow EEA firms to continue to do business in the UK for a limited period of time, once the passporting regime fell away, the majority of EEA states have not introduced similar transitional regimes. The Trade and Cooperation Agreement is only part of the overall package of agreements reached on 24 December 2020. Other supplementing agreements included a series of joint declarations on a range of important issues where further cooperation is foreseen, including financial services. The declarations state that the EU and the UK will discuss how to move forward with equivalence determinations in relation to financial services. It should be noted that even if equivalence arrangements for certain sectors of the financial services industry are agreed, market access is unlikely to be as comprehensive as the market access that the UK enjoyed through its EU membership. The exit of the United Kingdom from the European Union, and the possibility that other European Union countries could hold similar referenda to the one held in the United Kingdom and/or call into question their membership of the European Union or prolonged periods of uncertainty connected to these eventualities could

have significant negative impacts on global economic conditions and the stability of international financial markets.

The risks for the euro area economy include a weakening external environment amid prolonged or/and escalating trade restrictions and substantial economic consequences as a result of a recurrence of Eurozone sovereign debt and banking stress triggered, among other things, by political and fiscal uncertainty, the challenging low/negative interest rate operating environment, as well as a weaker than expected performance of the euro area economy. These factors, among other things, may restrict the European economic recovery, with a corresponding adverse effect on the Banco BPM Group's business, results of operations and financial condition.

The dynamics described in the previous paragraphs and the consequential effects on the Banco BPM Group's activities are influenced by the international and Italian socioeconomic context and its impact on financial markets.

In particular, the Banco BPM Group's business is particularly sensitive to adverse macroeconomic conditions in Italy and in particular in Northern Italy, including as a result of the COVID-19 pandemic, a declining or stagnating GDP, increasing or stagnating unemployment and poor conditions in the capital markets in Italy. All these factors could decrease consumer confidence and investment, and result in higher rates of loan impairment and/or NPLs and default and insolvency, and cause an overall reduction in demand for the Group's service. Any adverse economic condition in Italy could have a material adverse effect on the business, results of operation or financial condition of the Banco BPM Group.

In addition, the political situation in Italy have increased the economic uncertainty. Several government crises, internal divisions and alliances between political parties led to the formation of different governments since last elections in 2019. The political developments in Italy have recently caused a volatility in the value of Italian government securities and a corresponding volatility in the risk premium to be paid by the Italian government on its debt compared to other benchmark securities.

As a result, the economic implications of the policies of the Italian government remain uncertain.

All of these factors, in particular in times of economic and financial crisis, could result in potential losses, an increase in the Issuer's and/or the Banco BPM Group's borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Banco BPM Group.

Risks related to the financial situation of the Issuer and the Group

Risks related to the Strategic Plan

On 3 March 2020, the board of directors of Banco BPM approved a strategic plan (the **Strategic Plan**), containing the strategic guidelines and economic, financial and capital objectives of the Group for the period of 2020-2023.

The Strategic Plan contains the Group's target through to 2023 prepared on the basis of macroeconomic projections as of its approval date and strategic actions that need to be implemented.

The Strategic Plan is based on numerous assumptions and hypotheses, some of which relate to events not fully under the control of the board of directors and management of Banco BPM. In particular, the Strategic Plan contains a set of assumptions, estimates and predictions that are based on the occurrence of future events and actions to be taken by, *inter alia*, the board of directors of Banco BPM, in the period from 2020 to 2023, which include, among other things, hypothetical assumptions of different natures subject to risks and uncertainties arising from the current economic environment, relating to future events and actions of directors and the management of the Issuer that may not necessarily occur, events, actions, and other assumptions including those related to the performance of the main economic and financial variables or other factors that affect their development over which the directors and management of Banco BPM do not have, or have limited, control.

In this respect, on 7 May 2020 the Issuer announced that the targets of the Strategic Plan were no longer considered relevant to the current scenario, as they were drawn up on the basis of assumptions formulated before the outbreak of the global COVID-19 pandemic and the adoption of restrictive measures to contain it, in a macroeconomic scenario that is substantially different to that which has been prevailing since the first half of 2020. The Group will therefore prepare a new business plan once there is more certainty as to the future scenario, so that it can be based on new and more updated assumptions, both in macroeconomic and industry terms.

Although the Issuer has not updated its Strategic Plan, in 2020 and 2021 the Bank has adopted strategic initiatives aimed at managing the risks arising from the Covid-19 pandemic, which are focused on: (i) credit quality monitoring processes, through the development of early engagement initiatives with debtors and a review to the approach of unlikely to pay credits with a view to maximise recovery rates; (ii) review of business priorities, with a focus on enhancing the Group's operations in subsidised financing and switching direct funding into indirect funding (in particular, asset management operations); and (iii) the upgrade of the Group's IT systems in order to foster the transition to digitalisation of the Group's operations – which will allow the Group to further rationalise its branch network and its personnel turnover plan – and the enhancement of cyber-security.

Risks related to legal proceedings and inspections by Supervisory Authorities

The Banco BPM Group is subject to litigation in the ordinary course of its business, including civil and administrative legal proceedings, as well as several arbitration and tax proceedings. See "*Description of the Issuer and the Group – Legal Proceedings of the Group*". Negative outcomes in such proceedings or in any investigation by the supervisory authority may create liabilities which reduce the Issuer's ability to meet its obligations.

Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability to which the Banco BPM Group may be exposed when such proceedings are decided.

The Issuer considers that it has made appropriate provision in its consolidated financial statements to cover the possible losses that could arise from legal proceedings or other pending disputes, also taking into account indications provided by external legal counsel.

With regard to the diamonds sales activity carried out by a specialized third party company, the Intermarket Diamond Business (the **IDB**), through the banking channel, on 30 October 2017 an administrative sanction was imposed by the Antitrust Authority (AGCM) on IDB and

the reporting banks, including Banco BPM, for allegedly incorrect commercial practice under the Consumer Code. The Bank filed an appeal against the AGCM's decision, which has been rejected by the Regional Administrative Court (TAR); Banco BPM appealed the TAR ruling before the Supreme Administrative Court (*Consiglio di Stato*). The Supreme Administrative Court has generally confirmed the first instance ruling, although it reduced by 30% the penalties levied against the Group in light of its limited role in the diamonds sales activity carried out by IDB.

A criminal investigation is also pending with regard to the diamonds sales activity involving IDB and the various reporting banks, including Banco BPM. The criminal offences under investigation are alleged fraud and related self-laundering, obstacle to the supervisory authorities' functions and corruption among private parties. The inquiry involves also managers and former managers of Banco BPM Group (including the former General Manager) and the Bank itself and its subsidiary Banca Aletti for administrative offence pursuant to Legislative Decree 231/2001. Preliminary hearing set for 19 July 2021 has been postponed to 20 September 2021.

The Banco BPM Group is managing the clients' complaints and litigation arising from such reporting activity through a dedicated task force and the provisions set forth in the 2020 Annual Financial Statements.

For further information please see further the paragraph in this Prospectus headed "*Legal Proceedings of the Group*" – "*Ongoing Legal and Administrative Proceedings*" – "*Proceedings related to the diamonds reporting activities*" and the paragraph headed "*Other events during the year – Complaints about disputes and investigations relating to the reporting to the company Intermarket Diamond Business S.p.A. of customers interested in the purchase of diamonds made in previous years*" in the Group Report on Operations in Banco BPM's consolidated financial statements as at and for the year ended 31 December 2020, incorporated by reference in this Prospectus.

There can be no assurance that legal proceedings which are not included in these provisions would not give rise to additional liabilities in the future, nor that the amounts already set aside in these provisions will be sufficient to fully cover the possible losses deriving from these proceedings if the outcome is worse than expected. This could have a material adverse effect on the business, financial condition or results of operations of the Issuer and/or of the Banco BPM Group. The Banco BPM Group is furthermore subject, in the course of its ordinary activities, to inspections by the supervisory authority that could require organisational interventions or the strengthening of internal functions which are aimed at addressing weaknesses that have been identified during inspections which might, furthermore, result in sanction proceedings being brought against officers of the Issuer.

In addition, the Banco BPM Group is regularly subject to enquiries and inspections by the ECB in its capacity as the Bank's supervisory authority and other supervisory authorities in the ordinary course of its business. For additional information on pending inspections, see "*Description of the Issuer and the Group – Inspection activities and proceedings conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A.*". The outcomes of any such enquiries and inspections may lead to organisational interventions and the Banco BPM Group may be required to implement certain measures aimed at rectifying any shortcomings detected during such enquiries and inspections. A supervisory authority may also take a range of disciplinary actions against the representatives of the Issuer with administrative, management or control functions.

Compliance with any measures required by a supervisory authority may require the Banco BPM Group to take actions which have, and any sanction imposed by a supervisory authority may have, a potentially negative effect on the Group's business, financial condition or results of operations.

Risks related to deferred tax assets

Deferred tax assets (**DTAs**) and liabilities are recognised in Banco BPM's consolidated financial statements according to accounting principle IAS 12. As of 31 December 2020, DTAs amounted in aggregate to €4,467 million, of which €2,576 million may be converted into tax credits pursuant to Law No. 214 of 22 December 2011 (**Law 214/2011**).

The recognition of DTAs not convertible into tax credits and the subsequent maintenance in the balance sheet entails a probability test as to their potential recoverability, which must also consider the tax regulations in force at the date of preparation of the financial statements. The probability test must be based on reasonable income forecast taken from approved strategic plans and projections, also considering that, for income tax purposes, tax regulations permit tax losses to be carried forward without any time limit.

As a result, the recoverability of the DTAs not convertible into tax assets may be negatively influenced by changes in the tax regulations and in the accounting principles in force, which cannot be forecast at present.

Risks related to Sanctions

The Banco BPM Group has clients and partners located in a number of different jurisdictions. The Group is therefore required to comply with sanctions regimes in the jurisdictions in which it operates. In particular, the Group must comply or may in the future be required to comply with economic sanctions imposed by the United Nations, the European Union, the United Kingdom and the United States on certain countries, in each case to the extent applicable, and these regimes are subject to change, which cannot be predicted. Such sanctions may limit the ability of the Group to continue to transact with clients or to maintain commercial relations with counterparties which may fall under economic sanctions and/or counterparties that are located in sanctioned countries.

As of the date of this Prospectus, the Group has limited commercial relationships with certain counterparties located in sanctioned countries, but these are carried out in compliance with applicable laws and regulations. In addition and on the basis of advice obtained from an independent third party consultant, the Group regularly upgrades its dedicated procedures to enhance and monitor compliance with sanctions in the various countries in which it operates. However, were the counterparties of the Group, or the Group itself, to be affected by sanctions investigations and/or by sanctions, the investigation costs, remediation required and/or payment or other legal liability incurred could potentially negatively affect Banco BPM's net assets and net results. Such an adverse outcome could have a material adverse effect on the Group's reputation and business, results of operations or financial condition.

Risks related to the ratings assigned to the Issuer

The ratings assigned to the Issuer by the main international rating agencies are an indication of the credit ratings of the Issuer itself and the outlook represents the parameter which indicates the expected trend in the near future, of the ratings assigned to the Issuer. However, such

indications may not properly reflect developments in the solvency position of the Issuer and the Banco BPM Group. In addition, ratings assigned to the Issuer may be influenced by developments in the rating assigned to Italy's sovereign debt and the Italian macroeconomic conditions. Any deterioration in the Italian sovereign debt rating or in the Italian macroeconomic condition may lead to a downgrade of the Issuer's ratings, which could in turn cause adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Any reduction of the rating levels assigned to the Issuer could have a negative effect on the opportunities for the Issuer and for the Banco BPM Group to access the various liquidity instruments and could lead to an increase in funding costs or require the constitution of additional collateral guarantees for the purpose of accessing liquidity. This may cause adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks relating to the Issuer's business activities and industry

Credit risk

Credit risk is the risk that debtors may not fulfil their obligations or that their credit rating may suffer a deterioration (such debtors include the counterparties of financial transactions involving OTC (over the counter) derivatives traded outside of regulated markets) or that the Banco BPM Group's companies grant credit that they would not otherwise have granted, or would have granted upon different terms, on the basis of information that is untruthful, incomplete or inaccurate. Credit risk includes (i) counterparty risk and (ii) risks connected to the deterioration of the credit quality.

A number of factors affect a bank's credit risk in relation to individual credit exposures or for its entire loan book. These include the trend in general economic conditions or those in specific sectors, changes in the rating of individual counterparties, deterioration in the competitive position of counterparties, poor management on the part of firms or counterparties given lines of credit, and other external factors, also of a legal and regulatory nature. As a result of the ongoing COVID-19 outbreak, it cannot be excluded that credit quality in 2021 could be influenced with potential impacts not yet quantifiable.

The deterioration of the creditworthiness of major customers and, more generally, any defaults or repayment irregularities, the launch of bankruptcy proceedings by counterparties, the reduction of the economic value of guarantees received and/or the inability to execute the said guarantees successfully and/or in a timely manner, as well as any errors in assessing customers' creditworthiness – which may be also due to ineffectiveness of the Group's risk management methodologies, assessments and processes – could have a material negative effect on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

a) Risks connected to the deterioration of the credit quality

The Banco BPM Group is subject to credit risk. The Banco BPM Group's policies for managing and controlling the quality of the loan portfolio, and the associated risks, are based on rules of sound and prudent management. The policies are implemented through the processes of distributing, managing and monitoring credit risks that varied according to the circumstances of the market, business sector and characteristics of each borrower. The loan

portfolio is closely monitored on a continuous basis in order to promptly identify any signs of imbalance and to take corrective measures aimed at preventing any deterioration.

The recent crisis in the financial markets and the global economic slowdown have reduced and may further reduce, also as a result of the COVID-19 pandemic, the disposable income of households, as well as the profitability of companies and/or adversely affect the ability of bank customers to honour their commitments, resulting in a significant deterioration in credit quality in the areas of activity of the Issuer.

The coverage of the non-performing exposures of the Banco BPM Group as at 31 December 2020 was equal to 50.0%. The coverage of the bad loans of the Banco BPM Group as at 31 December 2020 was equal to 59.1%.

Banco BPM Group's net non-performing loans, as of 31 December 2020, amounted to Euro 4,293 million, with a decrease of Euro 1,252 million or 22.6%, as compared to 31 December 2019, and represented 3.9% of Banco BPM Group's total net loans.

In addition, the Group's gross NPL ratio was equal to 7.5% as of 31 December 2020, as compared to 9.1% as of 31 December 2019.In this respect, the EBA's "*Guidelines on management of non performing and forborne exposures*" require that banks with a gross NPL ratio exceeding 5% are required to prepare specific strategic and operative plans for the management of such exposures. Furthermore, on 20 March 2017, the ECB published the "*Guidance to banks on non-performing loans*". These guidelines address the main aspects of the management of non-performing loans, spanning from the definition of the NPL strategy and of the operational plan to the NPL governance and operations, meanwhile providing several recommendations and best practices which will drive in the future, the ECB's expectations. To this end, the Group constantly monitors the gross NPL ratio reduction target, as from time to time agreed with the competent supervising authorities. See also "*Risks related to the disposal of non-performing loans*" below.

Even though the Banco BPM Group periodically makes provisions to cover potential losses, on the basis of its experience and statistics, the Banco BPM Group may have to increase these provisions further should there be a rise in bad loans or an increasing number of the Banco BPM Group's debtors subject to insolvency proceedings (including bankruptcy or creditors' composition). In addition, provisioning may have to increase on the basis of the Prudential Backstop Regulation(as defined below, see also "*Regulatory – Regulatory Measures on NPLs*"), once implemented. In this regard, any significant increase in the provisions for non-performing exposures, change in the estimates of credit risk, or any losses that exceed the level of the provisions already made, could have a negative impact on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

b) Counterparty risk

In the conduct of its operations, the Banco BPM Group is exposed to counterparty risk. Counterparty risk is the risk that a counterparty of a transaction (including operations in derivatives and repurchase agreements) involving particular financial instruments may default before the transaction is settled. The Banco BPM Group trades derivative contracts with a wide variety of underlying assets and instruments, including interest rates, exchange rates, equity indices, commodities and loans, with counterparties from the financial services sector, commercial banks, government entities, financial and insurance firms, investment banks, funds and other institutional clients as well as with non-institutional clients.

Transactions in derivatives and repurchase transactions expose the Banco BPM Group to the risk that the counterparty defaults or becomes insolvent before settlement or expiry of the transaction, where the Issuer or other Banco BPM Group company has an outstanding claim against such counterparty, in addition to market risks and operational risks.

Such risks, which were accentuated as a result of the financial crisis and the consequent volatility in financial markets, could result in further adverse effects, if collateral provided to the Issuer or other companies of the Banco BPM Group cannot be realised or liquidated according to the envisaged timetable, in a manner, or to an extent, sufficient to cover the exposure to the counterparty.

The Banco BPM Group has specific policies and procedures for identifying, monitoring and managing these types of risk. Any breach by the counterparties of the obligations they assume under derivative or repurchase contracts they have made with the Issuer or other companies of the Banco BPM Group, and/or the realisation or liquidation of such collateral as they have provided that delivers a lower value than expected, may result in adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

c) Risks relating to the real estate market

The Banco BPM Group is exposed to the real estate sector, as it is a lender to companies in the real estate sector and to real estate investment funds, whose cash flows are mainly, or exclusively, backed by proceeds deriving from the construction, lease and/or sale of real estate.

The "real estate sector" includes loans to construction and real estate companies/economic groups, to real estate investment funds and to private individuals (in the form of mortgage loans or finance leases to buy a house), together with loans to companies categorised within this sector but whose core business is not real estate (*indotto immobiliare*) as well as to companies in the public infrastructure construction sector.

The real estate sector has been particularly affected by the economic and financial crisis resulting in a fall in asset prices as well as in the number of transactions, accompanied by an increase in the cost of funding and greater difficulties in obtaining access to credit. Consequently, companies operating in the real estate sector have experienced a decrease in transactions both in terms of volumes and margins, an increase in financial expenses, as well as greater difficulties in refinancing their debt. The past economic dynamic and the ongoing COVID-19 pandemic, could increase the bankruptcy rate of both individual and corporate borrowers of the Banco BPM Group, resulting in defaults in the payment of lease and/or mortgage instalments.

In this scenario, falling prices in the real estate market could adversely affect the Banco BPM Group, both directly as a result of the impact on customers operating in this sector, and indirectly as a result of the fall in the value of real estate properties posted as collateral for loans granted by the Banco BPM Group.

The Banco BPM Group has put procedures in place to handle and monitor the risk of default by the borrowers and is supported, where appropriate, by external and internal experts to evaluate any real estate projects and any exposure to the real estate sector is subject to increased capital requirements imposed by the Bank of Italy or the ECB. Notwithstanding the foregoing, any further deterioration of the real estate market conditions or of the economic and financial

conditions in general and/or fall in the value of real estate properties placed as collateral could adversely affect the debt servicing ability of the Banco BPM Group's borrowers and, in turn, have a negative adverse impact on the business, financial conditions and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks related to the disposal of non-performing loans

As the Group is among the largest banking groups in Italy, the ECB highlighted the need for the Banco BPM Group to accelerate the reduction of non-performing loans including bad loans, unlikely to pay (**UTP**) and past due (together, **NPLs**), and requested the preparation of a clear action plan for reducing NPLs and increasing the average coverage ratios of NPLs. The Group's strategic plan for the relevant period included details of a plan to reduce the holding of NPLs, such target having been reached in December 2019. Nonetheless, in 2020 the Group continued carrying out sales of non-performing assets.

It is possible that additional disposals will take place. Further, in accordance with the terms and results of the disposals undertaken to reduce the number of NPLs, the Issuer can give no assurance that no further adjustments to the income statement in respect of the value of the loans will be made, on account of the difference between the value at which the NPLs are recorded in the balance sheet of banks, and the price which investors specialised in "distressed debt" management are prepared to pay for the acquisition of the same, in view of the returns that such investors consider achievable. Such adjustments may have a material negative impact on the finances, assets and business of the Banco BPM Group.

Risks related to the exposure to sovereign debt

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the Euro Area, the global markets remain characterised by high uncertainty and volatility. Any further acceleration of the European sovereign debt crisis is likely to significantly affect, among other things, the recoverability and quality of the sovereign debt securities held by the Group as well as the financial resources of the Group's clients holding similar securities.

The ECB's unconventional policy (including public sector, covered bond and ABS purchase programme and provision of liquidity *via* Targeted Longer-Term Refinancing Operations (**TLTRO**)) has contributed to ease market tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. The possibility that the ECB could halt or reconsider the current set up of unconventional measures, as recent developments have shown, would impact negatively the value of sovereign debt instruments. This would have a materially negative impact on the Group's business, results and financial position.

The Group is exposed to government bonds and, in particular, Italian government bonds. As at 31 December 2020, the Group's total exposure to sovereign debt securities was equal to Euro 29,024.8 million, mainly concentrated at the Issuer level (Euro 28,803.8 million). Exposure to EU countries sovereign debt represented 91% of the total exposure to sovereign debt securities; exposure to Italian government bonds was equal to Euro 19,316.8 million as at 31 December 2020 (67% of total exposure). Consequently, the Issuer is particularly exposed to any adverse changes and fluctuations in the market for Italian government securities, the political situation and the sovereign debt rating. A decrease in the market price for Italian government bonds could negatively affect the value of its assets and therefore have an adverse effect on the Group's business, results of operations, financial condition and cash flows. In addition, if the

credit ratings of Italy and/or of other countries to which the Group has sovereign exposures deteriorate, the Issuer may be required to revise the risk weighting attributed to the relevant assets for the calculation of risk-weighted assets (**RWA**), which could have an adverse effect on the Issuer's capital ratios. The Issuer may also be required to revise the discount criteria applied by counterparties in refinancing transactions, such as in the ECB's TLTRO refinancing transactions, resulting in an increase in the collateral required or a reduction in the liquidity obtained in relation to such collateral.

In addition, the lingering uncertainties arising from geopolitical tensions, including the Brexit vote and the withdrawal of the UK from the European Union, could have a material adverse effect on the economies of the EU Member States in general, and the Italian economy in particular, with a consequential upsurge of the sovereign debt crisis. See also "Risks related to the impact of global macro-economic factors".

Although in recent years the fiscal and macroeconomic imbalances that contributed to the Euro Area sovereign's debt crisis have been reduced in several countries, there are still concerns about the possible dissolution of the European Monetary Union, or the exit of individual countries from the monetary union (with a possible return to local currencies), fostered, among other factors, by the electoral surge of anti- EU parties across the euro area. Any scenario of this kind would generate unpredictable consequences.

All the factors described above, and particularly any re-emergence or further deterioration of the sovereign debt crisis, could result in potential losses to the Issuer and/or the Banco BPM Group, an increase in its borrowing costs, and/or a reduction in the value of its assets, with possible negative effects on the economic and financial situation of the Issuer and/or of the Banco BPM Group.

Market risks

The Banco BPM Group is exposed to market risk, being the risk that the value of a financial asset or liability could vary because of changes of market factors, such as share prices, interest rates, exchange rates and their volatilities, as well as changes in the credit spreads of the relevant issuer.

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

(a) *Risks related to interest rates*

The Banco BPM Group's performance is influenced by interest rate trends and fluctuations, mainly in the European markets, which in turn are caused by different factors beyond the control of the Banco BPM Group, such as monetary policies, general trends in the national and international economy and the political conditions of Italy.

The performance of the Banco BPM Group's banking and financing operations depends upon the management and sensitivity of their interest rate exposure, *i.e*. the effect of changes in interest rates in the relevant markets on the interest margin and economic value of the Banco BPM Group. Any mismatch between the interest income accrued by the Banco BPM Group and the interest expense incurred (in the absence of protection taken out to cover this mismatch) could have material adverse effects on the Banco BPM Group's and/or the Issuer's business, financial condition or results of operations (such as an increase of the cost of funding that is more marked than any increase in the yield from assets or the reduction in the yield from assets that is not matched by a decrease in the cost of funding).

The Banco BPM Group has specific policies and procedures to identify, monitor and manage these types of risk. However, it is not possible to rule out that unexpected variations of market interest rates may have a negative impact on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

(b) *Risks related to the performance of financial markets*

The Banco BPM Group's results depend in part on the performance of financial markets. In particular, the unfavourable development of the financial markets in recent years has affected: (i) the placement of products relating to assets under management and assets under administration, with resulting adverse effects on the amounts of placement commissions received; (ii) management commissions due to the reduced value of assets (direct effect) and redemptions resulting from unsatisfactory performance (indirect effect); (iii) the operations of the *Investment Banking* line of business, in particular with respect to placement of financial products and customer dealing, with adverse effects on the amount of commissions received; and (iv) results from the management of the banking and trading portfolios.

The Banco BPM Group has specific policies and procedures in place to identify, monitor and manage these types of risk. However, the volatility and possible insufficient liquidity of the markets, as well as the change of investor preferences towards different kinds of products and/or services, may have an adverse effect on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Liquidity and Funding risks

Liquidity risk is the risk that the Issuer may not have the cash resources to be able to meet its payment obligations, scheduled or unscheduled, when due. "Funding Liquidity Risk" refers to the risk that the Issuer is not able to meet its scheduled or unscheduled payment obligations in an efficient manner due to its inability to access funding sources, without prejudicing its banking activities and/or financial condition. "Market Liquidity Risk" refers to the risk that the Issuer is only able to realise its assets at a loss as a result of the market conditions and/or timing requirements. Having access to adequate liquidity and long-term funding, in any form, to run its core activity is crucial for Banco BPM to achieve its strategic objectives. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

Starting in 2007, the international economic environment has been subject to long periods of high volatility, extraordinary uncertainty and instability in the financial markets. This was initially caused by the default of certain financial institutions and then by the sovereign debt crisis in certain countries, including Italy. During these periods, this state of uncertainty and volatility has led to considerable difficulties in finding liquidity on the wholesale market, a contraction in inter-bank loans and a significant increase in the cost of funding in the retail

markets, worsened by the growing distrust towards European bank operators, substantially limiting access to credit by operators.

A deterioration of market conditions, further loss of investors' confidence in financial markets, an increase in speculation about the solvency or credit standing of the financial institutions present in the market (including that of the Issuer), or that of the country where they are based, can adversely impact the ability of banks to obtain funding in future. The inability of Banco BPM or any Banco BPM Group legal entity to access the debt market (Funding Liquidity Risk) or sell its assets (Market Liquidity Risk) would, in turn, adversely affect the Banco BPM Group's ability to achieve its objectives.

In addition, the Banco BPM Group is exposed to government debt securities, in particular Italian government debt securities. Any further reduction in the credit rating assigned to Italy (which has already been the subject of a number of downgrades by the principal rating agencies in recent years) may adversely affect the value of such debt securities and as a result could impact the extent to which the Issuer can use, *inter alia*, Italian government debt securities as collateral for the ECB refinancing transactions which could have an adverse effect on the Banco BPM Group's liquidity.

Further reductions of the credit rating assigned to Italy might also entail a worsening of credit ratings assigned to Italian financial institutions (including that of the Issuer) – in this respect, see also "*Risks connected to the deterioration of credit quality*".

The Banco BPM Group constantly monitors its own liquidity and funding risks. There can, however, be no assurance that any negative developments in the conditions of the markets, in the general economic environment and/or in the Issuer's credit standing, combined with the need to align the Issuer's liquidity and funding position to regulatory requirements, would not have a negative impact on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

Operational risk

Operational risk is defined as the risk of suffering losses due to inadequacy or failure of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, which is the risk of losses deriving from breaches of laws or regulations, contractual, out-of-contract liabilities or other disputes, ICT (Information and Communication Technology) risk (including risks connected with cyber-attacks and risks connected with the malfunctioning of ICT equipment) and model risk. Strategic and reputational risks are not included. The Banco BPM Group has procedures in place to mitigate and monitor operational risks in order to limit the adverse consequences arising from such risks. These risks are managed and supervised by the Issuer and by other Banco BPM Group legal entities through a structured series of processes, functions and resources for the identification, measurement, valuation and control of risks that are characteristic of the Banco BPM Group's activities.

Nonetheless, the Banco BPM 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 (especially those due to potential exogenous factors such as external frauds and cyber-attacks), including risks that the Banco BPM Group fails to identify or anticipate.

Risks connected to the contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund

Directive 2014/49/EU (the **Deposit Guarantee Schemes Directive**) and the BRRD (as defined below), as well as the establishment of the Single Resolution Mechanism, introduced significant changes to the framework regulating the financial distress of banks, with the aim of strengthening the single market and the stability of the European banking system.

Based on the legal framework introduced as a consequence of the transposition into Italian law of these directives, financial institutions are required to provide financial resources in order to fund the Italian Interbank Deposit Guarantee Fund (*Fondo Interbancario di Tutela dei Depositi*) and the National Resolution Fund (*Fondo di Risoluzione Unico Nazionale*, which was transferred to the Single Resolution Fund (*Fondo di Risoluzione Unico*)).

With respect to the Italian Interbank Deposit Guarantee Fund, contributions are calculated with respect to the ratio of the guaranteed deposits held with banks of the Groups as compared to total protected deposits held with Italian banks participating to the Italian Interbank Deposit Guarantee Fund, as well as the level of risk of the Group's banks holding guaranteed deposits as compared to the aggregate level of risk of all the Italian banks participating to the Italian Interbank Deposit Guarantee Fund. The Deposit Guarantee Schemes Directive requires Italian banks to make annual ordinary contributions to the Italian Interbank Deposit Guarantee Fund in order for it to reach financial resources equaling 0.8% of the total guaranteed deposits held with Italian banks participating to the Italian Interbank Deposit Guarantee Fund. Such target must be reached by 3 July 2024.

With respect to the Single Resolution Fund, the contributions are calculated in proportion to the amount of liabilities of the relevant bank (excluding guaranteed deposits and own funds) to the total liabilities (excluding guaranteed deposits and own funds) of Italian banks and the degree of risk assumed by the relevant bank compared to the degree of risk assumed by all other Italian banks. The BRRD provides that Italian banks must pay annual ordinary contributions until the Single Resolution Fund has financial resources equal to at least 1% of the total guaranteed deposits of financial institutions authorised in all participating Member States. This level must be reached by 1 January 2024.

If the financial resources of the Interbank Deposit Guarantee Fund and/or the Single Resolution Fund are insufficient to cover any losses, or if as a result of costs or other expenses incurred by such funds in compliance with the regulations governing their operation the above percentages are not reached, financial institutions may be required to make extraordinary contributions.

For the year ended 31 December 2020, the Group's ordinary contribution to the Italian Interbank Deposit Guarantee Fund was Euro 79.9 million. The Group's ordinary annual contribution to the Single Resolution Fund in 2020 was equal to Euro 85.2 million. In addition, the Group was required to pay additional contributions to the Single Resolution Fund in 2020 equal to Euro 26.9 million in connection with the resolution actions taken before the activation of the Single Resolution Fund.

It should also be noted that the Covid-19 pandemic has led to a significant increase in the financial resources that customers have decided to keep in current accounts and savings deposits. This phenomenon has affected the entire banking system and has been reflected in an increase in the minimum financial endowment levels of both the Single Resolution Fund and the Interbank Deposit Guarantee Fund. This has led to an increase in the ex-ante contribution levels required of banks in order to reach the aforementioned minimum financial endowment levels.

Should the Group be required to make large contributions in future, or should the guarantee funds fail, this could have a material adverse effect on our business, financial condition and results of operations.

Climate and environmental risks

As part of the Risk Identification process carried out in 2020, the Group identified the issues relating to "Climate change & ESG (Environment, Social and Governance)" as a specific risk factor to which it could be exposed. Said issues are seen as the risk drivers underlying prudential risks, for example related to sustainable development in terms of credit and finance and the valuation of internal intangibles, and have shown an increase in terms of both the likelihood of their occurrence and their impact with respect to last year. To this end, the Group's risk management began an internal assessment process with respect to the current ESG regulatory requirements and consultation procedure, first of all with regard to the "Guide on climate-related and environmental risks" the final version of which was published by the ECB in November 2020.

Such risks could result in potential losses to the Issuer and/or the Banco BPM Group, an increase in its borrowing costs, and/or a reduction in the value of its assets, with possible negative effects on the economic and financial situation of the Issuer and/or of the Banco BPM Group.

Risks relating to European and Italian banking regulations

Risks related to regulatory changes in the banking and financial sectors and to the changes of the other laws applicable to the Banco BPM Group

The Banco BPM Group, as with all banking groups, is subject to extensive regulations and to the supervision (being for regulatory, information or inspection purposes, as the case may be) by the Bank of Italy, CONSOB and IVASS with respect to its bancassurance operations. As of and from 3 November 2014, the Banco BPM Group is also subject to the supervision of the ECB which, pursuant to rules establishing a single supervisory mechanism (the **Single Supervisory Mechanism** or **SSM**), has the duty to, among other things, guarantee the uniform application of the rules of the Euro currency area.

In particular, the Banco BPM Group is subject to the laws and regulations applicable to companies with financial instruments listed on regulated markets, the rules governing banking services (aimed to maintain the stability and the solidity of the banks as well as to limit their risk exposure) and financial services (that govern, among other things, the sale and placement of financial instruments as well as marketing operations). Supervisory authorities have broad administrative powers over many aspects of the financial services business, including liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, transparency, record keeping, and marketing and selling practices.

In particular, the Banco BPM Group is subject to an extensive set of rules governing capital adequacy, liquidity levels and leverage, which derive from the requirements approved by the Basel Committee on Banking Supervision following the 2008 financial crisis, as implemented in EU and Italian legislation. In this respect, on 11 December 2019, the ECB notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual Supervisory Review and Evaluation Process (**SREP**). On 17 November 2020, considering the general situation linked to the Covid-

19 pandemic, the European Central Bank informed supervised banks that it will not issue any SREP decisions in 2020, therefore the minimum capital ratios required for 2020 continue to apply in 2021. Taking into account this additional capital requirement, the Banco BPM Group is required to meet, for 2021, the following capital ratios at consolidated level, in accordance with the transitional criteria in place: (i) CET1 ratio of 8.461%; (ii) Tier 1 ratio of 10.383%; (iii) Total Capital ratio of 12.945%; and (iv) Total SREP Capital requirement of 10.25%[1]. The Banco BPM Group satisfied these prudential ratios at 31 March 2021, with a CET1 ratio of 13.74%, a Tier 1 ratio of 15.46% and a Total Capital ratio of 17.96%, in each case at phase-in level[2]. However, there can be no assurance that the total capital requirements imposed on the Issuer or the Group from time to time may not be higher than the levels of capital available at such time. Also, there can be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Group. For additional information on the capital requirements applicable to the Group, see "*Selected Consolidated Financial Data - Capital Requirements of the Group*" and "*Regulatory*".

In addition to the capital requirements discussed above, the BRRD introduced requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the **MREL**). Under the BRRD, where an entity fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities, resolution authorities have the power to prohibit certain distributions in accordance with the restrictions on distributions provisions by reference to the Maximum Distributable Amount. The Relevant Authority may furthermore exercise its supervisory powers under Article 104 of the CRD IV in case of breach of the minimum requirement for own funds and eligible liabilities. As a result, the powers set out in the BRRD and the application of the MREL requirement will impact the management of credit institutions and investment firms, as well as, in certain circumstances, the rights of creditors, including holders of Covered Bonds issued under the Programme.

The strengthening of capital adequacy requirements, the restrictions on liquidity and the increase in ratios applicable to the Banco BPM Group on the basis of the EU Banking Reform and other laws or regulations that may be adopted in the future could adversely affect the Banco BPM Group's business, results of operations, cash flow and financial position, as well as the possibility of distributing dividends to the shareholders and holders of AT1 instruments. In particular, problems could arise when subordinated bonds which are no longer eligible for regulatory capital purposes reach maturity, as they will have to be replaced by alternative funding sources that comply with the new rules. This could make it harder to comply with the new minimum capital requirements, at least with respect to the combined buffer requirement (and any other relevant buffer requirement applicable to the Issuer from time to time), potentially limiting the Banco BPM Group's ability to distribute dividends and to pay interests on AT1 instruments as a result of operation of the restrictions on distributions provisions by reference to Maximum Distributable Amount contained in the Applicable Banking Regulations.

Moreover, supervisory authorities have the power to bring administrative or judicial proceedings against the Banco BPM Group, which could result, among other things, in

[1] Capital requirements at 31 March 2021, subject to change for quarterly quantification of the Countercyclical Capital Buffer.

[2] Ratios calculated by including the profit realised in the first quarter of 2021 and deducting the expected dividend pay-out on such profit.

suspension or revocation of the licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action (in this respect, see also "*Risks related to legal proceedings and inspections by Supervisory Authorities*"). Such proceedings could have adverse effects on the Issuer's and the Banco BPM Group's business, financial conditions or results of operations. For additional information on the main laws and regulations applicable to the banking sector, see "*Regulatory*".

Risks related to recent and forthcoming regulatory and accounting changes

In addition to the own funds and eligible liabilities and liquidity requirements introduced by Basel III, the CRD IV, the BRRD and the EU Banking Reform, 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 and Markets in Financial Instruments EU Regulation which entered into force on 2 July 2014 with implementation required at Member States level as from January 2018 subject to certain transitional arrangements. A new framework for European securitisation (implemented through Regulation (EU) 2017/2042 and Regulation (EU) 2017/2401) has introduced the long awaited rules for issuing simple, transparent and standardised transactions and replaced the provisions of the CRR relating to the regulatory capital treatment of securitisation exposures held by EU credit institutions and investment firms.

Moreover, the Basel Committee has embarked on a very significant RWAs variability agenda. This includes the "Fundamental Review of the Trading Book", revised standardised approaches (*e.g.* credit, market, operational risk), constraint to the use of internal models, as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new setup will have a significant impact on risk modelling. From a credit risk perspective, an impact is expected both on capital held against the exposures assessed via standardised approach and on those evaluated via an internal ratings based approach (**IRB**), due to the introduction of capital floors that, according to the new framework, will be calculated based on the revised standardised approach. Implementation of these new rules on risk models will take effect from 1 January 2022.

Other forthcoming regulatory changes include the EU Banking Reform that amend many of the existing provisions set forth in CRD IV, the BRRD and the SRM Regulation. For additional information, see also "*Regulatory*" and "*Risks related to regulatory changes in the banking and financial sectors and to the changes of the other laws applicable to the Banco BPM Group*". On 7 December 2017 the Basel Committee endorsed the outstanding Basel III post-crisis regulatory reforms. The reforms, which include revisions to the measurement of the leverage ratio and a leverage ratio buffer for global systemically important banks (G-SIBs), which takes the form of a Tier 1 capital buffer set at 50% of a G-SIB's risk weighted capital buffer, will take effect from 1 January 2022 and will be phased in over five years. These are being introduced in the EU through the amendments to the CRR contained in the EU Banking Reform.

In addition, the EU Banking Reform changes the rules for calculating the capital requirements for market risks against the trading book positions set out in the CRR, to transpose the work done by the Basel Committee with the Fundamental Review of the Trading Book into EU law by establishing clearer and more easily enforceable rules on the scope of application to prevent regulatory arbitrage; improving risk capture, making requirements proportionate to reflect more accurately the actual risks to which banks are exposed; and strengthening the conditions

to use internal models to enhance consistency and risk-weight comparability across banks. The new rules include a phase-in period.

There can be no assurance that the implementation of the new capital requirements, standards and recommendations described above will not require the Issuer to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Issuer's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect Issuer's return on equity and other financial performance indicators.

The Issuer is exposed to the effects of changes in accounting principles or standards and regulations and/or changes to them (including those resulting from International Accounting Standards as endorsed and adopted in Europe). In this respect, as part of the project of rationalising and promoting the real estate assets of the Group, the Issuer resolved to change the measurement criterion for property and valuable works of art, adopting the fair value for real estate investments and the revaluation value for property used in operations and valuable works of art. The income statement for the 2020 financial year shows a negative impact of Euro 36.7 million resulting from the adjustment of the fair value of investment properties following the annual update of valuation reports. In the 2019 financial year, the impact was a negative Euro 158.5 million.

The Banco BPM Group is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). Specifically, the Banco BPM Group, like other parties operating in the banking sector, may need to revise the accounting and regulatory treatment of some existing assets, liabilities and transactions (and the related income and expense), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead to the Issuer having to restate financial data published previously. Investors should be aware that implementation of new accounting principles or standards and regulations (or changes thereto) may have a material adverse effect on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

2. RISKS RELATED TO THE COVERED BONDS

Risks related to Covered Bond generally

Issuer liable to make payments when due on the Covered Bonds

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

The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Guarantee until the occurrence of an Issuer Event of Default, service by the Representative of the Bondholders on the Issuer and on the Guarantor of an Issuer Default Notice or, if earlier, following the occurrence of a Guarantor Event of Default and service by the Representative of the Bondholders of a Guarantor Default Notice. The occurrence of an Issuer Event of Default

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

Obligations under the Covered Bonds

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

Following the failure by the Issuer to pay the Final Redemption Amount of a Series of Covered Bonds on their Maturity Date and if payment of the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of the Covered Bonds are not paid in full by the Guarantor on or before the Extension Determination Date, then payment of such Guaranteed Amounts shall be automatically deferred. This will occur if the Final Terms for a relevant Series of Covered Bonds provides that such Covered Bonds are subject to an extended final maturity date (the **Extended Maturity Date**) on which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Extension Determination Date.

To the extent that the Guarantor has received an Issuer Default Notice in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Guarantee Priority of Payments and as described in Condition 8 (*Redemption and Purchase*). Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. The Extended Maturity Date will fall one year after the Maturity Date. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 8 (*Redemption and Purchase*) and the Guarantor will pay Guaranteed Amounts, constituting interest due on each Guarantor Payment Date and on the Extended Maturity Date. In these circumstances, except where the Guarantor has failed to apply money in accordance with the Guarantee Priority of Payments, failure by the Guarantor to make payment in respect of the Final Redemption Amount on the Maturity Date (subject to any applicable grace period) (or such later date within the applicable grace period) shall not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay the Guaranteed Amounts corresponding to the Final Redemption Amount on or the balance thereof or prior to the Extended Maturity Date

and/or Guaranteed Amounts constituting interest on any Guarantor Payment Date will (subject to any applicable grace periods) be a Guarantor Event of Default.

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

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

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

If in the case of any particular Tranche of Covered Bonds the relevant Final Terms specifies that the Covered Bonds are redeemable at the Issuer's option pursuant to Condition 8(d) (*Redemption at the option of the Issuer*) the Issuer may choose to redeem the Covered Bonds at times when prevailing interest rates may be relatively low.

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. Further, during any period in which there is an actual or perceived increase in the likelihood that the Issuer may redeem the Covered Bonds, the price of the Covered Bonds may also be adversely impacted. This also may be true prior to any redemption period.

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

(b) Zero Coupon Covered Bonds

The Issuer may issue Covered Bonds bearing no interest, which may be offered and sold at a discount to their nominal amount. A holder of a zero coupon covered bond 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.

(d) Fixed/Floating Rate Covered Bonds

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

reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

(e) SONIA linked Covered Bonds

The Issuer may issue Covered Bonds with interest determined by reference to the SONIA. Potential investors should be aware that:

(i) the market price of such Covered Bonds may be volatile;

(ii) they may receive no interest;

(iii) the SONIA may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and

(iv) the timing of changes in the SONIA may affect the actual yield provided to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the SONIA, the greater the effect on the yield.

The historical experience of the SONIA should not be viewed as an indication of the future performance of the SONIA during the term of any SONIA linked Covered Bond. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any SONIA linked Covered Bond and the suitability of such Covered Bond in light of its particular circumstances.

(f) 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.

(g) Floating rate risks

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

(h) 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.

Covered Bonds issued under the Programme

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

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

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

(a) any Term Loan granted by the Sellers to the Guarantor under the terms of the relevant Subordinated Loan Agreement, may only be used by the Guarantor (i) as consideration for the acquisition of the Receivables from the Seller pursuant to the terms of the relevant Master Receivables Purchase Agreement; and (ii) as consideration for the acquisition of the Substitution Assets and/or other Eligible Assets from the Seller pursuant to the terms of the Cover Pool Management Agreement;

(b) the Issuer must always ensure that the Tests are satisfied on each Calculation Date in order to ensure that the Guarantor can meet its obligations under the Guarantee; and

(c) the Issuer shall give prior notice to the Rating Agency of the issuance of any further Series of Covered Bonds.

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether a Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Bondholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Bondholders (including where a Dealer acts as a Calculation Agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may negatively influence and thereby reduce amounts receivable by the Bondholders during the term of the Covered Bonds and upon their redemption.

Redemption for tax reasons

In the event that the Issuer were obliged to increase the amounts payable in respect of any Covered Bonds due to any withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any taxing jurisdiction (as referred to in Condition 10 (*Taxation*)), as a result of any change in, or amendment to, the laws or regulations of any taxing jurisdiction or any change in the application or official

interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Covered Bonds and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all outstanding Covered Bonds in accordance with the Terms and Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Covered Bonds.

Bondholders are bound by Extraordinary Resolutions and Programme Resolution

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

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

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

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

In the exercise of its powers, trusts, authorities and discretions the Representative of the Bondholders shall only have regard to the interests of the holders of the Covered Bonds and

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

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

Priority of Payments

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

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

This is an aspect of cross border insolvency law which remains untested. Whilst the priority issue is considered largely resolved in England and Wales, concerns still remain that the English and the U.S. courts may diverge in their approach which, in the case of an unfavourable decision in the U.S., may adversely affect the Issuer's ability to make payments on the Covered Bonds.

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

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

Ratings of the Covered Bonds may not reflect all risks

The ratings that may be assigned by Moody's to the Covered Bonds address the expected loss posed to the Bondholders following a default.

The expected ratings of the Covered Bonds will be set out in the relevant Final Terms for each Series of Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating if, *inter alia*, in the sole judgment of that Rating Agency, the credit quality of the Covered Bonds has declined or is under evaluation. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced. A security credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

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

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

Moody's is a rating agency established in the EEA and registered under the EU CRA Regulation.

Change of counterparties

The parties to the Transaction Documents who receive and hold monies pursuant to the terms of such documents (such as the Italian Account Bank or the Servicer and each Sub-Servicer) are required by each relevant Transaction Document to satisfy certain criteria in order to continue to receive and hold such monies.

These criteria include, *inter alia*, requirements in relation to the short-term and long-term, unguaranteed and unsecured ratings ascribed to such party by the Rating Agency. If the party concerned ceases to satisfy the ratings criteria, then the rights and obligations of that party (including the right or obligation to receive monies, or to effect payments, on behalf of the Guarantor) may be required to be transferred to another entity which does satisfy the applicable

criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Transaction Documents.

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

Securitisation and Covered Bonds Law

The Securitisation and Covered Bonds Law was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. The Securitisation and Covered Bonds Law was further amended by law decree No. 145 of 23 December 2013, called "*Decreto Destinazione Italia*" (the ***Destinazione Italia* Decree**) converted into law No. 9 of 21 February 2014, by law decree No. 91, called "*Decreto Competitività"* (the **Law Decree *Competitività***, converted into law No. 116 of 11 August 2014) and by law decree No. 50 of 24 April 2017 (*Disposizioni urgenti in materia finanziaria, iniziative a favore degli enti territoriali, ulteriori interventi per le zone colpite da eventi sismici e misure per lo sviluppo*), converted with amendments into Law no. 96 of 21 June 2017 (**Law 96/2017**), by Law No. 145 of 30 December 2018 and by law decree No. 34 of 30 April 2019. As at the date of this Prospectus, no interpretation of the application of the Securitisation and Covered Bonds Law as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the Decree of the Italian Ministry for the Economy and Finance No. 310 of 14 December 2006 (**Decree No. 310**), setting out the technical requirements of the guarantee which may be given in respect of covered bonds and (ii) Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche"* (Circolare No. 285 of 17 December 2013, as amended and supplemented from time to time concerning guidelines on the valuation of assets, the procedure for purchasing Substitution 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 the Securitisation and Covered Bonds Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

Changes in law

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on Italian law (and, in the case of the Swap Agreements and the Deed of Charge, English law) in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to Italian or English law or administrative practice or to the law applicable to any Transaction Document and to administrative practices in the relevant jurisdiction.

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

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

such consequence could have a material adverse effect on any Covered Bonds linked to a "benchmark".

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

The Benchmarks Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the **UK BMR**) applies to the provision of benchmarks and the use of a benchmark also in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorized by the UK Financial Conduct Authority (**FCA**) or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation and the UK BMR could have a material impact on any Covered Bonds linked to or referencing a rate or index deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation and the UK BMR. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

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

For example, the sustainability of the London interbank offered rate (**LIBOR**) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such "benchmarks". On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR "benchmark" after 2021 (the **FCA Announcement**). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, the FCA has definitively confirmed that LIBOR will be discontinued by the end of 2021 for almost all of the currencies and tenors. Against this context, SONIA (the Sterling Overnight Index Average) has been developed as an alternative to Sterling LIBOR while the Federal Reserve's Alternative Reference Rates Committee has recommended SOFR (the Secured Overnight Financing Rate) as the US replacement benchmark for LIBOR. Separate workstreams have been progressed in Europe to reform EURIBOR using a hybrid methodology and to provide fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (**€STR**) as the new risk-free rate. €STR was published by the European Central Bank on 2 October 2019. In addition, on 21 January 2019, the euro risk-free rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

The elimination of the LIBOR "benchmark" or the potential elimination of any other "benchmark", or changes in the manner of administration of any "benchmark", could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Covered Bonds referencing such "benchmark". Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any such Covered Bonds.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Covered Bonds referencing a "benchmark".
Pursuant to the terms and conditions of any applicable floating rate Covered Bonds or any other Covered Bonds whose return is determined by reference to any benchmark, if the Issuer or Calculation Agent determines at any time that the Relevant Screen Page on which the Reference Rate or the SONIA Reference Rate, as the case may be, for such Covered Bonds appears has been discontinued or following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation or any other benchmark administrator previously authorized to publish any Replacement Reference Rate under any applicable laws or regulations, the Issuer will appoint a "Reference Rate Determination Agent" (which may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of such Covered Bonds) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (but in which case any such determination shall be made in consultation with an independent financial advisor), (iii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent with the Issuer) or (iv) any other entity which the Issuer considers has the necessary competences to carry out such role) who will determine a replacement Reference Rate or the SONIA Reference Rate, as the case may be, (the **Replacement Reference Rate**), as well as any necessary changes to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the Relevant Screen Page on which the Reference Rate or the SONIA Reference Rate, as the case may be, appears. Such Replacement Reference Rate and any such other changes will (in the absence of manifest error) be final and binding on the Bondholders, the Issuer, the Calculation Agent and the Paying Agent and any other person and will apply to the relevant Covered Bonds without any requirement that the Issuer obtain consent of any Bondholders.

The Replacement Reference Rate may have no or very limited trading history and accordingly its general evolution and/or interaction with other relevant market forces or elements may be difficult to determine or measure. In addition, the replacement rate may perform differently from the discontinued benchmark. This could impact the rate of interest on, and trading value of, the affected Covered Bonds. Moreover, any holders of such Covered Bonds that enter into hedging instruments based on the Relevant Screen Page on which appears the Reference Rate or the SONIA Reference Rate, as the case may be, may find their hedges to be ineffective, and

they may incur costs replacing such hedges with instruments tied to the Replacement Reference Rate.

If the Reference Rate Determination Agent is unable to determine an appropriate Replacement Reference Rate for any discontinued Reference Rate or the SONIA Reference Rate, as the case may be, or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation or any other benchmark administrator previously authorized to publish any Replacement Reference Rate under any applicable laws or regulations is adopted but for any reason a Replacement Reference Rate is not determined, then the provisions for the determination of the rate of interest on the affected Covered Bonds will not be changed. In such cases, the Terms and Conditions of the Covered Bonds provide that the relevant Interest Rate on such Covered Bonds will be the last Reference Rate or the SONIA Reference Rate, as the case may be, available for the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent, effectively converting such Covered Bonds into fixed rate Covered Bonds.

Furthermore, in the event that no Replacement Reference Rate is determined by the Reference Rate Determination Agent and the affected Covered Bonds are effectively converted to fixed rate Covered Bonds as described above, investors holding such Covered Bonds might incur costs from unwinding hedges. Moreover, in a rising interest rate environment, holders of such Covered Bonds will not benefit from any increase in rates. The trading value of such Covered Bonds could therefore be adversely affected.

The market continues to develop in relation to risk free rates (including overnight rates) as a reference rate for Floating Rate Covered Bonds

Investors should be aware that the market continues to develop in relation to risk free rates, such as the Sterling Overnight Index Average (**SONIA**) as a reference rate in the capital markets and its adoption an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on risk free rates, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market, or a significant part thereof, may adopt an application of risk free rates that differs (also significantly) from that set out in the Conditions and used in relation to Covered Bonds referenced to a reference rate under the Programme.

Interest on Covered Bonds which reference certain risk free rates is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference such risk free rate to reliably estimate the amount of interest which will be payable on such Covered Bonds.

Furthermore, if the Covered Bonds become due and payable or are otherwise redeemed early on a date other than an Interest Payment Date, the Rate of Interest payable for the final Interest Period in respect of such Covered Bonds shall only be determined immediately prior to the date the Covered Bonds became due and payable and shall not be reset thereafter.

Furthermore, with respect to SONIA linked Covered Bonds, the Issuer may in the future issue Covered Bonds referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA linked Covered Bonds issued by it under the Programme. The nascent development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for

such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Covered Bonds issued under the Programme from time to time.

Investors should consider these matters when making their investment decision with respect to any such Floating Rate Covered Bonds.

The administrator of SONIA may make changes that could change the value of SONIA or discontinue SONIA

The Bank of England (or a successor), as administrator of SONIA, may make methodological or other changes that could change the value of SONIA, including changes related to the method by which SONIA is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, or timing related to the publication of SONIA. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA (in which case a fallback method of determining the interest rate on the Covered Bonds will apply). The administrator has no obligation to consider the interests of Bondholders when calculating, adjusting, converting, revising or discontinuing SONIA.

Risks related to the Guarantor

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

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

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

In accordance with article 7-bis of the Securitisation and Covered Bonds Law, prior to and following a winding up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Guarantee to be called, proceeds of the Cover Pool paid to the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to the Bondholders, to the Other Guarantor Creditors and to any other creditors exclusively in

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

Limited resources available to the Guarantor

Following the occurrence of an Issuer Event of Default and service of an Issuer Default Notice on the Issuer and on the Guarantor, all amounts payable under the Covered Bonds will be accelerated by the Representative of the Bondholders as against the Issuer, following which the Guarantor will be under an obligation to pay the Bondholders pursuant to the Guarantee. The Guarantor's ability to meet its obligations under the Guarantee will depend on (a) the amount of interest and principal generated by the Cover Pool and the timing thereof, (b) amounts received from the Swap Providers and (c) the proceeds of any Eligible Investments. The Guarantor will not have any other source of funds available to meet its obligations under the Guarantee.

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

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

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, each of the Servicer and the Sub-Servicer(s) has been appointed to service Receivables in the Portfolios sold to the Guarantor and the Calculation Agent has been appointed to calculate and monitor compliance with the Mandatory Tests, the Amortisation Test and the Asset Coverage Test and to provide cash management services to the Guarantor. In the event that any of these parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Cover Pool or any part thereof or pending such realization (if the Cover Pool or any part thereof cannot be sold) the ability of the Guarantor to make payments under the Guarantee may be affected. For instance, if the Servicer or the Sub-Servicer(s) has failed to administer the Mortgage Loans adequately, this may lead to higher incidences of non-payment or default by Borrowers. The Guarantor is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Guarantee, as described in the following two investment considerations.

If a Servicer Termination Event occurs pursuant to the terms of the Servicing Agreement, then the Guarantor and/or the Representative of the Bondholders will be entitled to terminate the appointment of the Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential

or commercial properties would be found who would be willing and able to service the Mortgage Loan on the terms of the Servicing Agreement. The ability of a substitute servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Cover Pool or any part thereof, and/or the ability of the Guarantor to make payments under the Guarantee.

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

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

Reliance on Swap Providers

To mitigate possible variations in the performance of the Cover Pool and a floating rate linked to Euribor for deposits of three months, the Guarantor may enter into a Cover Pool Swap Agreement with a Cover Pool Swap Provider. In addition, to mitigate interest rate, currency and/or other risks in respect of each Series of the Covered Bonds issued under the Programme, the Guarantor is expected to enter into one or more Interest Rate Swap Agreements on or about each Issue Date (such Interest Rate Swap Agreements, together with the Cover Pool Swap Agreement, the **Swap Agreements** and, each of them, a **Swap Agreement**) with one or more Interest Rate Swap Providers (together with the Cover Pool Swap Provider, the **Swap Providers** and, each of them, a **Swap Provider**).

If the Guarantor fails to make timely payments of amounts due under any Swap Agreement, then it will (unless otherwise stated in the relevant Swap Agreement) have defaulted under that Swap Agreement. A Swap Provider is (unless otherwise stated in the relevant Swap Agreement) only obliged to make payments to the Guarantor as long as the Guarantor complies with its payment obligations under the relevant Swap Agreement. In circumstances where non-payment by the Guarantor under a Swap Agreement does not result in a default under that Swap Agreement, the Swap Provider may be obliged to make payments to the Guarantor pursuant to the Swap Agreement as if payment had been made by the Guarantor. If the Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Guarantor on the payment date under the Swap Agreements, the Guarantor will be exposed to changes in the relevant currency exchange rates to Euro and to any changes in the relevant rates of interest. In addition, subject to prior written notice to the Rating Agency, the Guarantor may mitigate only part of the potential risk and, in such circumstances, may have insufficient funds to make payments under the Covered Bonds or the Guarantee.

If a Swap Agreement terminates, then the Guarantor may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the Guarantor will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the Guarantor will be able to enter into a replacement swap agreement, or if one is entered into, that the credit rating of any replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by the Rating Agency. In addition the swaps may provide that notwithstanding the swap counterparty ceasing to be assigned the requisite ratings and the failure by the swap

counterparty to take the remedial action set out in the relevant swap agreement, the Guarantor may not terminate the swap until a replacement swap counterparty has been found.

If the Guarantor is obliged to pay a termination payment under any Swap Agreement, such termination payment will rank ahead of amounts due on the Covered Bonds (in respect of the Covered Pool Swap) and with amounts due under the Guarantee (in respect of the Interest Rate Swap). Accordingly, the obligation to pay a termination payment may adversely affect the ability of the Guarantor to meet its obligations under the Covered Bonds or the Guarantee.

Each Interest Rate Swap Agreement is expected to be scheduled to terminate on the later of (i) the Maturity Date of the Covered Bonds of the relevant Series and, (ii) if the Maturity Date is extended under the terms of such Covered Bonds, their Extended Maturity Date. In addition, an Interest Rate Swap Provider may be entitled to terminate an Interest Rate Swap Agreement following the occurrence of certain Additional Termination Events specified in the agreement such as, a Transaction Document is amended and the Interest Rate Swap Provider reasonably believes that it is materially adversely effected by such amendment. Accordingly, following such an event, the Guarantor may not receive any amounts from an Interest Rate Swap Provider to assist in making, following the service of an Issuer Default Notice, payments under the Covered Bonds.

VAT group

Italian Law no. 232 of 11 December 2016 (the **2017 Budget Law**) has introduced new rules relating the VAT group (articles from 70-bis to 70-duodecies of Presidential Decree no. 633 of 26 October 1972), which are applicable upon election starting from 1 January 2019. Pursuant to such rules, all entities included in the VAT group are jointly and severally liable vis-à-vis the Italian Tax Authority for the VAT payment obligations of whole group.

On 31 October 2018, the Italian Tax Authority has issued a circular letter whereby it has specified that funds, as pools of segregated assets, would be liable only for the VAT payment obligations specifically related to their assets. With ruling No. 487 of 15 November 2019, the Italian Revenue Agency confirmed that the same principle would also apply to Italian companies incorporated pursuant to Article 7-bis of the Italian Securitisation Law, such as the Guarantor, where the company itself would be jointly liable for VAT liabilities of the VAT group to which it belongs, although such joint liability would not apply to the securitised pool of asset segregated for the purposes of the Guarantee. Considering the brief guidelines and the absence of case law, it is still not entirely clear to what extent such limitation would apply in practice.

Banco BPM has opted for the new VAT regime provided for by the 2017 Budget Law in respect of the Issuer's group (including the Guarantor) with effect from 1 January 2019. Pending further clarification on the scope of application of the new rules, the Issuer has undertaken to anticipate to the Guarantor the necessary funds in case the Guarantor is required to provide for a VAT payment other than in relation to its own assets as a result of the joint liability of the VAT group.

Risks related to the underlying assets

Limits to the Integration

Under the Bank of Italy Regulations, the integration of the Cover Pool, whether through Eligible Assets or through Substitution Assets shall be carried out in accordance with the modalities, and subject to the limits, set out in the Bank of Italy Regulations (see "*Description of Certain Relevant Legislation in Italy - Substitution of Assets*").

More specifically, under the Bank of Italy Regulations, the integration of the Cover Pool is allowed exclusively for the purpose of (a) complying with the Mandatory Tests; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements or (c) complying with the 15% Limit of Substitution Assets within the Cover Pool.

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

Limited description of the Cover Pool

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

- the Sellers selling further Receivables (or types of Receivables, which are of a type that have not previously been comprised in the Cover Pool) to the Guarantor; and

- the Sellers repurchasing Receivables in accordance with the Master Receivables Purchase Agreements.

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

Nonetheless, the main Cover Pool composition details are available on the Issuer's website and updated on a quarterly basis pursuant to article 129, paragraph 7, of CRR.

Maintenance of the Cover Pool

Pursuant to the terms of the Master Receivables Purchase Agreements, the Seller has agreed, (or will agree, in case of any Additional Seller(s) pursuant to the relevant master receivables purchase agreement) to transfer Subsequent Portfolios to the Guarantor and the Guarantor has agreed to purchase Subsequent Portfolios in order to ensure that the Cover Pool is in compliance with the Tests. Each Initial Portfolio Purchase Price shall be funded through the proceeds of the first Term Loan under the relevant Subordinated Loan Agreement and each Subsequent Portfolio Purchase Price will be funded through (A) (i) any Guarantor Available Funds available in accordance with the Pre-Issuer Default Principal Priority of Payments; (ii) to the extent the Guarantor Available Funds are not sufficient to pay the relevant Subsequent Portfolio Purchase Price, the proceeds of a Term Loan under the relevant Subordinated Loan Agreement, for an amount equal to the portion of the Subsequent Portfolio Purchase Price not

paid in accordance with item (i); (B) in certain circumstances, entirely by means of a Term Loan under the Subordinated Loan Agreement.

Under the terms of the Cover Pool Management Agreement, BPM has undertaken (and any other Seller acceding to the Cover Pool Management Agreement shall undertake) to ensure that on each Calculation Date the Cover Pool is in compliance with the Tests. If on any Calculation Date the Cover Pool is not in compliance with the Tests, then the Guarantor will require the Seller who sold the Portfolio in relation to which the shortfall causing the breach of Test has occurred (the **Relevant Seller**) (or any other Seller in case the Relevant Seller has informed of any circumstances which may prevent it to comply with its obligations), to grant further Term Loans for the purposes of funding the purchase of Subsequent Portfolios, Substitution Assets and/or other Eligible Assets, representing an amount sufficient to allow the Tests to be met on the next following Calculation Date. If the Cover Pool is not in compliance with the Tests on the next following Calculation Date, the Representative of the Bondholders will serve a Breach of Tests Notice on the Issuer and the Guarantor. The Representative of the Bondholders shall revoke the Breach of Tests Notice if on any Calculation Date the Tests are subsequently satisfied unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to serve a Breach of Tests Notice in the future. If, following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the Calculation Date falling at the end of the Test Remedy Period, the Representative of the Bondholders will serve an Issuer Default Notice on the Issuer and the Guarantor, unless a Programme Resolution is passed resolving to extend the Test Remedy Period.

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

Prior to the delivery of an Issuer Default Notice and subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer on 6 April 2016 concerning, *inter alia*, (i) the compliance with the issuing criteria set out in the Bank of Italy Regulations in respect of the issuance of covered bonds; (ii) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Substitution Assets included in the Cover Pool; (iii) the arithmetical accuracy of the calculations performed by the Issuer in respect of the Mandatory Tests and the compliance with the limits set out in Decree No. 310 with respect to covered bonds issued and the Eligible Assets and Substitution Assets included in the Cover Pool as determined in the Mandatory Test; (iv) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310 and the Bank of Italy Regulations; and (v) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme and (vi) the completeness, truthfulness and timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council

of the European Union of 26 June 2013. In addition, the Asset Monitor will, pursuant to the terms of the Asset Monitor Agreement, (a) prior to the delivery of an Issuer Default Notice, verify on behalf of the Issuer, on a semi-annual basis or more frequently upon downgrading of the Issuer below Baa3 by Moody's, the calculations performed by the Calculation Agent in respect of the Asset Coverage Test; and (b) following the delivery of an Issuer Default Notice, verify, on behalf of the Guarantor, the calculations performed by the Calculation Agent in respect of the Mandatory Tests on a semi-annual basis and more frequently in certain circumstances and in respect of the Amortisation Test on a monthly basis. See further "*Description of the Transaction Documents – Asset Monitor Agreement*".

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

Sale of the Eligible Assets and the Substitution Assets following the occurrence of a Segregation Event and an Issuer Event of Default

After the service of a Breach of Tests Notice, the Guarantor may, or following an Issuer Default Notice, shall sell the Eligible Assets and Substitution Assets (selected on a random basis) included in the Cover Pool in order to make payments to the Guarantor's creditors including making payments under the Guarantee, see "*Description of the Transaction Documents - Cover Pool Management Agreement*".

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

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

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

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

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

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

- default by Borrowers in the payment of amounts due on their Mortgage Loans;
- changes to the lending criteria of the Issuer;
- set-off risks in relation to some types of Mortgage Loans in the Cover Pool;
- limited recourse to the Guarantor;
- possible regulatory changes by the Bank of Italy, CONSOB and other regulatory authorities;
- timing of a relevant sale of assets; and
- regulations in Italy that could lead to some terms of 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 Asset Coverage Test and the Eligibility Criteria are intended to ensure that there will be an adequate amount of Eligible Assets and Substitution Assets in the Cover Pool to enable the Guarantor to repay the Covered Bonds following an Issuer Event of Default, service of an Issuer Default Notice on the Issuer and on the Guarantor and accordingly it is expected (although there is no assurance) that assets comprised in the Cover Pool could be realised for sufficient values to enable the Guarantor to meet its obligations under the Guarantee.

Value of the Cover Pool

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

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 Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor may, and following an Issuer Default Notice shall, sell the Selected Assets and their related Security Interests included in the Cover Pool, subject to a right of pre-emption granted to the Sellers pursuant to the terms of the Master Receivables Purchase Agreements and of the Cover Pool Management Agreement. In respect of any sale of Selected Assets and their related Security Interests to third parties, however, the Guarantor will not provide any warranties or indemnities in respect of the Selected Assets and related Security Interests and there is no assurance that the Sellers would give or repeat any warranties or representations in respect of the respective Selected Assets and related Security Interests or in case it has not consented to the fact that the representations and warranties originally given by the Seller in respect of such Selected Assets are transferred to third parties. Any representations or warranties previously given by the Sellers in respect of the relevant Mortgage Loans comprised in the relevant Portfolios may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Assets and related Security Interests could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Guarantor to meet its obligations under the Guarantee.

Default by borrowers in paying amounts due on their Mortgage Loans

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

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

Law No. 302 of 3 August 1998 allowed notaries, accountants and lawyers to conduct certain stages of the enforcement procedures in place of the courts in order to reduce the length of enforcement proceedings by between two and three years.

Insurance coverage

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

Changes to the lending criteria of the Sellers

Each of the Mortgage Loans originated by the Sellers will have been originated in accordance with its lending criteria at the time of origination. Each of the Mortgage Loans sold to the Guarantor by the Sellers, but originated by a person other than the Sellers (a **Third Party Originator**), will have been originated in accordance with the lending criteria of such Third Party Originator at the time of origination. It is expected that the Sellers' or the relevant Third Party Originator's, as the case may be, lending criteria will generally consider type of property, term of loan, age of applicant, the loan-to-value ratio, mortgage indemnity guarantee policies, high loan-to-value fees, status of applicants and credit history. In the event of the sale or transfer of any Mortgage Loans to the Guarantor, each of the Sellers will warrant that (a) such Mortgage Loans as were originated by it were originated in accordance with the Sellers' lending criteria applicable at the time of origination and (b) such Mortgage Loans as were originated by a Third Party Originator, were originated in accordance with the relevant Third Party Originator's lending criteria applicable at the time of origination. The Seller retains the right to revise its lending criteria from time to time subject to the terms of the relevant Master Receivables Purchase Agreements. Other Third Party Originators may additionally revise their lending criteria at any time. However, if such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans, that may lead to increased defaults by Borrowers and may affect the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Guarantee. However, Non Performing Receivables in the Cover Pool will be given a zero weighting for the purposes of the calculation of the Mandatory Tests, the Amortisation Test and the Asset Coverage Test.

Mortgage Loans performance

There can be no guarantee that the relevant Debtors will not default under the Mortgage Loans and that they will therefore continue to perform. The recovery of amounts due in relation to non-performing loans will be subject to the effectiveness of enforcement proceedings in respect of the Mortgage Loans, which in the Republic of Italy can take a considerable time, depending on the type of action required and where such action is taken and on several other factors, including the following: proceedings in certain courts involved in the enforcement of the Mortgage Loans and the relevant mortgages may take longer than the national average; obtaining title deeds from land registries which are in the process of computerising their records can take up to two or three years; further time is required if it is necessary to obtain an injunction decree (*decreto ingiuntivo*) and if the relevant Debtor raises a defence or counterclaim to the proceedings. According to statistics published by the Ministry of Justice in 2013 with regard to data as at 2011, the recovery period for loans in respect of which recovery is by foreclosure proceedings on the related mortgaged real estate usually lasts three years and six months,

although such period may vary significantly depending upon, *inter alia*, the type and location of the related mortgaged real estate and the other factors described above.

Recently, new legal provisions have been introduced in order to speed up legal proceedings. In particular, Law Decree No. 59 of 2 May 2016, as converted into Law No. 119 of 30 June 2016, implemented new provisions in the Royal Decree No. 267 of 16 March 1942 and the Italian Civil Procedure Code aimed at:

(i) amending the provisions of Insolvency Law, by introducing the possibility of using electronic technologies for hearings and for meetings of creditors. Furthermore, failure to comply with the time limits established for the proceeding in article 110, first paragraph, of the Insolvency Law, is envisaged as a just cause for removing the receiver; and

(ii) making certain changes to the Italian Civil Procedure Code, including:

  (a) the inadmissibility of opposing the forced sale once the sale or allocation of the attached asset has been decreed;

  (b) the provisional enforcement of the court order if the statement of opposition is not based on documentary proof;

  (c) simplification of procedures for releasing the attached property;

  (d) the possibility of the attached asset being allocated to a third party yet to be nominated;

  (e) the obligation to proceed with sales on the basis of electronic modalities, and the right for the judge to order, after three auctions without bidders, lowering the basic price by up to a half;

  (f) the possibility, for the judge and for the professionals entrusted with selling, to proceed with partial distributions of the sums obtained from forced sales.

The above provisions are expected to reduce the length of the enforcement proceedings.

Consumer Credit Legislation

In September 2002, the European Commission published a proposal for a directive of the European Parliament and of the Council on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers and surety agreements entered into by consumers.

There was significant opposition from the European Parliament to the original form of the proposed directive, and to an amended form of the proposed directive published in October 2004. In October 2005, the European Commission published a second revised proposal for the directive.

On 23 April 2009 the European Parliament and the Council issued the 2008/48/EC (the **Consumer Credit Directive**).

During the course of 2010, Member States have implemented the relevant provisions through law and / or regulations.

On 4 September 2010 the Republic of Italy adopted the Legislative Decree No. 141 of 13 August 2010 published in the Official Gazette No. 207, which was introduced in order to implement the Consumer Credit Directive and on 9 February 2011 the Bank of Italy issued the relevant implementing regulations.

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

The legislation provides for the right of withdrawal for the consumers; this right can be exercised within 14 days after the conclusion of the contract or, if later, from the moment the consumer receives all the conditions and contract information. In addition, the consumer has the right to repay early at any time in whole or in part the amount financed; thus, being entitled to a reduction of the total credit amount equal to interest and costs due for the residual life of the contract. Furthermore, in relation to loans granted for the purpose of financing agreements for the supply of goods and services, the consumer, in the event that there is a failure (which classifies as a considerable breach under Italian law) of the supplier of goods and/or services, has the right to terminate the loan agreement and the contract for supply of goods and / or services.

It is not certain what effect the adoption and implementation of the directive would have on the Issuer (or any Additional Seller(s)) and its respective businesses and operations.

Mortgage borrower protection

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

- the right of prepayment of the principal amount of the mortgage loan, without incurring a penalty or, in respect of mortgage loan agreements entered into before 2 February 2007, at a reduced penalty rate (article 120-*ter* of the Consolidated Banking Act, introduced by Legislative Decree no. 141 of 13 August 2010 as amended by Legislative Decree no. 218 of 14 December 2010);

- the right to the substitution (*portabilità*) of a mortgage loan with another mortgage loan and/or the right to request subrogation by an assignee bank into the rights of their creditors in accordance with article 1202 (*surrogazione per volontà del debitore*) of the Civil Code, by eliminating the limits and costs previously borne by the borrowers for the exercise of such right (article 120-*quater* of the Consolidated Banking Act, introduced by Legislative Decree no. 141 of 13 August 2010 as amended by Legislative Decree no. 218 of 14 December 2010);

- the right of first home-owners to suspend instalment payments under mortgage loans up to a maximum of two times and for a maximum aggregate period of 18 months (Italian Law no. 244 of 24 December 2007 through the intervention of the "Solidarity Fund for first home-owners" (*Fondo di sospensione mutui per l'acquisto della prima*

casa) (the **Solidarity Fund**). In addition, Law Decree No. 18 of 17 March 2020 extended for a 9-month period starting from 17 March 2020 the provisions relating to the Solidarity Fund - which initially applied exclusively to employees - to the self-employed and self-employed professionals. Eligibility is subject to completing a self-certification that in any quarterly period following 21 February 2020 – or, if shorter, the period between the date of the application and 21 February 2020 – the relevant individual has suffered a decrease in turnover of more than 33% in the last quarter of 2019 as a result of the closure or restriction of its activity due to Covid-19;

- the right to suspend the payment of principal instalments relating to mortgage loans for a 12 month period, where requested by the relevant Debtor during the period from 1 June 2015 to 31 December 2017 (Convention between ABI and the consumers' associations stipulated on 31 March 2015) (the 2015 Credit Agreement). On 27 November 2017, ABI and the consumers' associations, in order to provide continuity to the abovementioned measures, have agreed to extend the agreement until 31 July 2018. On 15 November 2018 the Italian Banking Association (*Associazione Bancaria Italiana - ABI*) and the Associations representing companies signed a new Credit Agreement (Accordo per il Credito 2019) providing for the introduction of some adjustments to the measures addressed to "Enterprises in Recovery", relating to the suspension and extension of loans to small and medium-sized enterprises, provided for in the 2015 Credit Agreement (the **2019 Italian Credit Agreement**). Additional measures connected with the Covid-19 outbreak were introduced on 6 March 2020, 22 May 2020 and 17 December 2020 through an addendum to the 2019 Italian Credit Agreement in order to extend the 16 provisions contained therein to facilities outstanding as of 31 March 2021 granted in favour of otherwise sound companies negatively impacted by a temporary interruption/reduction of activity as a consequence of Covid-19;

- the right to renegotiate, subject to certain conditions and up to 31 December 2012, the floating rate or the final maturity of the Residential Mortgage Loans executed prior to (and excluding) 14 May 2011 for the purpose of purchasing, building or for the maintenance of the debtors' principal residence (Law Decree no. 70 of 13 May 2011, as converted into Law no. 106 of 12 July 2011);

- automatic suspension of instalment payments of mortgages and loans, up to 31 December 2016, to residents, both individuals and businesses, in 62 municipalities affected by the heartquake and listed in the relevant decree (Law Decree no. 189 of October 2016);

- extension of suspension of instalment payments as per Decree 189 to further municipalities, up to 31 December 2016 (Council of Ministers Order of 15 November 2016, published in the Official Gazette of the Republic of Italy (Gazzetta Ufficiale della Repubblica Italiana) no. 283 of 3 December 2016);

- automatic suspension of instalment payments of mortgages and loans, up to 31 December 2017, to residents, both individuals and businesses, in certain municipalities affected by the heartquake and listed in the relevant decree (law decree number 244 of 30 December 2016, the Decreto Milleproroghe). In relation to individuals the Decreto Milleproroghe provide first home-owners with the right to suspend instalment payments under mortgage loans up to 30 December 2017 in case of damages which do

not permit access thereto. In relation to businesses, the Decreto Milleproroghe provide with the automatic suspension of instalment payments under mortgage loans up to 30 December 2017 only to certain municipalities listed therein.

These legislations may have an adverse effect on the Cover Pool and, in particular, on any cash flow projections concerning the Cover Pool as well as on the over-collateralisation required in order to maintain the then current ratings of the Covered Bonds.

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 was required to be implemented in Member States by 21 March 2016. On 1 June 2015, in accordance with Article 18, Article 20(1) and Article 28 of the Mortgage Credit Directive, the EBA published its final Guidelines on creditworthiness assessment, as well as its final Guidelines on arrears and foreclosure, that support the national implementation by Member States of the Mortgage Credit Directive.

In Italy, the Government has approved the Legislative Decree No. 72 of 21 April 2016, implementing the Mortgage Credit Directive and published on the Official Gazette of the Republic of Italy on 20 May 2016 (the **Mortgage Legislative Decree**), which introduced Article 120 *quinquiesdecies* of the Consolidated Banking Act.

The Mortgage Legislative Decree applies to (i) residential mortgage loans and (ii) loans relating to the purchase or preservation of the property right on a real estate asset.

The Mortgage Legislative Decree sets forth a regulatory framework of protection for consumers, including certain rules of correctness, diligence, information undertakings and transparency applicable to lenders and intermediaries which offer and disburse loans to consumers.

Furthermore, under the Mortgage Legislative Decree, the parties to a loan agreement may agree, at the time the relevant loan agreement is entered into, that should the borrower fail to repay an amount at least equal to eighteen loan instalments, the transfer of the title to the lender either over the mortgaged real estate asset or the proceeds deriving from the sale of such real estate asset extinguishes in full the repayment obligation of the borrower under the relevant loan agreement even if the value of the relevant real estate asset or the amount of proceeds deriving from the sale of such real estate asset is lower than the remaining amount due by the borrower under the loan agreement.

On the other hand, if the value of the real estate asset or the proceeds deriving from the sale of the real estate asset are higher than the remaining amount due by the borrower under the loan agreement, the excess amount shall be paid or returned to the borrower.

On 29 September 2016, the Ministry of Economy and Finance issued decree no. 380 implementing the provisions of the Mortgage Legislative Directive.

No assurance can be given that the Mortgage Legislative Decree will not adversely affect the ability of the Guarantor to make payments under the Guarantee.

Law No. 3 of 27 January 2012

Law No. 3 of 27 January 2012 provides that consumers and other entities that cannot make use of the insolvency proceedings (**Other Entities**) may benefit from a procedure in order to reconstruct their own debts. Such procedure provides that the Other Entities may apply a special authority and the competent court in order to propose a recovery plan for their own debts. If such plan is approved, it will be binding for the creditors.

Law decree No. 179 of 18 October 2012 as converted into law No. 221 on 17 December 2012 has amended the discipline provided for by law No. 3 of 27 January 2012 and in particular some aspects regarding:

(i) the setting of the recovery plan;

(ii) the consumer insolvency (*crisi del consumatore*);

(iii) the composition agreement related to insolvency proceedings and the subsequent discharge of residual debt by the court (*esdebitazione*).

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

Reduced interest rate margin

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

Risks related to the market

Limited secondary market

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

Market declines and volatility

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

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

In response to the financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral. The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Banco BPM Group's business, financial condition and/or results of operations.

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 related to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly

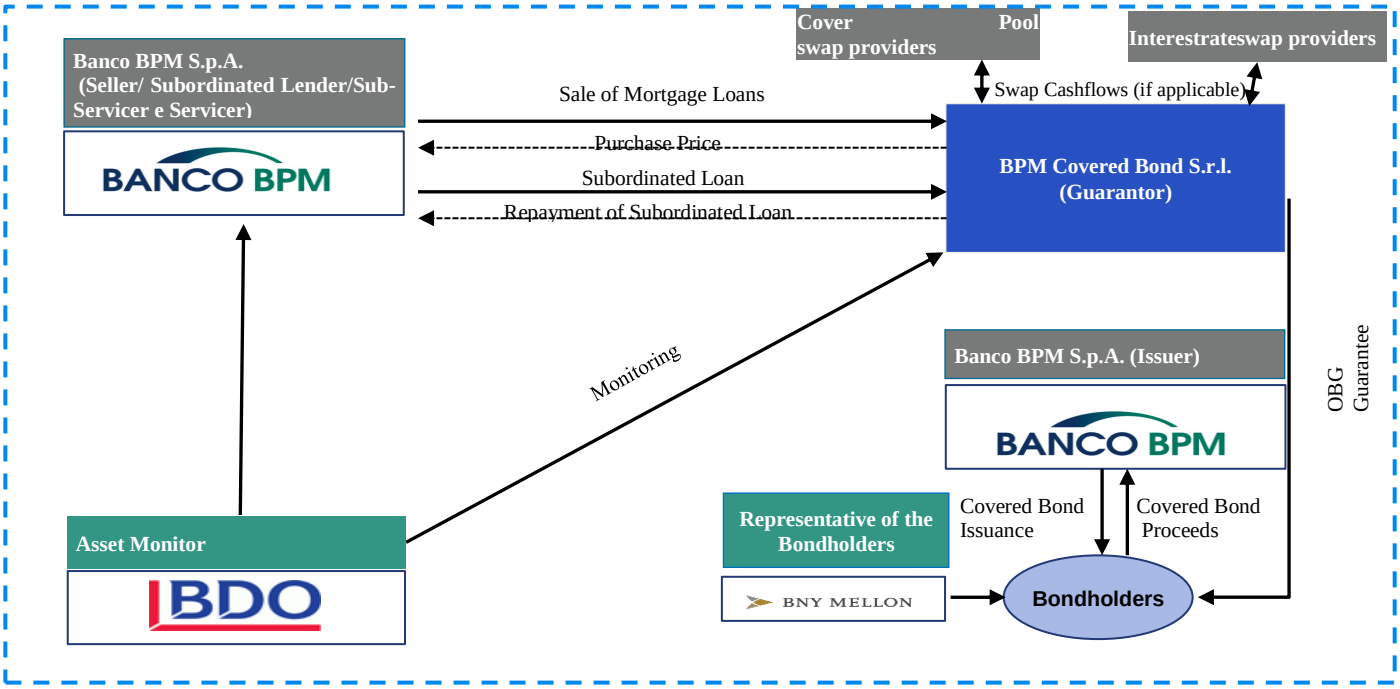
change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the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

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

STRUCTURE OVERVIEW

The information in this section is an overview of the structure of the Programme and does not purport to be complete. The information is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this overview. An index of certain defined terms used in this document is contained at the end of this Prospectus.

Structure Diagram



Structure Overview

- *Programme*: Under the terms of the Programme, the Issuer will issue Covered Bonds to Bondholders on each Issue Date. The Covered Bonds will be direct, unsubordinated, unsecured and unconditional obligations of the Issuer guaranteed by the Guarantor under the Guarantee.

- *Subordinated Loan Agreement*: Under the terms of the Subordinated Loan Agreement, the Seller will grant to the Guarantor term loan facilities in an aggregate amount equal to the Total Commitment, for the purposes of funding the payments described in the paragraph headed "*The proceeds of Term Loans*" below. Prior to service of an Issuer Default Notice each Term Loan will be repaid by the Guarantor on each Guarantor Payment Date, according to the Pre-Issuer Default Principal Priority of Payments within the limits of the then Guarantor Available Funds. Following the service of an Issuer Default Notice, the Term Loans shall be repaid within the limits of the then Guarantor Available Funds subject to the repayment in full (or, prior to the service of a Guarantor Default Notice, the accumulation of funds sufficient for the purpose of such repayment) of all Covered Bonds. Each Term Loan that has been repaid pursuant to the terms of the Subordinated Loan Agreement will be available for redrawing during the Availability Period within the limits of the Total Commitment. Payments by the Issuer of amounts due under the Covered Bonds are not conditional upon receipt by the Issuer of payments from the Guarantor pursuant to the relevant Subordinated Loan Agreement.

Amounts owed by the Guarantor under the Subordinated Loan Agreement will be subordinated to amounts owed by the Guarantor under the Guarantee.

- *The proceeds of Term Loans*: The Guarantor will use the proceeds of the Term Loans received under the Subordinated Loan Agreements (a) to fund the payment of the purchase price of the Receivables and/or (b) to purchase Substitution Assets and/or Eligible Assets, in each case in accordance with the terms of the Master Receivables Purchase Agreement and the Cover Pool Management Agreement. Each Term Loan will either be made in Euro or in another currency and (to the extent necessary) will be swapped into Euro pursuant to the terms of the relevant Swap Agreement. To protect the value of the Cover Pool, the Issuer will be obliged to ensure that the Tests (as described below) are satisfied on each Calculation Date.

- *Guarantee*: Under the terms of the Guarantee, the Guarantor has provided an irrevocable guarantee as to payments of any amounts due to the Beneficiaries. The Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the Guaranteed Obligations shall become Due for Payment but would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, backed by the Cover Pool as provided under the Securitisation and Covered Bonds Law. The recourse of the Beneficiaries to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable (each as defined below).

- *Guarantor*: the Guarantor is a corporate entity separate and distinct from the Issuer and maintains corporate records and books of account separate from those of the Issuer. The authorised and issued quota capital of the Guarantor is €10,000.00 and 20 per cent. is held by Stichting Horizonburg and 80 per cent. by the Issuer. The Guarantor has issued no voting securities other than such quotas. For further details, see Section "*The Guarantor*" below;

- *Cashflows*: Prior to service of an Issuer Default Notice on the Issuer and the Guarantor and provided that no Segregation Event has occurred and is continuing the Guarantor will:

  – apply Interest Available Funds to pay interest and/or Premium on the Term Loans, but only after payment of certain items ranking higher in the Pre-Issuer Default Interest Priority of Payments (including, but not limited to, certain expenses and any amount due and payable under the Swap Agreements). For further details of the Pre-Issuer Default Interest Priority of Payments, see "*Cashflows*" below; and

  – apply Principal Available Funds towards repaying Term Loans but only after payment of certain items ranking higher in the relevant Pre-Issuer Default Principal Priority of Payments. For further details of the Pre-Issuer Default Principal Priority of Payments, see "*Cashflows*" below.

  After the occurrence of a Segregation Event payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Default Notice has been served to the Issuer and the Guarantor will make payments in accordance with the Pre-Issuer

Default Interest Priority of Payments and the Pre-Issuer Default Principal Priority of Payments, as described above. In such case, there shall be no further payments (whether of interest or principal) to the Subordinated Lender under any relevant Term Loan and the purchase price for any Eligible Assets or Substitution Assets to be acquired by the Guarantor shall be paid only by using the proceeds of a Term Loan, except where the breach referred to in the Breach of Test Notice may be cured by using the Guarantor Available Funds.

Following service on the Issuer and on the Guarantor of an Issuer Default Notice (but prior to a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor) the Guarantor will use all Guarantor Available Funds to pay Guaranteed Amounts when the same shall become Due for Payment, subject to paying certain higher ranking obligations of the Guarantor in the Guarantee Priority of Payments. In such circumstances, the Seller will only be entitled to receive payment from the Guarantor of interest, Premium and repayment of principal under the relevant Term Loans after all amounts due under the Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

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

- *Mandatory Tests*: The Programme provides that the assets of the Guarantor are subject to certain tests intended to ensure that the Guarantor can meet its obligations under the Guarantee as set out under article 3 of Decree No. 310. Accordingly, for so long as any Covered Bonds remain outstanding, the Issuer must always ensure that the following tests are satisfied on each Calculation Date:

  (a) *Nominal Value Test:* the aggregate outstanding principal balance of the Cover Pool shall be higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date;

  (b) *Net Present Value Test*: the Net Present Value Test is intended to ensure that the net present value of the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date;

  (c) *Interest Coverage Test*: the Interest Coverage Test is intended to ensure that the amount of interest and other revenues generated by the assets included in the Cover Pool, (including the payments of any nature expected to be received by

the Guarantor with respect to any Swap Agreement) net of the costs borne by the Guarantor (including the payments of any nature expected to be borne or due to the Swap Providers with respect to any Swap Agreement), shall be at least equal to the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date.

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

- *Asset Coverage Test:* the Asset Coverage Test is intended to ensure that on the relevant Calculation Date, the Adjusted Aggregate Loan Amount (as defined below) is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds. The Adjusted Aggregate Loan Amount is the amount calculated pursuant to the formula set out in the Cover Pool Management Agreement. For a more detailed description, see Section "*Credit structure - Tests*" below.

- *Amortisation Test*: the Amortisation Test is intended to ensure that, on each Calculation Date following the delivery of an Issuer Default Notice, the outstanding principal balance of the Cover Pool (which for such purpose is considered as an amount equal to the Amortisation Test Aggregate Loan Amount (as defined in Section "*Credit structure - Tests*" below)) is higher than or equal to the Euro Equivalent of the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date. For a more detailed description, see Section "*Credit structure - Tests*" below.

- *Extendable obligations under the Guarantee*: An Extended Maturity Date may be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms. This means that if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on the relevant Maturity Date and if the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds are not paid in full by the Guarantor on or before the Extension Determination Date (for example, because following the service of an Issuer Default Notice on the Guarantor the Guarantor has or will have insufficient moneys available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds), then payment of the unpaid amount pursuant to the Guarantee shall be automatically deferred and shall become due and payable one year later on the Extended Maturity Date (subject to any applicable grace period). However, any amount representing the Final Redemption Amount (as defined below) due and remaining unpaid on the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. Interest will continue to accrue on any unpaid amount during such extended period and be payable on each Guarantor Payment Date up to the Extended Maturity Date in accordance with Condition 8 (*Redemption and Purchase*).

- *Servicing*: Pursuant to the Master Servicing Agreement as amended from time to time: (i) the Guarantor has appointed the Servicer to carry out the administration, management and collection activities and to act as "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento*" pursuant to article 2,

sub paragraph 3, of the Securitisation and Covered Bond Law in relation to the Cover Pool; (ii) the Servicer has delegated and will delegate, as the case may be, to the Seller, in its capacity as Sub-Servicer, responsibility for carrying out on behalf of the Guarantor the management, administration, collection and recovery activities with respect to the Receivables transferred by the Seller to the Guarantor and to carry out certain monitoring and reporting activities with respect to the Receivables transferred by the Seller to the Guarantor.

- *Further Information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds, see, amongst other relevant Sections of this Prospectus, "*Overview of the Programme*", "*Terms and Conditions of the Covered Bonds*", "*Description of the Transaction Documents*", "*Credit Structure*", below.

- Bonds", "Description of the Transaction Documents", "Credit Structure", below.

SUPPLEMENTS, FINAL TERMS AND FURTHER PROSPECTUSES

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus:

(i) the English translation of audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2019 (the **2019 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith. The 2019 Annual Financial Statements are available at https://gruppo.bancobpm.it/media/dlm_uploads/Consolidated-2019-Annual-Report-tipografia-per-sito.pdf;

(ii) the English translation of audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2020 (the **2020 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith. The 2020 Annual Financial Statements are available at https://gruppo.bancobpm.it/media/dlm_uploads/Consolidated-2020-Annual-Report-file-definitivo.pdf;

(iii) the English translation of press release issued on 9 February 2021 on the consolidated results of Banco BPM as at and for the year ended 31 December 2020 (the **9 February 2021 Press Release**), which is available at https://gruppo.bancobpm.it/media/dlm_uploads/2021_02_09-Banco-BPM-Group-FY-2020-Results-2.pdf;

(iv) certain parts of the English translation of press release issued on 6 May 2021 on the consolidated results of Banco BPM as at and for the three months ended 31 March 2021 (the **6 May 2021 Press Release**), which is available at https://gruppo.bancobpm.it/media/dlm_uploads/2021_05_06-Banco-BPM-Group-Q1-2021-Results.pdf;

(v) the English translation of the press release issued on 22 June 2021 on Project Rockets (the **22 June 2021 Press Release**), which is available at https://gruppo.bancobpm.it/media/dlm_uploads/2021_06_22-Project-Rockets-English.pdf;

(vi) the English translation of the press release issued on 25 June 2021 on the redefinition of the agreements between Banco BPM and the Covéa Group in the bancassurance sector (the **25 June 2021 Press Release**), which is available at https://gruppo.bancobpm.it/media/dlm_uploads/2021_06_25-Banco-BPM-Redefinition-of-bancassurance-agreements-with-Cov%C3%A9a-Group.pdf;

(vii) the sections entitled "Terms and Conditions of the Covered Bonds" on pages 78 to 156 of the base prospectus relating to the programme dated 8 July 2020 (the 2020 Prospectus), which is available at https://gruppo.bancobpm.it/media/dlm_uploads/BBPM-08-07-2020-CB1-Base-Prospectus.pdf;

(viii) the English translation of articles of association (*statuto*) of the Issuer (incorporated for information purposes) (the **Articles of Association**), which is available at https://gruppo.bancobpm.it/media/dlm_uploads/Statuto-BBPM-ENG_04.04.2020.pdf ;

(ix) the non consolidated annual financial statements of the Guarantor as at and for the years ended 31 December 2020 and 31 December 2019, which are available at https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-2-S.r.l.-Financial-Statements-2019.pdf and https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-Financial-Statements-2020.pdf, respectively;

(x) the auditor's reports, in their entirety, in respect of the Guarantor's annual financial statements for the years ended 31 December 2020 and 31 December 2019, which are available at https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-2-S.r.l.-Independent-Auditors-Report-Financial-Statements-2019.pdf and https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-bond-Indipendent-Auditors-Report-%E2%80%93-Financial-Statements-2020.pdf, respectively.

Any statement contained in this Prospectus or in a document which is incorporated by reference herein (including without limitation the documents listed under (i) to (x)) shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 23 of the Prospectus Regulation modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the principal office in Luxembourg of The Bank of New York Mellon SA/NV – Luxembourg Branch (the **Luxembourg Listing Agent**) for the time being in Luxembourg and will also be published on the Luxembourg Stock Exchange's web site (https://www.bourse.lu/programme/Programme-BcBPM/13534) and the Issuer's website (*https://gruppo.bancobpm.it/en/*).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Covered Bonds.

Cross Reference List

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

(a) Banco BPM S.p.A.

Document	Information incorporated	Page numbers
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2019	Significant Events During the Financial Year	32-37
	Consolidated financial statements:	136-137
	Consolidated Balance sheet	138
	Consolidated Income statement	139
	Statement of consolidated comprehensive income	140-141
	Statement of changes in consolidated shareholders' equity	142-143
	Consolidated cashflow statement	145-455
	Notes to the consolidated financial statements	463-473*
	Independent Auditors' Report on the consolidated financial statements	
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2020	Significant Events During the Financial Year	31-42
	Consolidated financial statements:	148-149
	Consolidated Balance sheet	150
	Consolidated Income statement	151
	Statement of consolidated comprehensive income	152-153
	Statement of changes in consolidated shareholders' equity	154-155
	Consolidated cashflow statement	157-481
	Notes to the consolidated financial statements	489-501*
	Independent Auditors' Report on the consolidated financial statements	
9 February 2021 Press Release	Entire document	1-27
6 May 2021 Press Release	Entire document, except for the sixth paragraph under the heading "*Business Outlook*" on page 13	1-22
22 June Press Release	Entire document	1-1

Document	Information incorporated	Page numbers
25 June Press Release	Entire document	1-1
2020 Prospectus	Terms and conditions of the Covered Bonds	78-156
Articles of Association	Entire document	1-52

* The page numbers identified are those of the complete Consolidated Annual Report of BPM relating to the year ended December 2019 and 2020, respectively including, inter alia, the 2019 Annual Financial Statements and the 2020 Annual Financial Statements, respectively.

(b) BPM Covered Bond S.r.l.[3]

Document	**Information incorporated**	**Page Numbers**
BPM Covered Bond S.r.l. Audited Non-consolidated Annual Financial Statements as at and for the Financial Year Ended 31 December 2019	*Balance sheet*	29
	Income statement	30
	Statement of comprehensive income	31
	Statement of changes in quotaholders' equity	31
	Statement of cash flows	31
	Explanatory notes	33-149
	Report of independent auditors	*Entire and separate document*
BPM Covered Bond S.r.l. Audited Non-consolidated Annual Financial Statements as at and for the Financial Year Ended 31 December 2020	*Balance sheet*	32
	Income statement	33
	Statement of comprehensive income	34
	Statement of changes in quotaholders' equity	34
	Statement of cash flows	35
	Explanatory notes	36-157
	Report of independent auditors	*Entire and separate document*

The information not included in the cross-reference lists above is not incorporated by reference. Part of the documents in the cross-reference list above has not been incorporated by reference and is considered either not relevant for an investor or is otherwise covered elsewhere in this Prospectus.

[3] To be completed.

TERMS AND CONDITIONS OF THE COVERED BONDS

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

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

1. Introduction

(a) *Programme*: Banco BPM S.p.A. (formerly Banca Popolare di Milano S.c. a r.l.) (the **Issuer**) has established a covered bond programme (the **Programme**) for the issuance of up to €10,000,000,000 in aggregate principal amount of covered bonds (*obbligazioni bancarie garantite*) (the **Covered Bonds**) guaranteed by BPM Covered Bond S.r.l. (the **Guarantor**). The Covered Bonds are issued pursuant to: (i) article 7-*bis* of Law No. 130 of 30 April 1999 (as amended, the **Securitisation and Covered Bonds Law**), (ii) the Ministerial Decree No. 310 of the Ministry for the Economy and Finance of 14 December 2006 (the **Decree No. 310**) and (iii) the regulation of the Bank of Italy of 17 May 2007, as subsequently amended on 24 March 2010 (the **Bank of Italy Regulations**).

(b) *Final Terms*: Covered Bonds are issued in series (each a **Series**) and each Series may comprise one or more tranches (each a **Tranche**) of Covered Bonds. Each Tranche is the subject of final terms (the **Final Terms**) which complete these terms and conditions (the **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) *Guarantee*: Each Series of Covered Bonds is the subject of a guarantee dated 11 July 2008 (the **Guarantee**) entered into between the Guarantor and the Representative of the Bondholders for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series issued under the Programme. The Guarantee will be backed by the Cover Pool (as defined below). The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments.

(d) *Programme Agreement and Subscription Agreement*: The Issuer and the Dealer(s) have agreed that any Covered Bonds of any Tranche which may from time to time be agreed between the Issuer and the Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon,

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

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

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

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

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

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

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

15% Limit means the limit of 15% (of the aggregate outstanding principal amount of the Cover Pool) of Substitution Assets that may be included in the Cover Pool or any other limit set out in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister

of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

Account means each of the Collection Accounts, the Transaction Account, the Investment Account, the Securities Account, the Reserve Account, the Expenses Account and the Quota Capital Account and any other account which may be opened in the name of the Guarantor pursuant to the terms of the Transaction Documents.

Account Bank means Banco BPM S.p.A. or any other entity acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement.

Accrual Yield has the meaning given 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 Seller means any additional seller which may from time to time enter into the Programme.

Adjusted Aggregate Loan Amount means the amount calculated pursuant to the formula set out in clause 3.2 of the Cover Pool Management Agreement.

ACT or **Asset Coverage Test** means the tests which will be carried out pursuant to the terms of the Cover Pool Management Agreement in order to ensure that, on the relevant Calculation Date, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds.

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

Amortisation Test means the test intended to ensure that on each Calculation Date, following the delivery of an Issuer Default Notice, the outstanding principal balance of the Cover Pool which for such purpose is considered as an amount equal to the Amortisation Test Aggregate Loan Amount is higher than or equal to the Euro Equivalent of the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Amortising Covered Bonds means a Covered Bond specified as such in the relevant Final Terms.

Asset Monitor means BDO Italia S.p.A. or any other entity appointed from time to time to act as such in accordance with the Asset Monitor Agreement.

Asset Monitor Agreement means the asset monitor agreement entered into on 11 July 2008 between, *inter alios*, the Asset Monitor and the Issuer.

Authorised Signatory means, in relation to Banco BPM or any other person, any person who is duly authorised and in respect of whom the Guarantor has received a certificate signed by a director or another Authorised Signatory of Banco BPM or such

other person setting out the name and signature of such person and confirming such person's authority to act.

Back-up Account Bank means The Bank of New York Mellon SA/NV – Milan Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payment Agreement.

Back-Up Servicer means any entity which may be appointed as Back-up Servicer by the Guarantor, together with the Representative of the Bondholders, pursuant to clause 7 of the Servicing Agreement and Clause 5.3 of the Intercreditor Agreement.

Bank of Italy Regulations means Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (*Circolare* No. 285 of 17 December 2013), as subsequently amended and supplemented.

Bank of Italy Regulations for Financial Intermediaries means the "*Istruzioni di Vigilanza per gli Intermediari Finanziari*" (Circolare No. 288 of 3 April 2015), as subsequently amended and supplemented.

Beneficiaries means the Bondholders and the Other Guarantor Creditors and any other person or entity entitled to receive a payment from the Issuer and/or the Guarantor under the Programme, in accordance with article 7-*bis* of the Securitisation and Covered Bonds Law.

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

Banco BPM S.p.A. or **Banco BPM,** a bank incorporated in Italy as a *società per azioni*, having its registered office at Piazza F. Meda, 4, Milan, Italy, and registered with the Companies' Register of Milan under number 09722490969, and with the register of banking groups held by the Bank of Italy *Codice meccanografico* 5034 under number 8065 and authorised to carry out business and operate in Italy pursuant to article 13 of the Consolidated Banking Act.

Banco BPM Group means, together, the banks and other companies belonging from time to time to Banco BPM banking group, enrolled with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

Benchmarks Regulation means Regulation (EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014.

BPM Collection Account means the euro denominated account established in the name of the Guarantor with the Account Bank as specified in the Master Definitions Agreement or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

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

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

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

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

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

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

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

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

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

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

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

Calculation Agent means Banco BPM or any other entity acting as calculation agent pursuant to the Cash Allocation, Management and Payment Agreement.

Calculation Amount has the meaning given in the relevant Final Terms.

Calculation Date means the date falling three Business Days prior to each Guarantor Payment Date.

Call Option has the meaning given in the Condition 8 (d) (*Redemption at the option of the Issuer*).

Cash Allocation, Management and Payment Agreement means the Cash Allocation, Management and Payment Agreement entered into on 11 July 2008 between the Issuer, the Guarantor, the Servicer, the initial Seller, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders.

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

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

Collection Account means the BPM S.p.A. Collection Account and any other account which may be opened in accordance with clause 3.3 of the Cash Allocation, Management and Payment Agreement and **Collection Accounts** means all of them.

Collection Period means each quarterly period, commencing on (and including) the first calendar day of each of January, April, July and October and ending on (and including) the last calendar day of March, June, September and December.

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

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

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

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

Corporate Services Agreement means the agreement entered into on 11 July 2008 between the Guarantor and the Guarantor Corporate Servicer pursuant to which the Guarantor Corporate Servicer will provide certain administration services to the Guarantor.

Cover Pool means the cover pool constituted by (i) Receivables; (ii) any other Eligible Assets; and (iii) any Substitution Assets.

Cover Pool Management Agreement means the agreement entered into on 11 July 2008 between the Issuer, the Guarantor, the Calculation Agent and the Representative of the Bondholders.

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

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

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

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

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

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

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

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

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

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

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

where:

Y_1 is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M_2 is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

D_1 is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30";

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

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

where:

Y_1 is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D_1 is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

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

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

where:

Y_1 is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D_1 is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

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

Dealer means each of Barclays Bank Ireland PLC, UBS Europe SE, Banca Akros S.p.A. – Gruppo Banco BPM and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 5 (Form of Dealer Accession Letter) of the Programme Agreement.

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

Decree No. 213 means Italian Legislative Decree number 213 of 24 June 1998, as amended and supplemented from time to time.

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

Deed of Charge means the English law deed of charge entered into on or about the First Issue Date between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors) and each supplemental deed entered into pursuant thereto.

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

Due for Payment means the requirement for the Guarantor to pay any Guaranteed Amounts following the delivery of an Issuer Default Notice after the occurrence of a Issuer Event of Default, such requirement arising:

(i) prior to the occurrence of a Guarantor Event of Default, on the date on which the Guaranteed Amounts are due and payable in accordance with the Terms and Conditions and the Final Terms of the relevant Series of Covered Bonds; and

(ii) following the occurrence of a Guarantor Event of Default, the date on which the Guarantor Default Notice is served on the Guarantor.

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

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

Early 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 8 (c) (*Redemption for tax reasons*).

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

(i) the Residential Mortgage Loans;

(ii) the Commercial Mortgage Loans;

(iii) the Public Entities Receivables; and

(iv) the Public Entities Securities;

Eligible Cover Pool means the aggregate amount of Eligible Assets and Substitution Assets (including (i) any sum standing to the credit of the Accounts and (ii) the Eligible Investments) provided that (i) any Non Performing Receivables and those Eligible Assets or Substitution Assets for which a breach of the representations and warranties granted under Clause 3.3.1 (*Mortgage Loans, Receivables, Mortgages and Collateral Security*) of the Warranty and Indemnity Agreement has occurred and has not been remedied will not be considered for the purpose of the calculation, (ii) any Mortgage Loan in respect of which the relevant loan to value ratio exceeds the percentage limit set forth under article 2, paragraph 1, of the Decree 310, will be calculated up to an amount of principal which – taking into account the market value of the Real Estate Assets related to that Mortgage Loan allows the compliance with such percentage limit, (iii) the aggregate of the Substitution Assets in excess of the 15% Limit will not be considered for the purposes of the calculation.

Eligible Institution means (i) any depository institution (other than Banco BPM acting as Account Bank) organised under the laws of any state which is a member of the

European Union, United Kingdom, Switzerland or of the United States, the short-term banks deposits are rated at least "P-1" by Moody's and the long term banks deposits are rated at least "A2" by Moody's, or which is guaranteed by an entity whose short-term banks deposits are rated at least "P-1" by Moody's, and the long-term banks deposits are rated at least "A1" by Moody's or any other rating level from time to time provided for in the Rating Agency's criteria and (ii) with respect to Banco BPM acting as Account Bank, Banco BPM for so long as its long term bank deposits, are rated at least "Ba3" by Moody's.

Eligible Investment means (i) any Euro denominated security rated at least "Baa3" and/or "P-3" by Moody's, where they have a maturity of up to 30 calendar days or, if greater than 30 calendar days, which may be liquidated without loss within 30 days of a downgrade below "P-3" by Moody's, and/or (ii) any Euro denominated security rated at least "Baa2" and/or "P-2" by Moody's, where they have a maturity of greater than 30 and up to 90 calendar days or, if greater than 90 calendar days, which may be liquidated without loss within 90 days of a downgrade below "P-3" by Moody's, and/or (iii) any Euro denominated security rated at least "A3" and/or "P-1" by Moody's, where they have a maturity of greater than 90 and up to 180 calendar days or, if greater than 180 calendar days, which may be liquidated without loss within 180 days of a downgrade below "P-3" by Moody's, and/or (iv) reserve accounts, deposit accounts, and other similar accounts that provide direct liquidity and/or credit enhancement held at a financial institution rated at least "Baa3" and/or "P-3" by Moody's, and/or (v) securities lending transactions with the counterparty acting as borrower regulated under the Global Master Securities Lending Agreements governed by English law provided that (a) the underlying securities comply with the requirements set out in paragraph (i), (ii) and (iii) above, (b) the counterparty acting as borrower of the Guarantor acting as lender under the securities lending transaction is a credit institution (including, without limitation, the Account Bank, to the extent they qualify as Eligible Institutions) qualifying as an Eligible Institution, (c) such securities lending transactions are immediately repayable on demand subject to a notice period, disposable without penalty or loss or have a maturity date falling no later than the immediately following Eligible Investment Maturity Date, (d) the counterparty acting as borrower of the Guarantor has acceded to the Intercreditor Agreement and has agreed to be bound by the provisions thereof and (e) in case of downgrade of the relevant counterparty below the minimum ratings by Moody's, the Guarantor shall terminate in advance the securities lending transaction within 35 calendar days from the downgrade, provided in all cases that (A) any such investments mature on or before the next following Guarantor Payment Date or are disposable at no loss and provided in all cases that the relevant exposure qualifies for the "credit quality step 1" pursuant to article 129, let. (c) of the CRR or, in case of exposure *vis-à-vis* an entity in the European Union which has a maturity not exceeding 100 (one-hundred) days, it may qualify for "credit quality step 2" pursuant to article 129, let. (c) of the CRR and (B) none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in any such instruments at any time; (C) no amount available to the Guarantor in the context of the Programme may be otherwise invested in asset backed securities, irrespective of their subordination, status, or ranking at any time.

Eligible Investment Date means the second, tenth, seventeenth and twentyfifth Business Day of each month or, in any event, the date on which the balance standing to the credit of each of the Transaction Account and the Reserve Account exceeds Euro 2,500,000 respectively.

Eligible Investment Maturity Date means two Business Days before each Guarantor Payment Date.

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

EU Stabilisation Regulation means Council Regulation (EC) No. 2273/2003 of 22 December 2003.

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

EURIBOR shall have the meaning ascribed to it 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.

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

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

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

Extension Determination Date means, with respect to each Series of Covered Bonds, the date falling 5 days after the Maturity Date of the relevant Series.

Extraordinary Resolution has the meaning given in the Rules of the Organisation of Bondholders attached to these Conditions.

Facility means the facility to be granted by each Subordinated Lender pursuant to the terms of Clause 2 of the relevant Subordinated Loan Agreement.

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

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

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

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

Fixed Rate Covered Bond means a Covered Bond specified as such in the relevant Final Terms.

Fixed Rate Provisions means Condition 5 (*Fixed Rate Provisions*).

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

Floating Rate Provisions means the relevant provisions of Condition 6 (*Floating Rate Provisions*).

Floating Rate Covered Bond means a Covered Bond specified as such in the relevant Final Terms.

Guarantee means the guarantee issued on 11 July 2008 by the Guarantor for the benefit of the Beneficiaries.

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

Guaranteed Amounts means any amounts due from time to time to the Beneficiaries and, in particular:

(a) prior to the service of a Guarantor Default Notice, the amounts due and payable on each Guarantor Payment Date in accordance with the Guarantee Priority of Payments; and

(b) after the service of a Guarantor Default Notice, the amounts described in letter (a) above, plus any additional amounts relating to premiums, default interest, prepayments, early redemption or broken funding indemnities payable in accordance with the Post-enforcement Priority of Payments.

Guaranteed Obligations means the payment obligations with respect to the Guaranteed Amounts.

Guarantor means BPM Covered Bond S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy pursuant to the Securitisation and Covered Bonds Law, having its registered office at Via Curtatone, 3, Rome, Italy, fiscal code and enrolment with the companies' register (*registro delle imprese*) of Rome No. 09646111006.

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

Guarantor Corporate Servicer means KPMG Fides Servizi di Amministrazione S.p.A. or any other entity acting as such pursuant to the Corporate Services Agreement.

Guarantor Event of Default has the meaning given to it in Condition 11.3 (*Guarantor Events of Default*).

Guarantor Default Notice has the meaning given to it in Condition 11.3 (*Guarantor Events of Default*).

Guarantor Payment Date means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 15th day of January, April, July and October or, if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

Initial Portfolio means the initial portfolio of Receivables, comprising Eligible Assets, purchased by the Guarantor from each Seller pursuant to the relevant Master Receivables Purchase Agreement.

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

(i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*" and "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the 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 (other than, in respect of the Issuer, the issuance of a resolution pursuant to article 74 of the Consolidated Banking Act); or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2448 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or

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

Intercreditor Agreement means the agreement entered into on 11 July 2008 between the Guarantor and the Other Guarantor Creditors.

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

Interest Available Funds means in respect of any Guarantor Payment Date, the aggregate of:

(i) any interest amounts collected by the Servicer and/or any Sub-Servicers in respect of the Cover Pool and credited into the relevant Collection Account during the immediately preceding Collection Period;

(ii) all recoveries in the nature of interest received by the Servicer and/or any Sub-Servicers and credited to the relevant Collection Account during the immediately preceding Collection Period;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts during the immediately preceding Collection Period;

(iv) any amounts standing to the credit of the Reserve Account in excess of the Reserve Required Amount, and following the service of an Issuer Default Notice, on the Guarantor, any amounts standing to the credit of the Reserve Account;

(v) any interest amounts standing to the credit of the Transaction Account;

(vi) all interest amounts received from the Eligible Investments;

(vii) subject to item (ix) below, any amounts received under the Cover Pool Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Calculation Date, (i) to make payments in respect of interest due and payable, pro rata and *pari passu* in respect of each relevant Interest Rate Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and *pro rata* in

respect of each relevant Series of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Calculation Agent may reasonably determine, or otherwise (iv) to make payments to a Subordinated Lender under the relevant Subordinated Loan Agreement as described in item Fifth (b) of the Pre-Issuer Default Interest Priority of Payments;

and provided further that, prior to the occurrence of a Guarantor Event of Default, any such amounts received or to be received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(viii) subject to item (ix) below, any amounts received under the Interest Rate Swap Agreements other than any Swap Collateral Excluded Amounts,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of interest due and payable under the Subordinated Loan Agreements or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of interest on the Covered Bonds under the Guarantee, pro rata and *pari passu* in respect of each relevant Series of Covered Bonds;

and provided further that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(ix) any swap termination payments received from a Swap Provider under a Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will first be used to pay a replacement swap provider to enter into a replacement swap agreement, unless a replacement swap agreement has already been entered into by or on behalf of the Guarantor;

(x) all interest amounts received from any Seller by the Guarantor pursuant to the relevant Master Receivables Purchase Agreement during the immediately preceding Collection Period;

(xi) any amounts paid as Interest Shortfall Amount out of item (i) of the Pre-Issuer Default Principal Priority of Payments; and

(xii) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period.

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

Interest Coverage Test means the test to be calculated pursuant to the terms of the Cover Pool Management Agreement so that the amount of interest and other revenues generated by the assets included in the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the costs borne by the Guarantor (including the payments of any nature expected to be received by the Guarantor or due to the Swap Providers with respect to any Swap Agreement), shall be at least equal to the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Interest Determination Date has the meaning given in the relevant Final Terms.

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

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

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

Interest Period means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

Interest Rate Swap Agreement means each interest rate swap agreement entered into on or about each Issue Date between the Guarantor and an interest rate swap provider in the context of the Programme.

Interest Rate Swap Provider means UBS Europe SE and Société Générale and any other entity acting as an interest rate swap provider pursuant to an Interest Rate Swap Agreement.

Investment Account means the euro denominated account established in the name of the Guarantor with the Account Bank as specified in the Master Definitions Agreement,

or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

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 the Covered Bonds.

ISDA Determination means that the Rate of Interest will be determined in accordance with Condition 6(f) (*ISDA Determination*).

Issue Date has the meaning given in the relevant Final Terms.

Issuer means Banco BPM.

Issuer Default Notice has the meaning given to it in Condition 11.2 (*Issuer Events of Default*).

Issuer Event of Default has the meaning given to it in Condition 11.2 (*Issuer Events of Default*).

Joint-Arrangers means Barclays Bank Ireland PLC and UBS Europe SE and any other entity appointed as an arranger for the Programme.

Luxembourg Listing and Paying Agent means The Bank of New York Mellon SA/NV – Luxembourg branch, or any other entity from time to time acting in such capacity.

Mandate Agreement means the mandate agreement entered into on or about 11 July 2008 between the Representative of the Bondholders and the Guarantor.

Mandatory Tests means the tests provided for under article 3 of Decree No. 310.

Margin has the meaning given in the relevant Final Terms.

Master Receivables Purchase Agreement means each master receivables purchase agreement entered into between the Guarantor and a Seller.

Maturity Date means each date on which final redemption payments for a Series of Covered Bonds become due in accordance with the Final Terms but subject to it being extended to the Extended Maturity Date.

Maximum Rate of Interest has the meaning given in the relevant Final Terms.

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

Meeting has the meaning set out in the Rules.

Minimum Rate of Interest has the meaning given in the relevant Final Terms.

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

Monte Titoli means Monte Titoli S.p.A., a società per azioni having its registered office at Via Mantegna, 6, 20154 Milan, Italy.

Monte Titoli Account Holders means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with article 30 of Decree No. 213 and includes any depositary banks approved by Clearstream and Euroclear.

Moody's means Moody's Deutschland GmbH, or any of its successors.

Moody's Potential Commingling Amount means: (i) nil, if the Issuer's short term rating is at least "P-2" by Moody's or if any of the remedies provided for under Clauses 3.11.1, 3.11.2 or 3.11.3 of the Servicing Agreement has been implemented, or, in any other case, (ii) 1.6% of the aggregate outstanding principal balance of the Receivables included in the Cover Pool. The amounts under item (ii) above shall be deposited on the Transaction Account and are entitled to be released and become Principal Available Funds if any of the circumstances described under item (i) above occurs.

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

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

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

Negative Carry Factor is a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, be not less than 0.50 per cent.

Net Present Value Test means the test to be calculated pursuant to the terms of the Cover Pool Management Agreement so that the net present value of the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Non Performing Receivables means any Receivable which qualifies as "non performing" in accordance with the EU Regulation No. 575/2013 and 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 from time to time.

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

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

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

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

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

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

Other Guarantor Creditors means the Sellers, the Servicer, the Sub-Servicers, the Back-Up Servicer, the Subordinated Lenders, the Investment Manager, the Calculation Agent, the Representative of the Bondholders, the Asset Monitor, the Cover Pool Swap Provider, the Interest Rate Swap Providers, the Account Bank, the Principal Paying Agent, the Paying Agent, the Guarantor Corporate Servicer and the Portfolio Manager (if any).

Paying Agents means the Principal Paying Agent and each other paying agent appointed from time to time under the terms of the Cash Allocation, Management and Payments Agreement.

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

(i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

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 Bondholders, the place at which such Bondholder receives payment of interest or principal on the Covered Bonds.

Portfolio means each of the Initial Portfolio and any other Subsequent Portfolios which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Receivables Purchase Agreements.

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

Pre-Issuer Default Interest Priority of Payment means the order of priority pursuant to which the Interest Available Funds shall be applied, prior to the delivery of an Issuer

Default Notice, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

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

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

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

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

(i) all principal amounts collected by the Servicer and/or the Sub-Servicers in respect of the Cover Pool and credited to the relevant Collection Account of the Guarantor during the immediately preceding Collection Period;

(ii) all other recoveries in respect of principal received by the Servicer and/or the Sub-Servicers and credited to the relevant Collection Account of the Guarantor during the immediately preceding Collection Period;

(iii) all principal amounts received from any Seller by the Guarantor pursuant to the relevant Master Receivables Purchase Agreement during the immediately preceding Collection Period;

(iv) the proceeds of any disposal of Receivables and other Eligible Assets and any disinvestment of Substitution Assets or Eligible Investments;

(v) any amounts granted by any Seller under the relevant Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Substitution Asset;

(vi) all amounts in respect of principal (if any) received under any Swap Agreements other than any Swap Collateral Excluded Amounts,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of principal due and payable under any Term Loan A (provided that all principal amounts outstanding under a relevant Series of Covered Bonds which have fallen due for repayment on such Guarantor Payment Date have been repaid in full by the Issuer), or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor

Payment Date, to make payments in respect of principal on the Covered Bonds under the Guarantee, pro rata and *pari passu* in respect of each relevant Series of Covered Bonds,

and provided further that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date but prior to the next following Guarantor Payment Date which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Principal Available Funds on such Guarantor Payment Date;

(vii) any amounts paid out of item Eight of the Pre-Issuer Default Interest Priority of Payments; and

(viii) any principal amounts standing to the credit of the Transaction Account, other than the Potential Commingling Amount and/or the Moody's Potential Commingling Amount (to the extent they are not entitled to be released).

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 The Bank of New York Mellon SA/NV – Milan branch, a bank incorporated under the laws of Belgium, having its registered office at 46 Rue Montoyer - B-1000 Brussels, Belgium, acting through its Italian branch with office at Diamantino Building -5th Floor - via Mike Bongiorno 13, 20124 Milan, Italy, fiscal code and enrolment with the companies register of Milan number 05694250969 and registered with the register held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act as a "*filiale di banca estera*" under number 5662 and with ABI code 3351.4; or any other entity acting as such in accordance with the Cash Allocation, Management and Payment Agreement.

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

Privacy Law means the Italian Law n. 675 of the 31 December 1996, subsequently amended, modified or supplemented from time to time, together with any relevant performing regulations as integrated from time to time by the Autorità Garante per la Protezione dei Dati Personali, with reference to the period starting on the entry into force of such law and ending on the repealing of such law by the entry into force of Legislative Decree number 196 of 30 June 2003, published on the Official Gazette number 174 of 29 July 2003, Ordinary Supplement number 123/L and after such repeal

of Italian Law number 675 of 31 December 1996, the Personal Data Protection Code (together with any relevant implementing regulations as integrated from time to time by the Autorità Garante per la Protezione dei Dati Personali).

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

Programme Agreement means the programme agreement entered into on 11 July 2008 between the Guarantor, the Issuer, the Dealers and the Representative of the Bondholders.

Programme Limit means €10,000,000,000.

Programme Maturity Date means the date following 25 years after the date of the Prospectus.

Programme Resolution has the meaning set out in the Rules.

Prospectus Regulation means Regulation (EU) No. 2017/1129 of 14 June 2017, as subsequently amended and supplemented.

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

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

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

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

provided that, the Public Entities Receivables described under item (ii) above may not amount to more than 10% of the aggregate nominal value of the Cover Pool.

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

(i) Public Entities, including ministerial bodies and local or regional bodies, located within the European Economic Area or Switzerland for which a risk

weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and

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

provided that, the Public Entities Securities described under item (ii) above may not amount to more than 10% of the aggregate nominal value of the Cover Pool.

Put Option has the meaning given in the Condition 8 (f) (*Redemption at the option of Bondholders*).

Put Option Notice means a notice which must be delivered to the Principal Paying Agent by any Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Bondholder.

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

Quotaholders' Agreement means the agreement entered into on or about the Issue Date between the Guarantor, the Quotaholders and the Representative of the Bondholders.

Quarterly Servicer's Report Date means 10th Business Day falling on January, April, July and October of each year.

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

Rating Agency means Moody's.

Receivables means specifically each and every right arising under the Mortgage Loans pursuant to the Mortgage Loan Agreements, including but not limited to:

(i) all rights in relation to all Outstanding Principal of the Mortgage Loans as at the relevant Valuation Date;

(ii) any Accrued Interest as at the relevant Valuation Date and of interest (including default interest) becoming due and payable following the relevant Valuation Date;

(iii) all rights in relation to interest (including default interest) amounts which will accrue on the Mortgage Loans as from the relevant Valuation Date;

(iv) all rights in relation to the reimbursement of expenses and in relation to any losses, costs, indemnities and damages and any other amount due to each Seller in relation to the Mortgage Loans, the Mortgage Loan Agreements, including penalties and any other amount due to each Seller in the case of prepayments of the Mortgage Loans, and to the warranties and insurance related thereto, including the rights in relation to the reimbursement of legal, judicial and other possible expenses incurred in connection with the collection and recovery of all amounts due in relation to the Mortgage Loans up to and as from the relevant Valuation Date;

(v) all rights in relation to any amount paid pursuant to any Insurance Policy or guarantee in respect of the Mortgage Loans of which each Seller is the beneficiary;

(vi) all of the above together with the Mortgages and any other Security Interests (garanzie reali o personali) assignable as a result of the assignment of the Receivables (except for the fidejussioni omnibus which have not been granted exclusively in relation to or in connection with the Mortgage Loans), including any other guarantee granted in favour of the relevant Seller in connection with the Mortgage Loans or the Mortgage Loan Agreements and the Receivables.

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

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

Reference Price has the meaning given in the relevant Final Terms.

Reference Rate has the meaning given in the relevant Final Terms.

Regular Period means:

(i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular

payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

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

Relevant Date means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Relevant Dealer(s) means, in relation to a Tranche, the Dealer(s) which is/are party to any agreement (whether oral or in writing) entered into with the Issuer and the Guarantor for the issue by the Issuer and the subscription by such Dealer(s) of such Tranche pursuant to the Programme Agreement.

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

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

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

Representative of the Bondholders means the entity that will act as representative of the holders of each series of Covered Bonds pursuant to the Transaction Documents.

Reserve Required Amount means an amount equal to the aggregate amount of:

(a) three twelfth of the aggregate amount payable on the immediately following Guarantor Payment Date in respect of items from (*First*) to (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and

(b) if no Cover Pool Swap Agreement has been entered into, or if a Cover Pool Swap Agreement has been entered into with an entity belonging to the Banco BPM Group, an amount equal to any interest amounts due in relation to any Series of Covered Bonds outstanding in the immediately following three months; or (B) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group, but (i) no Interest Rate Swap Agreement has been entered into in relation to a Series of Covered Bonds or (ii) an Interest Rate Swap Agreement has been entered into with an entity belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due in relation to such Series of Covered Bonds in the immediately

following three months; or (C) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group and an Interest Rate Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due to the Interest Rate Swap Provider in respect of the relevant Interest Rate Swap Agreement in the immediately following three months, calculated applying the Floating Rate Option (as defined in the ISDA Definitions) for each relevant Interest Rate Swap Agreement determined on a forward basis.

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

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

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

Screen Rate Determination means that the Rate of Interest will be determined in accordance with Condition 6 (c) (*Screen Rate Determination*).

Security Interest means:

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

(ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

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

Segregation Event has the meaning given to it in Condition 11 (a) (Segregation Event).

Seller means Banco BPM S.p.A. and any Additional Seller pursuant to the relevant Master Receivables Purchase Agreement.

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

Servicer means Banco BPM in its capacity as such pursuant to the Servicing Agreement.

Servicer's Reports means, collectively, the Monthly Servicer's Report and the Quarterly Servicer's Report.

Servicing Agreement means the servicing agreement entered into on 8 July 2008 between the Guarantor and the Servicer.

Sofferenze means any Non Performing Receivable which is in a state of permanent distress and is handled by the Servicer's office litigation.

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

Specified Denomination(s) has the meaning given in the relevant Final Terms, as agreed between the Issuer and the relevant Dealer(s).

Specified Office means:

(i) in the case of the Principal Paying Agent, Via Carducci, 31, 20123 Milan, Italy; or

(ii) in the case of any other Paying Agent, the offices specified in the relevant Final Terms; or

(iii) in the case of the Calculation Agent, Piazza Filippo Meda 4, 20121 Milan, Italy,

or, in each case, such other office in the same city or town as such agent may specify by notice to the Issuer and the other parties to the Cash Allocation, Management and Payment Agreement in the manner provided therein.

Sub-Servicer means Banco BPM S.p.A. and each Additional Seller, in its capacity as sub-servicer pursuant to the Servicing Agreement.

Subordinated Lender means Banco BPM S.p.A. and each Additional Seller, in its capacity as subordinated lender pursuant to the relevant Subordinated Loan Agreement.

Subordinated Loan Agreement means any subordinated loan agreement entered into between a Subordinated Lender and the Guarantor.

Subsidiary has the meaning given to it in article 2359 of the Italian Civil Code.

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

Substitution Assets means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree No. 310, each of the following assets:

(i) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and

(ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

Swap Agreements means, collectively, the Interest Rate Swap Agreement(s) and the Cover Pool Swap Agreement and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

Swap Providers means, as applicable, the Cover Pool Swap Provider, the Interest Rate Swap Provider(s) and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

TARGET2 means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

TARGET Settlement Day means any day on which the TARGET2 is open for the settlement of payments in Euro.

Tax means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein.

Term Loan means a loan made or to be made available to the Guarantor under the Facility or the principal amount outstanding for the time being of that loan, be it a Term Loan A and/or a Term Loan B.

Term Loan A means a Term Loan (i) advanced concurrently with an issue of a Series of Covered Bonds, (ii) identified by reference to the relevant Series of Covered Bonds so issued or to be issued and (iii) for an amount equal to the principal amount of the relevant Series of Covered Bonds so issued or to be issued.

Term Loan B means a Term Loan (i) advanced for the purpose of funding the purchase of Substitution Assets; and/or (ii) advanced for the purpose of purchasing other Eligible Assets to be sold in accordance with the Cover Pool Management Agreement; and/or (iii) advanced concurrently with the advance of a Term Loan A, for an amount equal to the difference between the Term Loan A and the aggregate amount advanced on such Drawdown Date; and/or (iv) being any principal amount still outstanding of a Term Loan A on the Maturity Date (or the Extended Maturity Date) of the Corresponding Series of Covered Bonds and not paid at such date; and/or (v) advanced for the purpose of purchasing Eligible Assets to serve as Cover Pool for a future issuance of a Corresponding Series of Covered Bonds and to be subsequently converted in accordance with provisions of the Subordinated Loan Agreements.

Term Loan Notice means a notice sent by a Subordinated Lender to the Guarantor substantially in the form set out in Schedule 1 (Term Loan Notice) of the relevant Subordinated Loan Agreement.

Terms and Conditions means this Terms and Conditions.

Test Performance Report means the report to be delivered, on each Calculation Date, by the Calculation Agent pursuant to the terms of the Cover Pool Management Agreement.

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

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

Tests means, collectively, the Mandatory Tests, the Asset Coverage Test and the Amortisation Test.

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

Transaction Documents means the Master Receivables Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Prospectus, the Deed of Pledge, the Deed of Charge, the Master Definitions Agreement and any other agreement entered into in connection with the Programme.

Valuation Date means in respect of each Portfolio sold by the Seller and/or any Additional Seller sold to the Guarantor from time to time, the date on which the economic effects of the transfer of the relevant Portfolio will commence.

Warranty and Indemnity Agreement means each warranty and indemnity agreement entered into between a Seller and the Guarantor.

Zero Coupon Covered Bond means a Covered Bond specified as such in the relevant Final Terms.

Zero Coupon Provisions means Condition 7 (*Zero Coupon Provisions*).

(b) *Interpretation*:

In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 10 (*Taxation*), any premium payable in respect of a Series of Cover Bonds and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) if an expression is stated in Condition 2 (a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms give no such

meaning or specify that such expression is "not applicable" then such expression is not applicable to the Covered Bonds;

(iv) any reference to a Transaction Document shall be construed as a reference to such Transaction Document, as amended and/or supplemented up to and including the Issue Date of the relevant Covered Bonds;

(v) any reference to a party to a 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 single Tranche only; and

(vi) any reference in any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

3. Denomination, Form and Title

The Covered Bonds are in the Specified Denomination or Specified Denominations which may include a minimum denomination of €100,000 (or, where the Specified Currency is a currency other than euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, all as specified in the relevant Final Terms and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency). The Covered Bonds will be issued in dematerialised form and will be held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli Account Holders and title thereto will be evidenced by book entries in accordance with the provisions of the Financial Laws Consolidation Act and the Joint Regulation, as amended and supplemented from time to time. The Covered Bonds will be held by Monte Titoli on behalf of the Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical document of title will be issued in respect of the Covered Bonds. The rights and powers of the Bondholders may only be exercised in accordance with this Conditions and the Rules.

4. Status and Guarantee

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

(b) *Status of the Guarantee*: The payment of Guaranteed Amounts in respect of each Series of Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor in the Guarantee. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

5. Fixed Rate Provisions

(a) *Application:* This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Dates, subject as provided in Condition 11 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6. Floating Rate Provisions and Benchmark Replacement

(a) *Application:* This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Dates, subject as provided in Condition 11 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in

accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination for Floating Rate Covered Bonds (other than Covered Bonds linked to SONIA):* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Principal Paying Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

provided however, that if the Principal Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period; **except that**, (i) if the Issuer or Principal Paying Agent determines that the absence of quotation is due to the discontinuation of the Relevant Screen Page, or (ii) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Reference Rate will be determined in accordance with Condition 6(e) below.

(d) *Screen Rate Determination for Floating Rate Covered Bonds which are linked to SONIA:* if Screen Rate Determination is specified in the relevant Final Terms as the

manner in which the Rate(s) of Interest is/are to be determined and "SONIA" is specified as the Reference Rate in the relevant Final Terms, the Rate of Interest applicable to the Covered Bonds for each Interest Period shall be Compounded Daily SONIA plus or minus the Margin (if any) as specified in the applicable Final Terms, subject to Condition 6(e).

If in respect of any Business Day in the relevant Observation Period, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the applicable SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, the SONIA Reference Rate in respect of such Business Day shall be: (A) (i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on such Business Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or (B) if such Bank Rate is not available, the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

Where the SONIA Reference Rate is being determined in accordance with the paragraph above, in the event the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined; or (ii) any rate that is to replace the SONIA Reference Rate, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, to the extent that it is reasonably practicable, follow such guidance in order to determine the SONIA Reference Rate for any Business Day "i" for the purpose of the relevant Series of Covered Bonds for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), subject to Condition 6(f), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to that last preceding Interest Period); or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (including applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Series of Covered Bonds become due and payable in accordance with Condition 11 (*Events of Default and Enforcement*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Covered Bonds became due and payable and the Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bonds remain outstanding, be that determined on such date.

For the purposes of this Condition 6(d):

Compounded Daily SONIA means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the third decimal place, with 0.0005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SONIA_{i-pLBD}\ x\ n_i}{365}\right)-1\right]\ x\ \frac{365}{d}$$

Where:

"**d**" is the number of calendar days in the relevant Interest Period;

"**d_0**" is the number of Business Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to do, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period;

"**LBD**" means a Business Day;

"**ni**", for any Business Day "i", means the number of calendar days from and including such Business Day "i" up to but excluding the following Business Day;

"**p**" means for any Interest Period, 5 (five) Business Days or such other number of Business Days as specified in the applicable Final Terms provided that such number shall not be less than 5 (five) Business Days unless otherwise agreed between the Issuer and the Agent; and

"**SONIAi-pLBD**" means in respect of any Business Day falling in the relevant Interest Period, the SONIA Reference Rate for the Business Day falling "p" Business Days prior to that Business Day "i".

"**Observation Period**" means the period from and including the date falling five Business Days prior to the first day of the relevant Interest Period and ending on, but excluding, the date falling five Business Days prior to the Interest Payment Date for such Interest Period (or, if applicable, the date falling five Business Days prior to any other date on which a payment of interest is to be made in respect of the Covered Bonds).

"**SONIA Reference Rate**" means in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average (SONIA) rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the screen or, if the screen is unavailable, as otherwise published by such authorised distributors (on the Business Day immediately following such Business Day).

(e) *Benchmark discontinuation*: (1) If the Issuer determines at any time prior to, on or following any Interest Determination Date, that the Relevant Screen Page on which appears the Reference Rate has been discontinued, or (2) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint an agent (the **Reference Rate Determination Agent**), which will not later than the Interest Determination Cut-off Date determine in a commercially reasonable manner whether a substitute or successor rate for purposes of determining the Reference Rate or the SONIA Reference Rate, as the case may be, on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Reference Rate or the SONIA Reference Rate, as the case may be, is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will use such successor rate to determine the Reference Rate or the SONIA Reference Rate, as the case may be. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the **Replacement Reference Rate**), for purposes of determining the Reference Rate or the SONIA Reference Rate, as the case may be, on each Interest Determination Date falling on or after such determination: (i) the Reference Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Reference Rate or the SONIA Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (ii) references to the Reference Rate or the SONIA Reference Rate, as the case may be, in the Conditions and the Final Terms applicable to the relevant Covered Bonds will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in Condition 6(f) (ISDA Determination) below; (iii) the Reference Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (iv) the Issuer will give notice as soon as reasonably practicable to the Bondholders, the Principal Paying Agent specifying the Replacement Reference Rate, as well as the details described in Condition 6(f) (ISDA Determination) below.

The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, Principal Paying Agent, and the Bondholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Reference Rate or the SONIA Reference Rate, as the case may be, or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute

Replacement Reference Rate in an identical manner as described in this Condition 6(e), which will then (in the absence of manifest error) be final and binding on the Issuer, the Principal Paying Agent and the Bondholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will remain unchanged.

In relation to any benchmark amendments, any adjustment spread and any other changes to the interest determination provisions, the Principal Paying Agent would need to be notified at least ten Business Days prior to the first applicable Interest Determination Date.

The Principal Paying Agent is not obliged to concur with the Issuer in respect of any conforming changes or amendments required as a result of a benchmark replacement, to which, in the sole opinion of the Principal Paying Agent, would impose more onerous obligations upon them or expose them to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Principal Paying Agent in the Cash Allocation, Management and Payment Agreement.

If the Reference Rate Determination Agent determines that the Relevant Screen Page on which appears the Reference Rate or the SONIA Reference Rate, as the case may be, has been discontinued or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation has been adopted but for any reason a Replacement Reference Rate has not been determined later than the Interest Determination Cut-off Date, no Replacement Reference Rate will be adopted, and the Relevant Screen Page on which appears the Reference Rate or the SONIA Reference Rate, as the case may be, for the relevant Interest Period will be equal to the last Reference Rate or SONIA Reference Rate, as the case may be, available on the Relevant Screen Page as determined by the Principal Paying Agent.

The Reference Rate Determination Agent may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of the Covered Bonds) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (in which case any such determination shall be made in consultation with an independent financial advisor), or (iii) any other entity which the Issuer considers has the necessary competences to carry out such role.

(f) *ISDA Determination:* 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 Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that interest rate swap transaction under the terms of 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 Issue Date of the first Tranche of the Covered Bonds (the **ISDA Definitions**) and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is the day specified in the relevant Final Terms.

(g) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(h) *Calculation of Interest Amount:* The Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(i) *Publication:* The Principal Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agent(s) and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Bondholders. The Principal Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

(j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Principal Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agent(s), the Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7. **Zero Coupon Provisions**

(a) *Application:* This Condition 7 is applicable to the Covered Bonds only if the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Covered Bonds:* If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

8. **Redemption and Purchase**

(a) *Scheduled redemption*: To the extent outstanding, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 8 (b) (*Extension of maturity*) and Condition 9 (*Payments*).

(b) *Extension of maturity*: Without prejudice to Condition 11 (*Segregation Event and Events of Default*), if an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the relevant Final Terms and, the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the Extension Determination Date, then (subject as provided below), payment of the unpaid amount by the Guarantor under the Guarantee 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 Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

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

The Guarantor shall notify the relevant holders of the Covered Bonds (in accordance with Condition 17 (*Notices*)), any relevant Swap Provider(s), the Rating Agency, the Representative of the Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the Maturity

Date as specified in the preceding paragraph of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the Covered Bonds pursuant to the Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

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

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

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

(i) at any time (if the Floating Rate Provisions are not specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

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

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation)* as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Covered Bonds; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

(C) 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

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 8 (c) (*Redemption for tax reason*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 8 (c) (*Redemption for tax reason*).

(d) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) *Partial redemption:* If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 8 (d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Bondholders referred to in Condition 8 (d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Redemption at the option of Bondholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Bondholder redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8 (f) (*Redemption at the option of Bondholders*), the Bondholder must, not less than 30 nor more than 45 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Put Option Notice is so deposited shall deliver a duly

completed Put Option Receipt to the deposit in Bondholder. Once deposited in accordance with this Condition 8 (f) (*Redemption at the option of Bondholders*), no duly completed Put Option Notice may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall mail notification thereof to the Bondholder at such address as may have been given by such Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 8 (f) (*Redemption at the option of Bondholders*), the Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(g) *Redemption of Amortising Covered Bonds*: if the relevant Final Terms provide for Amortising Covered Bonds, the Redemption Amount payable on each Interest Payment Date on such Amortising Covered Bonds will be specified in the relevant Final Terms.

(h) *No other redemption:* The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 8 (a) (*Scheduled redemption*) to (g) (*Redemption at the option of Bondholders*) above and as specified in the Final Terms.

(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 Bonds at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bonds become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8 (h) or, if none is so specified, a Day Count Fraction of 30E/360.

(j) *Purchase:* The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price. The Guarantor shall not purchase any Covered Bonds at any time.

(k) *Cancellation:* All Covered Bonds so redeemed or purchased by the Issuer or any such Subsidiary shall be cancelled and may not be reissued or resold.

9. **Payments**

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

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

(b) *Payments subject to fiscal laws:* All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to Bondholders in respect of such payments.

(c) *Payments on Business Days:* If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(d) *Payments subject to FATCA:* All payments in respect of the Covered Bonds are subject in all cases to any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to sections 1471 through 1474 of that Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

10. **Taxation**

(a) *Gross up by Issuer:* All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

(i) in respect of any payment or deduction of any interest or principal on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Decree No. 239 with respect to any Covered Bonds and in all circumstances in which the procedures set forth in Decree No. 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(ii) held by or on behalf of a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Covered Bonds by reason of its having some connection with the jurisdiction by which such taxes,

duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Covered Bonds; or

(iii) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to another Paying Agent in a Member State of the EU.

(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.

11. Segregation Event and Events of Default

11.1 *Segregation Event*

A Segregation Event will occur upon the notification by the Calculation Agent that a breach of the Mandatory Tests and/or the Amortisation Test and/or, prior to the delivery of an Issuer Default Notice, the Asset Coverage Test, as detailed in the relevant Test Performance Report, has not been remedied within the Test Grace Period.

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

In such case:

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

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

(c) the purchase price for any Eligible Assets or Substitution Assets to be acquired by the Guarantor shall be paid only using the proceeds of a Term Loan, except where the breach referred to in the Breach of Test Notice may be cured by using the Guarantor Available Funds.

Following the occurrence of a Segregation Event and until an Issuer Default Notice has been delivered, payments due under the Covered Bonds will continue to be made by the Issuer.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor will sell the Eligible Assets and the Substitution Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the rights of pre-emption in favour of the relevant Seller in respect of such Eligible Assets and Substitution Assets pursuant to the relevant Master Receivables Purchase Agreement and the Cover Pool Management Agreement.

11.2 *Issuer Events of Default*

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

(i) following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the Calculation Date falling at the end of the Test Remedy Period unless a Programme Resolution is passed resolving to extend the Test Remedy Period;

(ii) default is made by the Issuer (a) in the payment of any principal or redemption amount due on the relevant Maturity Date in respect of the Covered Bonds of any Series, or (b) for a period of 7 days or more in the payment of any interest amount due in respect of the Covered Bonds of any Series; or

(iii) default is made in the performance by the Issuer of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series and/or any obligation to ensure compliance of the Cover Pool with the Tests) under the provisions of the Covered Bonds of any Series or any other Transaction Document to which the Issuer is a party which, (unless certified by the Representative of the Bondholders, in its sole opinion, to be incapable of remedy) shall continue for more than 30 days or such longer period as the Representative of the Bondholders may permit, after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Issuer by the Representative of the Bondholders, or

(iv) an Insolvency Event occurs in respect of the Issuer;

(v) a resolution pursuant to article 74 of the Consolidated Banking Act is issued in respect of the Issuer,

the Representative of the Bondholders shall serve notice (the **Issuer Default Notice**) on the Issuer and the Guarantor that an Issuer Event of Default has occurred, specifying, in case of the Issuer Event of Default referred to under point (v) above, that the Issuer Event of Default may be temporary.

Upon the service of an Issuer Default Notice:

(a) interest and principal falling due on the Covered Bonds will be payable by the Guarantor, subject to and in accordance with the terms of the Guarantee and the Guarantee Priority of Payments at the time and in the manner provided under these Conditions (including, to the extent applicable, Condition 8 (b) (*Extension of maturity*));

(b) the covered Bonds will become immediately due and payable at their Early Termination Amount together with any accrued interest by the Issuer and will rank *pari passu* among themselves if so resolved by a Programme Resolution; and

(c) the provisions governing the Segregation Events shall apply,

provided that, in case of the Issuer Event of Default referred to under Condition 11.2 (v) above, the effects listed in items from (a) to (e) above will only apply for as long as the suspension of payments will be in force and effect and accordingly (i) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the

amounts due and payable under the Covered Bonds during the suspension period and (ii) at 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).

11.3 *Guarantor Events of Default*

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

(i) default is made by the Guarantor for a period of 7 days or more in the payment by the Guarantor of any amounts due for payment in respect of the Covered Bonds of any Series; or

(ii) following the occurrence of an Issuer Event of Default there is a breach of the Mandatory Tests and/or of the Amortisation Test on any Calculation Date;

(iii) an Insolvency Event occurs in respect of the Guarantor;

(iv) default is made in the performance by the Guarantor of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series and/or any obligation to ensure compliance of the Cover Pool with the Tests) under the provisions of the Covered Bonds of any Series or any other Transaction Document to which the Guarantor is a party which, (unless certified by the Representative of the Bondholders, in its sole opinion, to be incapable of remedy) shall continue for more than 30 days or such longer period as the Representative of the Bondholders may permit, after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Guarantor by the Representative of the Bondholders;

then the Representative of the Bondholders will serve notice (the **Guarantor Default Notice**) on the Guarantor that a Guarantor Event of Default has occurred, unless the Representative of the Bondholders, having exercised its discretion, resolves otherwise or a Programme Resolution is passed resolving otherwise.

Upon the delivery of a Guarantor Default Notice, unless a Programme Resolution is passed resolving otherwise:

(a) all Series of Covered Bonds then outstanding will become immediately due and payable at their Early Termination Amount together with any accrued interest by the Guarantor and will rank *pari passu* among themselves in accordance with the Post-enforcement Priority of Payments;

(b) the Guarantor shall immediately sell all assets included in the Cover Pool in accordance with the procedures set out in the Cover Pool Management Agreement;

(c) the Representative of the Bondholders, subject to and in accordance with the terms of the Guarantee, on behalf of the Bondholders, shall have a claim against

the Guarantor for an amount equal to the Principal Amount Outstanding on each Covered Bond, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 10 (a) (*Gross up by the Issuer*)) in accordance with the Post-enforcement Priority of Payments to the Other Guarantor Creditors; and

(d) the Representative of the Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a Programme Resolution of the Bondholders and then only if it is indemnified and/or secured to its satisfaction.

11.4 *Determinations, etc*: all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11 by the Representative of the Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor and all Bondholders and (in such absence as aforesaid) no liability to the Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

12. Limited recourse and non petition

12.1 *Limited recourse*

The obligations of the Guarantor under the Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the Securitisation and Covered Bonds Law, Decree 310 and the Bank of Italy Regulations. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

12.2 *Non petition*

Only the Representative of the Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Obligations or enforce the Guarantee and/or the Security and no Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Obligations or to enforce the Guarantee and/or the Security. In particular:

(a) no Bondholder (nor any person on its behalf, other than the Representative of the Bondholders, where appropriate) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Bondholders to enforce the Guarantee and/or Security or take any proceedings against the Guarantor to enforce the Guarantee and/or the Security;

(b) no Bondholder (nor any person on its behalf, other than the Representative of the 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;

(c) until the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or *pari passu* thereto, no Bondholder (nor any person on its behalf, other than the Representative of the Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

(d) no Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

13. **Prescription**

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

14. **Representative of the Bondholders**

(a) *Organisation of the Bondholders*: The Organisation of the Bondholders shall be established upon, and by virtue of, the issue of the first Series of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of all the Covered Bonds of whatever Series. Pursuant to the Rules, for as long as any Covered Bonds of any Series are outstanding, there shall at all times be a Representative of the Bondholders. The appointment of the Representative of the Bondholders as legal representative of the Organisation of the Bondholders is made by the Bondholders subject to and in accordance with the Rules.

(b) *Initial appointment*: In the Programme Agreement, the Dealers have appointed the Representative of the Bondholders to perform the activities described in the Mandate Agreement, in the Programme Agreement, in these Conditions (including the Rules), and in the other Transaction Documents and the Representative of the Bondholders has accepted such appointment for the period commencing on the Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds of whatever Series have been cancelled or redeemed in accordance with their respective terms and conditions.

(c) *Acknowledgment by Bondholders*: Each Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by the Transaction Documents; and

(ii) acknowledges and accepts that the Dealers shall not be liable in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Bondholders as a result of the performance by the Representative of the Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

15. **Agents**

In acting under the Cash Allocation, Management and Payment Agreement and in connection with the Covered Bonds, the Paying Agents act solely as agents of the Issuer and, following service of an Issuer Default Notice or a Guarantor Default Notice, as agents of the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Principal Paying Agent and its initial Specified Office is set out in these Conditions. Any additional Paying Agents and their Specified Offices are specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however, that:*

(a) the Issuer and the Guarantor shall at all times maintain a principal paying agent; and

(b) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

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

16. **Further Issues**

The Issuer may from time to time, without the consent of the Bondholders, create and issue further 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.

17. **Notices**

(a) *Notices given through Monte Titoli*: Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.

(b) *Notices in Luxembourg*: As long as the Covered Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice to Bondholders shall also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

(c) *Other publication*: The Representative of the Bondholders shall be at liberty to sanction any other method of giving notice to Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to listing, trading and/or quotation and provided that notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Bondholders shall require.

18. **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.

19. **Governing Law and Jurisdiction**

(a) *Governing law*: These Covered Bonds are governed by Italian law. All other Transaction Documents are governed by Italian law, save for the Swap Agreements and the Deed of Charge, which are governed by English law.

(b) *Jurisdiction*: The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.

(c) *Relevant legislation*: Anything not expressly provided for in these Conditions will be governed by the provisions of the Securitisation and Covered Bonds Law and, if applicable, article 58 of the Consolidated Banking Act, the Bank of Italy Regulations and Decree No. 310.

RULES OF THE ORGANISATION OF THE BONDHOLDERS

TITLE I

GENERAL PROVISIONS

1. GENERAL

1.1 The Organisation of the Bondholders in respect of all Covered Bonds of whatever Series issued under the Programme by Banco BPM S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series to be issued and is governed by these Rules of the Organisation of the Bondholders (**Rules**).

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds of each Series issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Rules, the terms below shall have the following meanings:

Block Voting Instruction means, in relation to a Meeting, a document issued by a Paying Agent:

(a) certifying that specified Covered Bonds are held to the order of a Paying Agent or under its control or have been blocked in an account with a clearing system and will not be released until a the earlier of:

(i) a specified date which falls after the conclusion of the Meeting; and

(ii) the surrender to the Paying Agent which issued the same not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by such Paying Agent to the Issuer and Representative of the Bondholders;

(b) certifying that the Holder of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the relevant Paying Agent that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;

(c) listing the aggregate principal amount of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and

(d) authorising a named individual to vote in accordance with such instructions;

Blocked Covered Bonds means Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of a Paying Agent for the purpose of obtaining from that Paying Agent a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in respect of which the Block Voting Instruction or Voting Certificate is required;

Chairman means, in relation to any Meeting, the person who takes the chair in accordance with Article 8 (*Chairman of the Meeting*).

Event of Default means an Issuer Event of Default or a Guarantor Event of Default;

Extraordinary Resolution means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast;

Holder or **holder** means in respect of Covered Bonds, the ultimate owner of such Covered Bonds;

Meeting means a meeting of Bondholders (whether originally convened or resumed following an adjournment);

Monte Titoli Account Holder means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with article 30 of Italian Legislative Decree No. 213 and includes any depository banks appointed by the Relevant Clearing System;

Moody's means Moody's Deutschland GmbH, or any of its successors;

Ordinary Resolution means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50% of the votes cast;

Programme Resolution means an Extraordinary Resolution passed at a single meeting of the Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules (i) to direct the Representative of the Bondholders to take any action pursuant to Condition 11.2 (*Issuer Event of Default*), Condition 11.3 (*Guarantor Event of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (iii) to take any other action stipulated in the Conditions or Transaction Documents as requiring a Programme Resolution;

Proxy means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

(a) any person whose appointment has been revoked and in relation to whom the relevant Paying Agent, or in the case of a proxy appointed under a Voting Certificate, the Issuer has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and

(b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed;

Rating Agency means Moody's;

Resolutions means the Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolutions, collectively;

Swap Rate means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in any Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if there is not exchange rate specified or if the Swap Agreement has terminated, 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 Holder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by a Paying Agent or a Proxy named in a Block Voting Instruction;

Voting Certificate means, in relation to any Meeting:

(a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time; or

(b) a certificate issued by a Paying Agent stating:

(i) that Blocked Covered Bonds will not be released until the earlier of:

(A) a specified date which falls after the conclusion of the Meeting; and

(B) the surrender of such certificate to such Paying Agent; and

(ii) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

Written Resolution means a resolution in writing signed by or on behalf of one or more persons being or representing at least 75 per cent of all the Bondholders who at any relevant time are entitled to participate in a Meeting in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Bondholders;

24 hours means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices; and

48 hours means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the Conditions to which there Rules are attached.

2.2 **Interpretation**

In these Rules:

2.2.1 any reference herein to an **Article** shall, except where expressly provided to the contrary, be a reference to an article of these Rules of the Organisation of the Bondholders;

2.2.2 a **successor** of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

2.2.3 any reference to any Transaction Party shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 **Separate Series**

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 35 (*Powers to Act on behalf of the Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Clause 2.3:

2.3.1 Articles 26 (*Appointment, removal and remuneration*) and 27 (*Resignation of the Representative of the Bondholders*); and

2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (Duties and Powers of the Representative of the Bondholders) to 35 (*Powers to Act on behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "Covered Bonds" and "Bondholders" shall be construed accordingly.

3. **PURPOSE OF THE ORGANISATION**

3.1 Each Bondholder whatever Series of the Covered Bonds he holds is a member of the Organisation of the Bondholders.

3.2 The purpose of the Organisation of the Bondholders is to co-ordinate the exercise of the rights of the Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Bondholders.

TITLE II

MEETINGS OF THE BONDHOLDERS

4. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

4.1 A Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time.

4.2 A Bondholder may also obtain a Voting Certificate from a Paying Agent or require a Paying Agent to issue a Block Voting Instruction by arranging for Covered Bonds to be (to the satisfaction of the Paying Agent) held to its order or under its control or blocked in an account in a clearing system (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.

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

4.4 So long as a Voting Certificate or Block Voting Instruction is valid, the person named therein as Holder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account Holder), the bearer thereof (in the case of a Voting Certificate issued by a Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by a Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

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

4.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

5. VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Bondholders so requires, a notarised (or otherwise acceptable) copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holders or Proxy named in a Voting Certificate issued by a Monte Titoli Account Holder shall be produced at the Meeting but the Representative of the Bondholders shall not be obliged to investigate the validity of a Block Voting

Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction.

6. CONVENING A MEETING

6.1 *Convening a Meeting*

The Representative of the Bondholders, the Guarantor or the Issuer may and (in relation to a meeting for the passing of a Programme Resolution) the Issuer shall upon a requisition in writing signed by the holders of not less than five per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding convene a meeting of the Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting requisitioned by the Bondholders the same may be convened by the Representative of the Bondholders or the requisitionists. The Representative of the Bondholders may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Representative of the Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

6.2 *Meetings convened by Issuer*

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

6.3 *Time and place of Meetings*

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Bondholders.

7. NOTICE

7.1 *Notice of Meeting*

At least 21, or 5 in case of a Meeting convened in order to resolve to extend the Test Remedy Period pursuant to Condition 11.2 (*Issuer Events of Default*), days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Bondholders and the Paying Agents, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Bondholders, or with a copy to the Representative of the Bondholders, where the Meeting is convened by the Issuer, subject to Article 6.3.

7.2 *Content of notice*

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Voting Certificates for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time and

that for the purpose of obtaining Voting Certificates from a Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bonds must (to the satisfaction of such Paying Agent) be held to the order of or placed under the control of such Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

7.3 ***Validity notwithstanding lack of notice***

A Meeting is valid notwithstanding that the formalities required by this Article 7 are not complied with if the Holders of the Covered Bonds constituting all the Principal Amount Outstanding of the Covered Bonds, the Holders of which are entitled to attend and vote, are represented at such Meeting and the Issuer and the Representative of the Bondholders are present.

8. CHAIRMAN OF THE MEETING

8.1 ***Appointment of Chairman***

An individual (who may, but need not be, a Bondholder), nominated by the Representative of the Bondholders may take the chair at any Meeting, but if:

8.1.1 the Representative of the Bondholders fails to make a nomination; or

8.1.2 the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

8.2 ***Duties of Chairman***

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

8.3 ***Assistance to Chairman***

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Bondholders.

9. QUORUM

The quorum at any Meeting will be:

9.1.1 in the case of an Ordinary Resolution, two or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or, at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.2 in the case of an Extraordinary Resolution or a Programme Resolution, two or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32.4 (*Obligation to exercise powers*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(b) alteration of the currency in which payments under the Covered Bonds are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Guarantee or the Deed of Pledge or the Deed of Charge (except in a manner determined by the Representative of the Bondholders not to be materially prejudicial to the interests of the Bondholders of any Series);

(e) except in accordance with Articles 31 (*Amendments and Modifications*) and 32 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and

(f) alteration of this Article 9.1.3;

(each a **Series Reserved Matter**), the quorum shall be two or more persons being or representing holders of not less two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, two or more persons being or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding,

provided that, if in respect of any Covered Bonds the Paying Agent has received evidence that 90% Covered Bonds are held by a single Holder and the Voting Certificate or Block Voting Instruction so states then a single Voter appointed in relation thereto or being the Holder of the Covered Bonds thereby represented shall be deemed to be two Voters for the purpose of forming a quorum.

10. **ADJOURNMENT FOR WANT OF QUORUM**

If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

10.1 if such Meeting was requested by Bondholders, the Meeting shall be dissolved; and

10.2 in any other case, the Meeting (unless the Issuer and the Representative of the Bondholders otherwise agree) shall, subject to paragraphs 10.2.1 and 10.2.2 below, be adjourned to a new date no earlier than 14 days and no later than 42 days after the original date of such Meeting, and to such place as the Chairman determines with the approval of the Representative of the Bondholders *provided that*:

10.2.1 no Meeting may be adjourned more than once for want of a quorum; and

10.2.2 the Meeting shall be dissolved if the Issuer and the Representative of the Bondholders together so decide.

11. **ADJOURNED MEETING**

Except as provided in Article 10 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

12. **NOTICE FOLLOWING ADJOURNMENT**

12.1 Notice required

Article 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

12.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

12.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

12.2 **Notice not required**

It shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 10 (*Adjournment for Want of Quorum*).

13. **PARTICIPATION**

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

13.1 Voters;

13.2 the directors and the auditors of the Issuer and the Guarantor;

13.3 representatives of the Issuer, the Guarantor and the Representative of the Bondholders;

13.4 financial advisers to the Issuer, the Guarantor and the Representative of the Bondholders;

13.5 legal advisers to the Issuer, the Guarantor and the Representative of the Bondholders; and

13.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Bondholders.

14. VOTING BY SHOW OF HANDS

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. VOTING BY POLL

15.1 *Demand for a poll*

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Bondholders or one or more Voters whatever the Principal Amount Outstanding of the Covered Bonds held or represented by such Voter(s). A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

15.2 *The Chairman and a poll*

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. VOTES

16.1 *Voting*

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every Vote who is so present shall have one vote in respect of each €1,000 or such other amount as the Representative of the Bondholders may in

its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Bondholders in its absolute discretion may stipulate) in the Principal Amount Outstanding of the Covered Bonds it holds or represents.

16.2 ***Block Voting Instruction***

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 ***Voting tie***

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. VOTING BY PROXY

17.1 ***Validity***

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked provided that none of the Issuer, the Representative of the Bondholders or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 ***Adjournment***

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

18. RESOLUTIONS

18.1 ***Ordinary Resolutions***

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and

18.1.2 to authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 ***Extraordinary Resolutions***

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Bondholders, the Bondholders or any of them;

18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Bondholders, the Issuer, the Guarantor, the Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or of any Transaction Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Bondholders and/or any other party thereto;

18.2.3 assent to any modification of the provisions of this these Rules or the Transaction Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Bondholders or of any Bondholder;

18.2.4 in accordance with Article 26 (*Appointment, Removal and Remuneration*), appoint and remove the Representative of the Bondholders;

18.2.5 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Bondholders from any liability in relation to any act or omission for which the Representative of the Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;

18.2.6 waive any breach or authorise any proposed breach by the Issuer, the Guarantor or (if relevant) any other Transaction Party of its obligations under or in respect of these Rules, the Covered Bonds or any other Transaction Document or any act or omission which might otherwise constitute an Event of Default;

18.2.7 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

18.2.8 authorise and ratify the actions of the Representative of the Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document;

18.2.9 to appoint any persons (whether Bondholders or not) as a committee to represent the interests of the Bondholders and to confer on any such committee any powers which the Bondholders could themselves exercise by Extraordinary Resolution; and

18.2.10 authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

18.3 ***Programme Resolutions***

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Bondholders to take any action pursuant to Condition 11.2 (i), Condition 11.2 (b), Condition 11.3 (*Guarantor Event of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) or to take any other action required by the Conditions or any Transaction Document to be taken by Programme Resolution.

18.4 ***Other Series of Covered Bonds***

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

19. EFFECT OF RESOLUTIONS

19.1 ***Binding nature***

Subject to Article 18.3 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Bondholders duly convened and held in accordance with these Rules shall be binding upon all Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

19.2 ***Notice of voting results***

Notice of the results of every vote on a resolution duly considered by Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Paying Agents (with a copy to the Issuer, the Guarantor and the Representative of the Bondholders within 14 days of the conclusion of each Meeting).

20. CHALLENGE TO RESOLUTIONS

Any absent or dissenting Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. MINUTES

Minutes shall be made of all resolutions and proceedings of each Meeting. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. INDIVIDUAL ACTIONS AND REMEDIES

Each Bondholder has accepted and is bound by the provisions of Condition 14 (*Limited Recourse and Non Petition*) and clause 12 (*Limited Recourse*) of the Guarantee, accordingly, if any Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Guarantee (hereinafter, a **Claiming Bondholder**), then such Claiming Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Bondholders of his/her intention. The Representative of the Bondholders shall inform the other Bondholders of such prospective individual actions and remedies and invite them to raise, in writing, any objection that they may have by a specific date not more than 30 days after the date of the Representative of the Bondholders notification and not less than 15 days after such notification. If Bondholders representing 5% or more of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding object to such prospective individual actions and remedies, then the Claiming Bondholder will be prevented from taking any individual action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted to the Representative of the Bondholders pursuant to the terms of this Article).

24. MEETINGS AND SEPARATE SERIES

24.1 *Choice of Meeting*

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

24.1.1 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

24.1.2 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;

24.1.3 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;

24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Bondholders of all Series; and

24.1.5 to all such meetings all the preceding provisions of these Rules shall mutatis mutandis apply as though references therein to Covered Bonds and Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

24.2 ***Denominations other than euro***

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of a meeting or any adjourned such meeting or any poll resulting therefrom or any such request or Written Resolution) the Principal Amount Outstanding of such Covered Bonds shall be the equivalent in euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each €1.00 (or such other euro amount as the Representative of the Bondholders may in its absolute discretion stipulate) of the Principal Amount Outstanding of the Covered Bonds (converted as above) which he holds or represents.

25. FURTHER REGULATIONS

Subject to all other provisions contained in these Rules, the Representative of the Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Bondholders in its sole discretion may decide.

TITLE III

THE REPRESENTATIVE OF THE BONDHOLDERS

26. APPOINTMENT, REMOVAL AND REMUNERATION

26.1 ***Appointment***

The appointment of the Representative of the Bondholders takes place by Programme Resolution in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Bondholders which will be Bank of New York Mellon (Luxembourg) S.A. Italian branch

26.2 ***Identity of Representative of the Bondholders***

The Representative of the Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to article 106 of Italian Legislative Decree No. 385 of 1993; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in article 2399 of the Italian Civil Code cannot be appointed as Representative of the Bondholders and, if appointed as such, they shall be automatically removed.

26.3 ***Duration of appointment***

Unless the Representative of the Bondholders is removed by Programme Resolution of the Bondholders pursuant to Article 18.3 (*Programme Resolution*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Bondholders*), it shall remain in office until full repayment or cancellation of all the Covered Bonds.

26.4 ***After termination***

In the event of a termination of the appointment of the Representative of the Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 ***Remuneration***

The Issuer, failing which the Guarantor, shall pay to the Representative of the Bondholders an annual fee for its services as Representative of the Bondholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions.

27. RESIGNATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

The Representative of the Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Bondholders shall not become effective until a new Representative of the Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Bondholders has accepted its appointment. provided that if Bondholders fail to select a new Representative of the Bondholders within three months of written notice of resignation delivered by the Representative of the Bondholders, the Representative of the Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Bondholders*).

28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE BONDHOLDERS

28.1 *Representative of the Bondholders as legal representative*

The Representative of the Bondholders is the legal representative of the Organisation of the Bondholders and has the power to exercise the rights conferred on it by the Transaction Documents in order to protect the interests of the Bondholders.

28.2 *Meetings and resolutions*

Unless any Resolution provides to the contrary, the Representative of the Bondholders is responsible for implementing all resolutions of the Bondholders. The Representative of the Bondholders has the right to convene and attend Meetings (together with its adviser) to propose any course of action which it considers from time to time necessary or desirable.

28.3 *Delegation*

The Representative of the Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Transaction Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Article 28.3.1 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Bondholders may think fit in the interest of the Bondholders. The Representative of the Bondholders shall not, 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 Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 *Judicial proceedings*

The Representative of the Bondholders is authorised to represent the Organisation of the Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 *Consents given by Representative of Bondholders*

Any consent or approval given by the Representative of the Bondholders under these Rules and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Transaction Documents, such consent or approval may be given retrospectively.

28.6 ***Discretions***

Save as expressly otherwise provided herein, the Representative of the Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Bondholders by these Rules or by operation of law.

28.7 ***Obtaining instructions***

In connection with matters in respect of which the Representative of the Bondholders is entitled to exercise its discretion hereunder, the Representative of the Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Bondholders shall be entitled to request that the Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

28.8 ***Remedy***

The Representative of the Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be remedied, and if the Representative of the Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Bondholders, the other creditors of the Guarantor and any other party to the Transaction Documents.

29. EXONERATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

29.1 ***Limited obligations***

The Representative of the Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

29.2 ***Specific limitations***

Without limiting the generality of the Article 29.1, the Representative of the Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Bondholders hereunder or under any other Transaction Document, has occurred and, until the Representative of the Bondholders has actual knowledge or

express notice to the contrary, it shall be entitled to assume that no Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;

29.2.3 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;

29.2.4 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 right created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

(i) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;

(ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection with the Programme;

(iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;

(iv) the failure by the Issuer to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and

(v) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Servicer and the Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;

29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than

the Representative of the Bondholders contained herein or in any Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;

29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Mortgage Loans contained in the Cover Pool or any part thereof;

29.2.11 shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;

29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Transaction Document;

29.2.14 shall not be under any obligation to insure the Cover Pool or any part thereof;

29.2.15 shall, when in these Rules or any 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 Bondholders, have regard to the overall interests of the Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;

29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Bondholders by Extraordinary Resolution or by a written resolution of such Bondholders of not less than 75 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series then outstanding;

29.2.17 shall, as regards at 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 Bondholders and the other creditors of the Issuer or the Guarantor but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interest of the Bondholders;

29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all costs, charges, damages, expenses and liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and

29.2.19 shall not have any liability for any loss, liability, damages claim or expense directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Bondholder, any Other Guarantor Creditor or any other person as a result of (a) the delivery by the Representative of the Bondholders of the certificate of incapability of remedy relating any material default of obligations pursuant to Condition 11.2 (*Issuer Events of Default*) and Condition 11.3 (*Guarantor Events of Default*) on the basis of an opinion formed by it in good faith; or (b) any determination, any act, matter or thing that will not be materially prejudicial to the interests of the Bondholders as a whole or the interests of the Bondholders of any Series.

29.3 ***Covered Bonds held by Issuer***

The Representative of the Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer.

29.4 ***Illegality***

No provision of these Rules shall require the Representative of the Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or liability which it may incur as a consequence of such action. The Representative of the Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. RELIANCE ON INFORMATION

30.1 *Advice*

The Representative of the Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic.

30.2 *Certificates of Issuer and/or Guarantor*

The Representative of the Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter prima facie within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 *Resolution or direction of Bondholders*

The Representative of the Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Bondholders.

30.4 *Certificates of Monte Titoli Account Holders*

The Representative of the Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 ***Clearing Systems***

The Representative of the Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 ***Rating Agency***

The Representative of the Bondholders in evaluating, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the Bondholders of any Series or of all Series for the time being outstanding, may consider, *inter alia*, the circumstance that the then current rating of the Covered Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise. If the Representative of the Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agency as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Bondholders or the Representative of the Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.7 ***Certificates of Parties to Transaction Document***

The Representative of the Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Transaction Document,

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

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

30.7.3 as to such party's opinion with respect to any issue

and the Representative of the Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any loss, liability, cost, damage, expense, or charge incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.8 ***Auditors***

The Representative of the Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. AMENDMENTS AND MODIFICATIONS

31.1 *Modifications*

The Representative of the Bondholders may at any time and from time to time and without the consent or sanction of the Bondholders of any Series concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

31.1.1 to these Rules, the Conditions and/or the other Transaction Documents which, in the opinion of the Representative of the Bondholders, it may be expedient to make provided that the Representative of the Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Bondholders of any Series; and

31.1.2 to these Rules, the Conditions and/or the other Transaction Documents which is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law; and

31.1.3 to these Rules, the Conditions and/or the other Transaction Documents which, in the opinion of the Representative of the Bondholders, is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Bondholders.

31.2 *Binding Nature*

Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding upon the Bondholders and, unless the Representative of the Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Bondholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

31.3 *Establishing an error*

In evaluating whether an error is established as such, the Representative of the Bondholders may have regard to any evidence on which the Representative of the Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to any of the following:

31.3.1 a certificate from the Joint Arrangers:

(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 Document that is required to reflect such intention; and

31.3.2 may consider, *inter alia*, the circumstance that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

31.4 ***Obligation to act***

The Representative of the Bondholders shall be bound to concur with the Issuer and the Guarantor and any other party in making any modifications to these Rules, the Conditions and/or the other Transaction Documents if it is so directed by an Extraordinary Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32. WAIVER

32.1 ***Waiver of Breach***

The Representative of the Bondholders may at any time and from time to time without the consent or sanction of the Bondholders of any Series and, without prejudice to its rights in respect of any subsequent breach, condition or event but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds of any Series then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive any proposed breach or breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Guarantee, these Rules, the Conditions or the other Transaction Documents; or

32.1.2 determine that any Event of Default shall not be treated as such for the purposes of the Transaction Documents,

without any consent or sanction of the Bondholders.

32.2 ***Binding Nature***

Any such authorisation or waiver or determination may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding on all Bondholders and, if the Representative of the Bondholders so requires, shall be notified to the Bondholders and the Other Guarantor Creditors by the Issuer or the Guarantor, as soon as practicable after it has been given or made in accordance with the provisions of the conditions relating to Notices and the relevant Transaction Documents.

32.3 ***Restriction on powers***

The Representative of the Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution, but so that no such direction shall affect any authorisation, waiver or determination previously given or made.

32.4 ***Obligation to act***

The Representative of the Bondholders shall be bound to waive or authorise any breach or proposed breach by the Issuer or the Guarantor of any of the covenants or provisions contained in by Guarantee, these Rules or any of the other Transaction Documents or determine that any Event of Default shall not be treated as such if it is so directed by a Programme Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

33. INDEMNITY

Pursuant to the Programme Agreement, the Guarantor has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands properly incurred by or made against the Representative of the Bondholders or any entity to which the Representative of the Bondholders has delegated any power, authority or discretion in relation to the exercise or purported exercise of its powers, authorities and discretions and the performance of its duties under and otherwise in relation to these Rules and the Transaction Documents (including but not limited to legal and travelling expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the 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 Bondholders.

34. LIABILITY

Notwithstanding any other provision of these Rules, the Representative of the Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

35. SECURITY DOCUMENTS

35.1 ***The Deed of Pledge***

The Representative of the Bondholders shall have the right to exercise all the rights granted by the Guarantor to the Bondholders pursuant to the Deed of Pledge. The beneficiaries of the Deed of Pledge are referred to in this Article 35 as the **Secured Bondholders**.

35.2 ***Rights of the Representative of the Bondholders***

35.2.1 The Representative of the Bondholders, acting on behalf of the Secured Bondholders, shall be entitled to appoint and entrust the Guarantor to collect, in

the Secured Bondholders' interest and on their behalf, any amounts deriving from the pledged claims and rights, and shall be entitled to give instructions, jointly with the Guarantor, to the respective debtors of the pledged claims to make the payments related to such claims to the Transaction Account or to any other account opened in the name of the Guarantor and appropriate for such purpose;

35.2.2 The Secured Bondholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the pledged claims or credited to the Transaction Account or to any other account opened in the name of the Guarantor and appropriate of such purpose which is not in accordance with the provisions of this Article 35. The Representative of the Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the pledged claims under the Deed of Pledge except in accordance with the provisions of this Article 35 and the Intercreditor Agreement.

TITLE IV

THE ORGANISATION OF THE BONDHOLDERS AFTER SERVICE OF AN NOTICE

36. POWERS TO ACT ON BEHALF OF THE GUARANTOR

It is hereby acknowledged that, upon service of a Guarantor Default Notice or, prior to service of a Guarantor Default Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Mandate Agreement the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, shall be entitled (also in the interests of the Other Guarantor Creditors) pursuant to articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's rights under certain 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

37. GOVERNING LAW

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

38. JURISDICTION

The Courts of Milan will have jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendments, 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.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Covered Bonds are not *intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of article 4(1) of Directive 2014/65/EU (as amended **MiFID II**); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.*]

*[**PROHIBITION OF SALES TO UK RETAIL INVESTORS –** The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (**EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]*

[***MIFID II Product Governance / Professional investors and ECPs only target market*** *– Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, MiFID II)][MiFID II]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate [Consider any negative target market]. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.*]

[**UK MIFIR product governance / Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (**UK MiFIR**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the [Covered Bonds] (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Final Terms dated [●]

BANCO BPM S.P.A. (the **Issuer**)

Legal Entity Identified (LEI): 815600E4E6DCD2D25E30

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Covered Bonds*] **Covered Bonds due** [*Maturity*]

Guaranteed by

BPM Covered Bond S.r.l. (the **Guarantor**)

Legal Entity Identified (LEI): 81560053F1023BE1D690

under the €10,000,000,000 Covered Bond Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Conditions**) set forth in the prospectus dated 22 July 2021 [and the supplement[s] to the prospectus dated [●] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of the Regulation (EU) 2017/1129 (as amended from time to time, the **Prospectus Regulation**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of article 8 of the Prospectus Regulation. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with such Prospectus [as so completed]. 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 Prospectus [as so completed]. The Prospectus [, including the supplement[s]] [is/are] available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]]. [These Final Terms will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under the 2020 Prospectus.*

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 8 July 2020. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of article 8 of Regulation (EU) 2017/1129, as amended and superseded (the **Prospectus Regulation**) and must be read in conjunction with the prospectus dated 8 July 2020 [and the supplement[s] to the prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the **Prospectus**), save in respect of the Conditions which are extracted from the Prospectus dated 8 July 2020 (as supplemented). Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus [, including the supplement[s]]. Copies of such Prospectus [, including the supplement[s]] are available for viewing at, and copies of it may be obtained from, the registered office of the Issuer, Piazza Filippo Meda, 4, 20121 Milan and from The Bank of New York Mellon (Luxembourg) S.A. at Vertigo Building - Polaris – 2-4 rue Eugène Ruppert - L-2453, Luxembourg and will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

(*When completing any final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.*)

1.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●] (*If fungible with an existing Series, name of that Series, including the date on which the Covered Bonds become fungible*)
2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount		
	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Aggregate Nominal Amount	[●]
4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
5.	(i)	Specified Denominations:	[●] [plus integral multiples of [●] in addition to the said sum of [●]] (*Include the wording in square brackets where the Specified*

			Denomination is €100,000 or equivalent plus multiples of a lower principal amount.)
	(ii)	Calculation Amount:	[●]
	(iii)	Rounding	[*The provisions of Condition 18 apply/Not Applicable*]
	(iv)	Issue Date	[●]
	(v)	Interest Commencement Date	[*Specify*/Issue Date/Not Applicable]
6.	Maturity Date:		[*Insert date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*.]
7.	Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Guarantee:		[*Insert date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*]
8.	Interest Basis:		[[●] per cent. Fixed Rate] / [[*EURIBOR/other*] +/– [*Margin*] per cent. Floating Rate] [Floating Rate: SONIA Linked Interest] [Zero Coupon] (*further particulars specified below*)
9.	Redemption/Payment Basis:		[Redemption at par] [Instalment] [Amortising]
10.	Change of Interest Redemption/Payment Basis:		[Applicable/Not Applicable][*Specify details of any provision for convertibility of Covered Bonds into another interest redemption/ payment basis*]
11.	Put/Call Options:		[Not Applicable] [Investor Put] [Issuer Call]
12.	[Date [Board] approval for issuance of Covered Bonds [and Guarantee] [respectively]] obtained:		[●] [and [●], respectively (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Guarantee*)]

13. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Provisions** [The provisions of Condition 5 apply/Not Applicable]

(*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] in arrear]

(ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]

(iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount

(iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]

(v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/*Other*]

15. **Floating Rate Provisions** [The provisions of Condition 6 apply/Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i) Interest Period(s): [●]

(ii) Specified Period: [●]

(Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")

(iii) Interest Payment Dates: [●]

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")

(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(vi)	Additional Business Centre(s):	[Not Applicable/TARGET/London/Luxembourg/Milan]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[[*Name*] *shall be the Calculation Agent*]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[●] (*For example, EURIBOR or SONIA*)
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	*[For example,* [Reuters EURIBOR 01] *(in the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)]*
	• Relevant Time:	*[For example, 11.00 a.m. Luxembourg time/Brussels time]*
	• Relevant Financial Centre:	*[For example, Luxembourg/Euro-Zone (where Euro-Zone means the region comprised of the countries whose lawful currency is the euro)]*
	• Specify Reference Date	*[●]*
	• Specify Screen Page	*[●]*
	• P:	*[●] [Not Applicable]*

(Only applicable to SONIA linked Covered Bonds)

(x)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●] (*In the case of a EURIBOR based option, the first day of the Interest Period*)]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/Actual (ISDA)/ Actual/365 (Fixed)/ Actual/360/ 30/360/ 30E/360/ Eurobond Basis/ 30E/360 (ISDA)]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions:	[●]

16. **Zero Coupon Provisions** The provisions of Condition 7 apply/Not Applicable

(If not applicable, paragraph 17 will not be applicable)

17.	(i)	Amortisation/Accrual Yield:	[[●] per cent. per annum] / [not applicable]
	(ii)	Reference Price:	[●] / [not applicable]
	(iii)	Any other formula/basis of determining amount payable:	[*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 9(h) (Early redemption of Zero Coupon Covered Bonds)*] / [not applicable]

PROVISIONS RELATING TO REDEMPTION

18.	**Call Option**		*[The provisions of Condition 8(d) apply/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of Covered Bonds and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[[●] per Calculation Amount / not applicable]
		(b) Maximum Redemption Amount:	[[●] per Calculation Amount / not applicable]
	(iv)	Notice period:	[●]
19.	**Put Option**		*[The provisions of Condition 8(f) apply/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Covered Bonds and method, if any, of	[●] per Calculation Amount

	calculation of such amount(s):	
(iii)	Notice period:	[●]
20.	**Final Redemption Amount of Covered Bonds**	[●] per Calculation Amount [*being always equal to at least 100 per cent. of the aggregate principal amount of the Covered Bonds*]
21.	**Early Redemption Amount** Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Guarantor Event of Default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	*[Not Applicable (If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Covered Bonds/insert the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Covered Bonds)]*

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

22.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*] *[Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16(ii), 17(vi) and 19(x) 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/*give details*]
24.	Redenomination provisions:	[Redenomination [not] applicable *(If Redenomination is applicable, specify the terms of the redenomination in an annex to the Final Terms)]*

DISTRIBUTION

25.	(i)	If syndicated, names and business addresses of Managers	[Not Applicable/*give names and business address*]

26.	(ii)	Name(s) and business addresse(s) of Stabilising Manager(s) (if any):	[Not Applicable/*give names and business address*]
27.		If non-syndicated, name and business address of Dealer:	[Not Applicable/*give names and business address*]
28.		U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2]] / [TEFRA D] / [TEFRA C] / [TEFRA not Applicable]
29.		Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified)*
30.		Prohibition of Sales to UK Retail Investors:	[Applicable] / [Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products, or the Covered Bonds do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products, "Applicable" should be specified).*

THIRD PARTY INFORMATION

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

Signed on behalf of Banco BPM S.p.A.

By:_____
Duly authorised

Signed on behalf of BPM 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/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 with effect from [●]] / [Not Applicable]. *(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*

2. RATINGS

Ratings:	The Covered Bonds to be issued [have been rated]/[are expected to be rated]: [Moody's: [●]] [[Other]: [●]] *(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)* *(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.)* *[[Moody's] / [Others] are established in the EEA and are registered under Regulation (EU) No. 1060/2009, as amended (the **EU CRA Regulation**). [Moody's] / [Others] appears on the latest update of the list of registered credit rating agencies on the ESMA website http://www.esma.europa.eu/page/List-registered-and-certified-CRAs.]* *[The rating [●] has given to the Covered Bonds is endorsed by [●], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom*

*by virtue of the European Union (Withdrawal) Act 2018 (the **UK CRA Regulation**).]*

*[[●] has been certified under Regulation (EU) No. 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **UK CRA Regulation**).] / [[●] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **UK CRA Regulation**) and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]*

[Not applicable (*if not rated*)]

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

[Not Applicable / *Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

"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 Prospectus under Article 23 of the Prospectus Regulation.)*

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

[(i) Use of proceeds: [●]]

[(ii) Estimated net amount of proceeds: [●]

[(iii) Estimated expenses in relation to the admission to trading: [*Include breackdown of expenses*]]

5. **Fixed Rate Covered Bonds only – YIELD**

Indication of yield: [*Please note that this is applicable in respect of Fixed Rate Covered Bonds only*]

[Not applicable / [●]]

6. **[Floating Rate Covered Bonds and SONIA linked Covered Bonds only - HISTORIC INTEREST RATES**

Details of historic [EURIBOR/SONIA/other] rates can be obtained from [Reuters][others].

[Benchmark:	Amounts payable under the Covered Bonds will be calculated by reference to [●] which is provided by [●]. As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Regulation (EU) 2016/1011 (the **Benchmarks Regulation**). [As far as the Issuer is aware, [[●] does/do not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that regulation] / [the transitional provisions in Article 51 of the Benchmarks Regulation apply], such that [●] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]

7. **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
CFI:	[[●]/Not Applicable] as published on the website of the Association of National Numbering Agencies (**ANNA**) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.
FISN:	[[●]/Not Applicable] as published on the website of the Association of National Numbering Agencies (**ANNA**) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
Any Relevant Clearing System(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Not Applicable/*give name(s), business address and number(s)*]

Delivery:	Delivery [against/free of] payment
Names and Specified Offices of additional Paying Agent(s) (if any):	[●] [Not Applicable]
Name of the Calculation Agent	[●]
Name of the Representative of the Bondholders	[●]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No][Not Applicable][*Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.*]

USE OF PROCEEDS

The net proceeds of the sale of the Covered Bonds will be used by the Issuer for general funding purposes of Banco BPM.

SELECTED CONSOLIDATED FINANCIAL DATA

The information set out in this Prospectus in relation to the Group has been derived from, and should be read in conjunction with, and is qualified by reference to:

(a) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2019 (the **2019 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A.;

(b) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2020 (the **2020 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A.;

(c) the press release issued on 9 February 2021 on the consolidated results of Banco BPM as at and for the year ended 31 December 2020 (the **9 February 2021 Press Release**); and

(d) the press release issued on 6 May 2021 on the consolidated results of Banco BPM as at and for the three months ended 31 March 2021 (the **6 May Press Release**),

that are incorporated by reference into this Prospectus.

So long as any of the Covered Bonds remain outstanding, copies of the above-mentioned consolidated financial statements and press releases will be made available during normal business hours at the office of the Principal Paying Agent and at the registered office of the Issuer, in each case free of charge.

The statistical information presented in the following tables have been extracted from the Group report on operations included in the Issuer's consolidated 2020 annual report. Such information has not been audited.

Group financial highlights

(in millions of Euro)	31 December 2020	31 December 2019 (*)
Reclassified income statement figures		
Financial margin	2,113.4	2,112.3
Net fee and commission income	1,663.8	1,794.4
Operating income	4,151.8	4,349.6
Operating expenses	(2,430.1)	(2,604.0)
Profit (loss) from operations	1,721.8	1,745.6
Profit (loss) before tax from continuing operations	306.1	1,076.4
Parent Company's net income (loss)	20.9	797.0

(*) The figures relating to the previous year were restated to guarantee a like-for-like comparison with the reclassification criteria used for 2020.

(in millions of Euro)	31 December 2020	31 December 2019
Balance sheet figures		
Total assets	183,685.2	167,038.2
Loans to customers (net)	109,335.0	105,845.5
Financial assets and hedging derivatives	41,175.6	37,069.1

(in millions of Euro)	31 December 2020	31 December 2019
Group shareholders' equity	12,225.2	11,861.0
Customers' financial assets		
Direct funding	116,936.7	109,506.3
Indirect funding	94,807.3	92,672.2
- Asset management	59,599.2	58,324.9
- Mutual funds and SICAVs	40,797.6	39,049.8
- Securities and fund management	3,945.2	3,904.4
- Insurance policies	14,856.4	15,370.7
- Administered assets	35,208.1	34,347.4
- Administered assets without protected capital certificates	31,976.7	31,418.0
Information on the organisation		
Average number of employees and other staff (*)	20,776	21,013
Number of bank branches	1,808	1,808

(*) *Weighted average of full-time equivalent personnel calculated on a monthly basis. This does not include the Directors and Statutory Auditors of Group Companies.*

Financial and economic ratios and other Group figures

	31 December 2020	31 December 2019(*)
Alternative performance measures		
Profitability ratios (expressed in percentages)		
Return on equity (ROE)	0.17%	7.20%
Return on assets (ROA)	0.01%	0.48%
Financial margin / Operating income	50.90%	48.56%
Net fee and commission income / Operating income	40.07%	41.25%
Operating expenses / Operating income	58.53%	59.87%
Operational productivity figures (expressed in thousands of euro)		
Loans to customers (net) per employee (**)	5,262.7	5.037.0
Operating income per employee (**)	199.8	207.0
Operating expenses per employee (**)	117.0	123.9
Credit risk ratios (expressed in percentages)		
Net bad loans/Loans to customers (net)	1.34%	1.47%
Unlikely to pay/Loans to customers (net)	2.55%	3.70%
Net bad loans/Shareholders' equity	11.96%	13.15%
Other ratios		
Financial assets and hedging derivatives / Total assets	22.42%	22.19%
Derivative assets/Total assets	1.45%	1.24%
- net trading derivatives/total assets	1.41%	1.17%
-net hedging derivatives/total assets	0.04%	0.06%
Net trading derivatives (***)/Total assets	0.21%	0.41%
Net loans/Direct funding	93.50%	96.66%
Regulatory capitalisation and liquidity ratios		
Common equity Tier 1 ratio (CET1 capital ratio) (****)	14.63%	14.76%
Tier 1 capital ratio (****)	15.85%	15.42%
Total capital ratio (****)	18.75%	17.73%
Liquidity Coverage Ratio (LCR)	191%	165%
Leverage ratio	5.66%	5.41%
Banco BPM stock		
Number of outstanding shares	1,515,182,126	1,515,182,126
Official closing prices of the stock		
- Final	1.808	2.028
- Maximum	2.456	2.155
- Minimum	1.043	1.620
- Average	1.538	1.897
Basic EPS	0.014	0.527

	31 December 2020	31 December 2019(*)
Diluted EPS	0.014	0.527

(*) *2019 data has been restated in order to provide a like-for-like comparison with the reclassification criteria used for 2020.*

(**) Arithmetic average of full-time equivalent personnel calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies.

(**) *The aggregate of net trading derivatives corresponds to the mismatch, in absolute terms, between the derivatives included under Balance Sheet item 20 a) of assets, "Financial assets at fair value through profit and loss - held for trading", and item 20 of liabilities, "Financial liabilities held for trading".*

(****) The figures reported as at 31 December 2020 were calculated considering the profit (loss) for the year net of the dividend of 6 cents per share that the Board of Directors decided to propose to Shareholders' Meeting to be distributed against the reserves of profits from the previous years. The figures of the previous year have been restated to take account of the non-distribution of the dividend against the profit (loss) of 2019, consequent to the alignment to that envisaged in the ECB Recommendation of 27 March 2020.

Alternative Performance Measures

In order to better evaluate the Issuer's financial management performance based on the consolidated financial statements of Banco BPM for the years ended 31 December 2020 and 2019, the 9 February 2021 Press Release and the 6 May Press Release, the management has identified several Alternative Performance Measures (**APMs**). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the Issuer, because they facilitate the identification of significant operating trends and financial parameters. This Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority (ESMA) of 5 October 2015 (ESMA/2015/1415), applicable as of 3 July 2016, which are used by the management of the Issuer to monitor the Issuer's financial and operating performance. In line with the guidance contained in the update of the document "*ESMA32_51_370 – Question and answer – ESMA Guidelines on Alternative Performance Measures (APMS)*", published on 17 April 2020, no changes have been made to the APMs to take into account the effects of the Covid-19 crisis:

- "Core revenues" or "Core operating income" is calculated as the sum of net interest income and net fee and commission income;

- "Cost / income ratio" is calculated as the ratio between reclassified operating expenses and reclassified operating income;

- "Cost of risk" or "Cost of credit" is calculated as the ratio between net adjustments on loans to customers and net receivables from customers including those classified in IFRS 5 for consistency with the related adjustments;

- "Core net performing loans to customer" is calculated as the sum of performing mortgage loans, performing current accounts and performing personal loans;

- "Core direct funding", "core direct deposits" or "Core funding" is calculated as the sum of current accounts and deposits;

- “Direct funding from customers” is calculated as the sum of current accounts and demand and term deposits, bonds issued, certificates of deposit and other securities, loans and other debts, and capital-protected certificates. Repurchase agreements are not included;

- “Net NPE Ratio” is calculated as the ratio between net non-performing exposures and total exposures related to the balance sheet items of "Loans to customers measured at amortised cost";

- “Gross NPE Ratio” is calculated as the ratio between gross non-performing exposures and total exposures related to the balance sheet items of "Loans to customers measured at amortised cost";

- “Gross NPE Ratio adjusted” is calculated as the ratio between gross non-performing exposures (excluding the amount of NPE disposals already being finalised) and total exposures related to the balance sheet items of “Loans to customers measured at amortised cost”;

- “Texas Ratio” is calculated as the ratio between the net value of impaired loans and the Group's tangible equity (net of the related tax effects);

- “Adjusted net profit” or “Adjusted net income” or “Adjusted net results” is calculated as the net profit/income excluding nonrecurring items detailed in the Explanatory notes of the 9 February Press Release;

- “Adjusted pre-tax profit” or “adjusted Profit (loss) before tax from continuing operations” is calculated as the Income (loss) before tax from continuing operations excluding non-recurring items detailed in the Explanatory notes of the 9 February Press Release;

- “Financial margin/Operating income” is calculated as the ratio of Financial margin to Operating income;

- “Net fee and commission income/Operating income” is calculated as the ratio of Net fee and commission income to Operating income;

- “Operating expenses/Operating income” is calculated as the ratio of Operating expenses to Operating income;

- “Net bad loans/Loans to customers (net)” is calculated by dividing the net amount of bad loans by the net amount of loans to customers;

- “Unlikely to pay/Loans to customers (net)” is calculated by dividing the net amount of unlikely to pay by the net amount of loans to customers;

- “Net bad loans/Shareholders’ equity” is calculated by dividing the net amount of bad loans by the amount of Shareholders’ equity;

- “Gross customer loans adjusted” is calculated as gross customer loans excluding the amount of NPE disposals which the Issuer expects to finalise before 22 July 2021;

- “Financial assets and hedging derivatives/Total assets” is calculated by dividing the amount of financial assets and hedging derivatives by total assets;

- "Net trading derivatives/total assets" is calculated by dividing the amount of the derivatives included under Balance Sheet [4] item 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading" by total assets;

- "Net hedging derivatives/total assets" is calculated by dividing the amount of Balance Sheet item[2] 50. of assets by total assets;

- "Net trading derivatives/Total assets" is calculated by dividing the mismatch, in absolute terms, between the derivatives included under Balance Sheet item[2] 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading", and item[2] 20 of liabilities, "Financial liabilities held for trading", by total assets;

- "Loans to customers (net) per employee" is calculated by dividing the net amount of loans to customers by the number of employees;

- "Gross loans/Direct funding" is calculated by dividing the amount of gross loans to customers by direct funding;

- "Net loans/Direct funding" is calculated by dividing the amount of net loans to customers by direct funding;

- ROE (Return on Equity) is calculated by dividing the amount of the Profit for the year excluding Badwill and impairment by Shareholders' equity;

- ROA (Return on Assets) is calculated by dividing the amount of the Profit for the year excluding Badwill and impairment by total assets.

It should be noted that:

(a) the APMs are based exclusively on historical data of the Issuer and are not indicative of future performance;

(b) the APMs are not derived from IFRS and, while they are derived from the consolidated financial statements of Banco BPM prepared in conformity with these principles, they are not subject to audit;

(c) the APMs are non-IFRS financial measures and are not recognised as measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measures derived in accordance with IFRS or any other generally accepted accounting principles;

(d) the above-mentioned APMs are calculated on the basis of the reclassified financial statements, unless otherwise specified, and should be read together with the financial information of Banco BPM for the years ended 31 December 2020 and 2019 taken from their consolidated financial statements, from the 9 February Press Release and for the three months period ended 30 March 2021 taken from the 6 May Press Release;

[4] Official schedule envisaged by the Bank of Italy Circular no. 262.

(e) since not all companies calculate APMs in an identical manner, the presentation of Banco BPM may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on these data;

the APMs and definitions used herein are consistent and standardised for the period for which financial information in this Prospectus is included.

Credit quality

(in millions of Euro)	31 December 2020		31 December 2019	
	Net exposure	% impact	Net exposure	% impact
Bad loans	1,462.2	1.3%	1,559.6	1.5%
Unlikely to pay	2,784.8	2.5%	3,911.8	3.7%
Past due	45.6	0.1%	73.0	0.1%
Non-performing loans	**4,292.7**	**3.9%**	**5,544.4**	**5.2%**
Performing loans	**105,042.3**	**96.1%**	**100,301.1**	**94.8%**
Total loans to customers	**109,335.0**	**100.0%**	**105,845.5**	**100.0%**

Capital Requirements for the Group

On 11 December 2019, the European Central Bank (ECB) notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis for 2020. On 17 November 2020, considering the general situation linked to the Covid-19 pandemic, the European Central Bank informed supervised banks that it will not issue any SREP decisions in 2020, therefore the minimum capital ratios required for 2020 continue to apply in 2021.

The decision is based on the supervisory review and evaluation process (SREP) conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013.

Therefore, in compliance with Article 16(2)(a) of the same Regulation (EU) No. 1024/2013, which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, a requirement of 2.25% was introduced to be added to minimum capital requirements.

Taking the above into account, the requirements set out for systemically important institutions (equal to 0.13% for 2020) and the countercyclical capital buffer established by the competent national authorities for exposures to countries in which the Group operates (equal to 0.005%), the Banco BPM Group was required to comply with the following capital ratios at consolidated level for 2020, in accordance with the transitional criteria in force:

- CET1 ratio: 9.385%;
- Tier 1 ratio: 10.885%;
- Total Capital ratio: 12.885%.

It should be noted that, on 12 March 2020, the ECB, taking into account the economic effects of the COVID-19 pandemic, announced certain measures aimed at ensuring that banks, under its direct supervision, are still able to provide credit support to the real economy.

Considering that the European banking sector acquired a significant amount of capital reserves (with the aim of enabling banks to face with stressful situations such as the COVID-19 pandemic), the ECB allows banks to operate temporarily below the capital level defined by the "Pillar 2 Guidance (P2G)" and the "capital conservation buffer".

In addition, the ECB has amended its SREP 2019 decision establishing that the SREP requirement equal to 2.25% must be maintained by Banco BPM 56.25% as Common Equity Tier 1 (CET1) and 75% as Tier 1 Capital (Tier 1). Therefore, taking into account the requirements set out for systemically important institutions (equal to 0.19% for 2021) and the current countercyclical capital buffer (0.005%), the minimum requirements that Banco BPM is required to comply with for 2021 and until further notice, are as follows:

- CET1 ratio: 8.461%;
- Tier 1 ratio: 10.383%;
- Total Capital ratio: 12.945%.

The Banco BPM Group satisfied these prudential requirements, with a CET1 ratio at 31 March 2021 of 13.74% at phase-in level, a Tier 1 ratio of 15.46% at phase-in level and a Total Capital ratio equal to 17.96% at phase-in level[5].

Rating

The international agencies Moody's Investors Service, through Moody's France SAS (**Moody's**) and DBRS Ratings GmbH, which is part of DBRS Morningstar (hereinafter also referred to as **DBRS**) have assigned ratings to the Issuer. Moody's and DBRS are registered in accordance with Regulation No. 1060/2009/EC of the European Parliament and the Council dated 16 September 2009 relating to credit rating agencies.

As at the date of this Prospectus, the following ratings have been assigned by Moody's to the Issuer: (i) Long and Short Term Deposit Ratings of Baa3/P-3, with Stable Outlook; (ii) Long-Term Issuer Rating and Long-Term Senior Unsecured Debt Rating of Ba2, with Stable Outlook; (iii) Standalone Baseline Credit Assessment (BCA) and adjusted BCA of ba3; and (iv) Counterparty Risk Assessments (CR Assessment) of Baa3 (cr) / P-3 (cr).

As at the date of this Prospectus, the following ratings were assigned to the Issuer by DBRS Morningstar: (i) Long-Term Deposit Rating of BBB; (ii) Short-Term Deposit Rating of R-2 (high); (iii) Long-Term Issuer Rating and Long-Term Senior Debt Rating of BBB (low); (iv) Short-Term Issuer Rating and Short-Term Debt Rating of R-2 (middle); and (v) Long and Short-Term Critical Obligations Ratings of BBB (high) / R-1 (low). All ratings have a Negative Trend. The Intrinsic Assessment of the Group is BBB (low).

[5] Ratios calculated by including the profit realised in the first quarter of 2021 and deducting the expected dividend pay-out on such profit.

BUSINESS DESCRIPTION OF THE ISSUER AND THE GROUP

Introduction

Banco BPM S.p.A. (the **Issuer** and together with its subsidiaries, the **Group** or the **Banco BPM Group**) was incorporated on 13 December 2016 and is one of the largest banking groups in Italy as at 31 December 2019, based on revenues, assets and net income, with approximately 22,000 employees, 1,800 branches and 4 million customers concentrated in the Lombardy, Veneto and Piedmont regions. Banco BPM's duration has been set to 23 December 2114, however it may be extended.

The Group is the product of the combination between Banco Popolare Società Cooperativa (**Banco Popolare**) and Banca Popolare di Milano S.c.a.r.l. (**BPM**).

The Group's core activities are divided into the following segments: Retail, Corporate, Institutional, Private, Investment Banking, Strategic Partnerships, Leases and the Corporate Centre.

The majority of the Group's activities are based in Italy. Outside of Italy, the Group has foreign operations in Switzerland, China and India.

History of the Group

BPM

BPM was incorporated as a limited liability co-operative company in 1865 to facilitate access to credit for merchants, small businessmen and industrialists. In 1876, BPM became part of the "*Associazione nazionale delle Banche Popolari*" and in the early 1900s it increased its business through the establishment of new branches in northern Italy. From the 1950s onwards, BPM grew considerably through the acquisition of interests in other lending institutions and the incorporation of several banks such as Banca Popolare di Roma, Banca Briantea, Banca Agricola Milanese, Banca Popolare Cooperativa Vogherese, Banca Popolare di Bologna e Ferrara, Banca Popolare di Apricena, INA Banca, Cassa di Risparmio di Alessandria, Banca di Legnano and Banca Popolare di Mantova. The late 1980s saw the establishment of the Bipiemme – Banca Popolare di Milano group (the **BPM Group**), of which BPM was the parent company, performing, in addition to banking activities, strategic guidance, governance and supervision of its financial and instrumental subsidiaries. The BPM Group operated mainly in Lombardy (where 63% of its branches were situated), but also in Piedmont, Lazio, Puglia and Emilia Romagna, predominantly providing commercial banking services to retail and small-medium sized companies (SMEs) as well as to corporates, through a dedicated internal structure. In addition, BPM offered its customers capital market services, brokerage services, debt and equity underwriting, asset management, insurance underwriting and sales, factoring services and consumer credit. From 1999 onwards, BPM operated an online banking service called WeBank.

Banco Popolare

Banco Popolare was incorporated on 1 July 2007 following 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**). Banco Popolare, together with its subsidiaries, formed the Banco Popolare group (the **Banco Popolare Group**).

In turn, BPVN was incorporated in 2002 as a result of the merger between Banca Popolare di Verona – Banco S. Geminiano and S. Prospero Società cooperativa di credito a responsabilità limitata.

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 was listed on the MTA from 1998 onwards. 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.

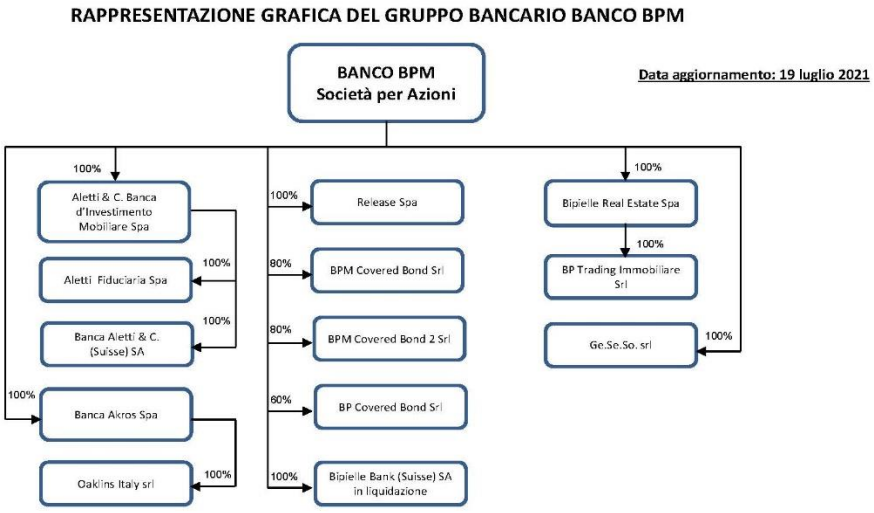
Banco Popolare operated abroad through an international network made up of banks, representative offices and international desks. It also had relationships with around 3,000 correspondent banks. The Group's foreign operations included a subsidiary company, Banca Aletti Suisse, and representative offices in China (Hong Kong and Shanghai), India (Mumbai) and Russia (Moscow). In 2014, following a merger by incorporation of Credito Bergamasco, Banco Popolare further simplified its organisational model by rationalising Credito Bergamasco's local management. On 16 March 2015, Banca Italease S.p.A. was merged into Banco Popolare with effect for accounting and tax purposes as of 1 January 2015.

Banco BPM

Banco BPM carries out the functions of a bank and holding company, which involve operating functions as well as coordination and unified management functions in respect of all the companies included within the Banco BPM Group.

Structure of the Group

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



Activities of the Group

The Group's core activities can be divided into the following operating segments: (i) Retail; (ii) Corporate; (iii) Institutional; (iv) Private; (v) Investment Banking; (vi) Strategic Partnerships; (vii) Leases; and (viii) Corporate Centre.

The table below sets forth the main financial results for each business segment for the years ended 31 December 2020 and 2019.

	Group	Retail	Corporate	Institutional	Private	Investment Banking	Strategic Partnerships	Leases	Corporate Centre
Operating Income									
2020	**4,151,817**	2,254,223	693,040	99,932	90,912	125,444	132,255	21,434	734,577
2019 (*).....	**4,349,618**	2,462,088	628,326	104,398	92,899	142,357	128,715	27,489	763,346
Operating expenses									
2020	**(2,430,067)**	(1,843,966)	(156,707)	(37,801)	(73,138)	(84,591)	(2,566)	(33,050)	(198,248)
2019 (*).....	**(2,604,046)**	(1,974,965)	(165,841)	(36,195)	(70,918)	(86,665)	(2,771)	(35,095)	(231,596)
Profit (loss) from operations									
2020	**1,721,750**	410,257	536,333	62,131	17,774	40,853	129,689	(11,616)	536,329
2019 (*).....	**1,745,572**	487,123	462,485	68,203	21,981	55,692	125,944	(7,606)	531,750
Net income (loss)									
2020	**20,880**	(319,352)	2,023	17,107	4,025	24,212	113,872	(90,626)	269,619
2019 (*).....	**797,001**	8,920	68,092	36,514	7,917	38,049	129,558	(129,028)	636,979
Net loans (including senior securities from sales of non-performing loans)									
2020	**109,334,985**	58,679,546	30,952,448	6,498,443	335,172	694,825	-	1,639,209	10,535,342
2019 (*).....	**105,845,464**	56,039,813	28,616,852	5,831,264	232,677	819,074	-	2,005,510	12,300,274
Direct funding (without repurchase agreements with certificates)									
2020	**120,141,065**	79,521,550	11,475,745	9,956,749	2,983,412	3,584,917	-	6,669	12,612,023
2019 (*).....	**108,879,794**	71,048,249	9,170,450	9,025,006	2,713,987	3,827,404	-	5,570	13,089,128

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the segmentation criteria used for 2020.

A description of the individual segments is given below, providing a more detailed analysis of the main activities conducted, both commercial and otherwise, divided in a manner that is in line with the internal organisation of the segment in question.

Retail

The "Retail" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at private customers and small businesses.

These activities are mainly carried out by the commercial network of the Banco BPM Group (the **Commercial Network**).

Commercial Network

The Commercial Network represents the cornerstone of the development of the Group's commercial activities throughout Italy and is the backbone of its organisational structure. It is centred on the network division, which ensures a balanced coverage at a national level and is instrumental to the development of a product and service offering in line with customers' needs in the different markets where the banks of the Group operate.

The commercial network model is inspired by the principles of:

- customer centrality and high levels of service, through a specialized offering and a greater focus on commercial structures;
- territorial proximity, through the configuration of territorial departments dedicated to specific reference territories, to which several areas report, which in turn guarantee support and coordination in favour of the branches (divided into Hubs, Coordinated Independent, Spoke and Independent);
- quick decision-making processes and proactively meeting customer needs.

The Corporate network is composed of a number of Corporate Markets and Corporate Centres to enhance the specialisation necessary for the management of Corporate customers. The organisational structure is divided into two business units (Corporate and Large Corporate) and provides for the presence of product/specialist principals for Origination, Structured Finance, Foreign Operations and Trade Finance.

Distribution Network

As of 31 December 2020, the Banco BPM Group had 1,808 branches. The Group's network is distributed throughout Italy, with a leading position in the northern part of the country, where the majority of the distribution network is concentrated. The branches are mainly located in the following regions: Lombardy, Veneto, Liguria and Piedmont.

Branches

Branches	**Actual 2020**
Banco BPM	1,752
Banca Aletti	55
Banca Akros	1
Total	**1,808**

The distribution network of the Group is expected to evolve in line with the following three key principles: (i) rationalisation of the branch network; (ii) specialisation of the "value proposition" and increased penetration of digital distribution channels; and (iii) development of new "physical" service models that are more flexible and more appropriate to meet client needs.

The branch network underwent a significant rationalisation programme in line with the revised customer acquisition strategies of the Banco BPM Group. The organisation model for the network is expected to remain the same in terms of format (traditional, hub and spoke) but the average size of branches will increase in order to achieve greater efficiency, resource specialisation and the availability of professionals covering different areas.

The evolution of the Banco BPM Group's distribution model is being supported by investment in digital distribution channels, in line with a customer's features, needs and propensity and also through the positioning of the Webank brand, continuing the migration of cash transactions to electronic cash and providing new distance-based consultancy services. Particular focus is placed on the availability of distance-selling of the products and services of the Banco BPM Group. Banco BPM is implementing an omni-channel service model with a focus on sustainability and efficiency.

Finally, the distribution model envisages the creation and/or strengthening of mobile "physical" channels intended to bring the bank closer to its clients. Various new forms of mobile services are envisaged including, amongst others: (i) distance-selling, based on distance communication tools and techniques to facilitate the relationship between client and relationship managers in different locations and requiring a large number of client relationship managers to be authorised to operate outside the branches and to provide consulting services at the client's home; (ii) teams of private bankers to develop new and existing wealth advisory competencies; (iii) business product specialists throughout the network supporting the relationship managers; (iv) business developers dedicated to acquiring new business customers, particularly in geographical areas where the Banco BPM Group is less well-established; and (v) financial promoters in Banca Aletti.

Private Customers

"Private" customers comprises all private individuals, natural persons with private assets of less than Euro 1 million, which breaks down into "Personal" and "Universal" customers: the former, the "Personal" customers are those with assets (deposits) of between Euro 50,000 and Euro 1 million; the latter, the "Universal" customers, are those with personal assets of less than Euro 50,000.

Products, Services and Financing for Private Retail Customers

Current accounts

In 2020, Banco BPM focused its efforts on the efficient streamlining of its range of products and services, and at the same time, adjusted the economic conditions of the same to reflect prevailing circumstances. To ensure that its customers were able to promptly take advantage of the tax breaks enacted by the Italian Government, specific current accounts were created to manage the so-called "super-bonuses". Further and important developments under analysis or under implementation and will be completed in the coming months. Close collaboration with

the Commercial Network continued, to provide support to the same and the need for training/information.

New Public Websites

The modernisation of the digital ecosystem of public websites, which led to the release of the new commercial (*www.bancobpm.it*) and institutional (*www.gruppo.bancobpm.it*) in December 2019, played a key role during the year not only from a sales perspective, but also to manage communication relating to the health emergency. Especially in the first six months and during the lockdown when access to the physical channel was strictly limited, the commercial website became the main hub for communication and support, as well as the landing point for all direct mailing activities. With respect to the previous year, the Group's public website recorded significant increase in interactions. Furthermore, to give its customers an even more effective user experience, improving access to the content published, work was carried out on the architecture of the commercial website, thanks to the connection with customer relationship management and the more evolved digital marketing platforms. These developments will enable the browsing experience to be personalised, featuring purchase paths that are increasingly in line with the characteristics and needs of individual users.

Multichannels

During 2020, Banco BPM continued the activities relating to the development of the digital offer from a multichannel perspective, with a steady and gradual improvement of the customer experience both in terms of services dedicated to customers of the YouWeb commercial network and to purely digital customers through the Webank digital channel. In 2020, approximately 36,706 new current account holders opened an account with the bank through Webank, a 17.2% increase compared to 2019.

During 2020, there was an ever-increasing focus on mobile development, which has become the main hub for the strategy of Banco BPM's digital development and transformation.

Customer Support and Development

In the area of support, customers are actively managed both through traditional telephone channels (Interactive Voice Response - IVR) and written channels (email messages and text chats) as well as through a virtual assistant and social media channels. The main areas of operations are as follows:

- assistance and functional support to customers using home banking services, both for private customers and Webank digital customers and companies using remote banking services (YouBusiness Web);
- the management of telephone banking services (direct banking and trading operations) both for private customers and Webank digital customers;
- customer support during the before- and after-sales steps of the Webank online service, for all the products and services offered, in partnership with the virtual branch (representing the single communication channel between Banco BPM and the customer);
- before- and after- sales support to customers provided through the www.youBanking.it portal;

In the area of development, customers are targeted to support cross-selling, both for Webank customers and customers of the Commercial Network.

Private mortgage loans

The impact of Covid-19 pandemic and the consequent lockdown period also affected the segment of mortgage loans to households, recording a moderate fall in 2020 (-18%) in disbursements compared to the previous year, which had been characterised by a sharp increase.

In 2020 the Bank focused in particular on providing support to customers experiencing difficulties in paying their loan instalments due to the effects of Covid-19, both as regards employees and the sphere of the self-employed and professionals.

Banco BPM immediately applied all of the legislative moratoriums offered by the Government, adding its own schemes to these entailing the complementary suspension of household mortgages and loans. Overall the moratoriums granted to private customers in 2020 regarded around 30,000 loans.

Consumer credit

The Covid-19 pandemic emergency also had a significant impact on the production of personal loans in 2020, which amounted to 730 million, almost all disbursed by Agos Ducato, a consumer credit company, whose products are distributed exclusively by Banco BPM. To give continuity to its range of services, in agreement with Agos Ducato, the opportunity to sell personal loans remotely was also introduced thus meeting the need of private customers.

Furthermore, to show that it really understands the needs of households that are having to tackle this difficult economic situation, during 2020, Banco BPM sponsored schemes relating to Agos personal loans, under which the customers interested were able to benefit from advantageous conditions, including postponing the payment of the first instalment.

Investment products

The funding volumes for asset management products recorded during 2020 confirmed customers' preference for flexible forms of investment and their wish to delegate investment choices and the diversification of the financial assets in their portfolios to experienced professionals.

In order to be able to offer an extensive range of asset management products, the Group continued its partnership with international investment firms as well as the range of funds in Anima's catalogue of "*società di gestione del risparmio*" (**SGRs**).

Corporate Customers

As at 31 December 2020, the Group had approximately 470 thousand corporate customers with a current account.

The distribution of Corporate customers includes a significant proportion of small and medium enterprises, for which the Group further strengthened its activities in 2019.

Specifically, business was developed with dedicated products and services, which are outlined below.

Loans and lending

The lending products that comprise the various catalogues, unique to Banco BPM Group, seek to meet their main and most frequent requirements: investment, working capital, liquidity, expansion, advances, cash flexibility.

In 2020, the Banco BPM Group continued to improve and update the types of loan offered, with a view to maintain a catalogue of lending products that is always able to meet market needs and at the same time can be successfully distributed by the Commercial Network.

Specific lending solutions were also released to complete the financial cycle of the renovation and/or energy efficiency works of residential buildings by private, condominium association and business customers.

During 2020, work also continued on the projects to pursue simple, accessible financial solutions to support SMEs in their energy transitions. The works relating to those projects are part of the larger context of the guidelines and strategies on lending policies adopted by the bank. These include joining the Working Group promoted by the ABI and called "Sustainable Loans", the objective of which is to develop metrics and guidelines to support supply chains in the process of transition towards sustainability, with regard to the environmental ESG dimension, particularly that related to climate change.

Smart Lending

In 2020, developments relating to the range of digital products mainly resulted in allowing customers to use the web-platform "YouBusiness Web" to directly apply to the Bank for the subsidies related to the emergency resulting from the Covid-19 pandemic through this channel, with regard to:

- the award of loans secured by the Guarantee Fund for Small and Medium Enterprises;
- the suspension of the payments of loan instalments rather than extend short-term debts.

A new project was also launched, the aim of which is to achieve the full digitalisation of the process of awarding medium/long-term loans by the end of 2022, by integrating the application phase, already developed in 2019, with the award, stipulation and signature of the loan agreement.

Other activities to support and increase business loans

Following the economic/financial difficulties experienced by business customers in 2020, Banco BPM activated certain schemes aimed at providing the support and relief measures envisaged by Italian laws and the agreements entered into by the Italian banking association. Specifically, the following were implemented:

- new loans secured by the Guarantee Fund for Small and Medium Enterprises;
- suspension of the payment of mortgage and unsecured loan instalments;
- suspension of the payment of mortgage and unsecured loan instalments and extension of short-term loans.

Agrifood

The "agrifood" segment plays an increasingly important role in the commercial strategies of Banco BPM Group.

In 2020, also in this segment, efforts were above all focused adapting and creating products to fulfil the different provisions to support businesses.

Even within the limitations imposed by the Covid-19 pandemic, in 2020, Banco BPM also continued to pursue and support business opportunities resulting from the implementation of the Rural Development Programmes (RDP) envisaged for 2014-2020.

Furthermore, Banco BPM provides financial support to businesses both in the form of short-term products (relating to the various options of getting advances on public contributions) and medium/long-term products (supporting investment).

In 2020, the credit assessment procedure for agricultural enterprises continued to be adopted and maintained (Due Diligence of Agricultural Enterprises). This procedure, together with the presence of specialised professionals in the Network and the range of "Semina" lending products, makes Banco BPM one of the Italian banks with the most focus on the development of the Agrifood segment.

Subsidised Financing and Guarantee Bodies

In 2020, Banco BPM continued to disburse loans to Small and Medium Enterprises and to enterprises with low capitalisation, as well as to households, with a view to (i) facilitating access to credit and/or (ii) to reduce the cost of the latter. These loans feature (i) public guarantees (e.g. Guarantee Fund for SMEs, ISMEA Guarantee Funds, European Investment Fund-EIF, SACE, Guarantee Fund for the First Home, etc.), or (ii) are granted by the Bank using funds obtained at advantageous conditions (e.g. the funds of the European Investment Bank (EIB) or Cassa Depositi e Prestiti (state controlled fund and deposit institution)).

During the year, the most significant initiatives were as follows:

- activation of new EIB funding for a total of 500 million, used to grant medium/long-term loans to support investment programs of Italian SMEs and Mid Caps and, for a share of Euro 100 million, to companies in the agricultural sector with specific focus on young farmers and on actions to combat climate change;

- activation of the EIF Innovfin Guarantee Agreement, which will allow the disbursement of further loans amounting to around 500 million to SMEs and Mid Caps with a strong focus on research and development and/or technological innovation.

Guarantee instruments for enterprises

Considering the importance of guarantees in facilitating access to credit, especially by SMEs, Banco BPM has accelerated its guarantee operations, which are ancillary to the disbursement of credit, by subscribing/adhering to specific agreements and contracts with the managers and providers of guarantees.

Banco BPM is also active in the main national subsidised guarantee instruments, including:

- Guarantee Fund for Small and Medium Enterprises, specialised in protecting bank loans granted to support business financial needs;

- ISMEA (the Italian Institute for Services for the Agricultural Food Market) dedicated to issuing direct or subsidiary guarantees, co-guarantees and counter-guarantees to agricultural companies.

The above-mentioned funds benefit from the ultimate guarantee of the Italian Government, which allows the Bank to lower the production costs of lending and to apply special terms to loans guaranteed by the same.

Considerable efforts were also addressed to operations with Confidi (mutualistic entities created to facilitate access to credit for SMEs), both to draw up a new version of the Convention in view of the 2019 reform of the SME Guarantee Fund (SMEGF), and to extend collaboration with these enterprises during this emergency period given the more extensive support of the counter-guarantee provided to them by the SMEGF.

The Bank also continued to work with several Foundations under specific agreements that regulate operations as regards measures to contrast usury with regard to the funds allocated by Anti-Usury Law.

Other State subsidies for businesses

With regard to other schemes that benefit SMEs, Banco BPM also participates in different initiatives that envisage tax relief (interest rate subsidies or non-repayable grants/plant and equipment grants) envisaged by various national and regional regulations, thus confirming its close deep-rooted relationship with the local communities served.

Corporate

The "Corporate" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at medium and large-sized companies.

These activities are mainly carried out by the Commercial Network.

During 2020, Banco BPM's Corporate division consolidated its positioning as a leading financial partner for Italian Mid Cap companies.

The Group seeks to meet the specific needs of Corporate customers (i.e. companies with a turnover exceeding Euro 75 million) by taking a full service commercial approach, whereby the wide range of products and services it offers is combined with top level advisory services,

for the purpose of maximising the quality of the relationship and promoting customers' potential over time.

The Group's commercial objectives in the Corporate segment include:

- supporting companies with advanced instruments (Structured Finance and Hedging Risks);
- providing specialised consulting to face the challenges of the international markets (Foreign Operations and Trade Finance);
- maximising the value of relationships with customers, by offering and providing high added value services (Consulting by Industry – Origination);

The Group's approach within the Corporate segment is customer-centred: starting with the identification of the complex needs of customers, the most suitable financial and commercial offer is configured on a case-by-case basis.

In 2020, the structure of the Corporate network showed continuity and stability with respect to the organisation consolidated in previous years, with no substantial changes occurring in 2020.

The current structure ensures a strong commercial and geographical coverage, through a central structure designed to "directly handle" the governance of the business, 5 Corporate regional markets of reference (Milan, North - West, North - East, Centre North, Centre South), a "Large Corporate" structure with several local offices (Milan, Turin, Verona, Bologna and Roma) dedicated to serving companies having a turnover exceeding Euro 1 billion, as well as 18 corporate centres, with over 150 managers and analysts that assist the companies in their operations, with a strong focus on business development.

Corporate customers

In 2020, corporate customers represented approximately 3% of total companies supported by the Group's Commercial Network, with approximately 10,000 Mid Cap companies and approximately 1,250 Large Corporates, for a total of approximately 11,250 target companies, having a current account with the Group as at 31 December 2020. As of October 2020, the total number of corporate customers amounted to 11,300 (of which approximately 7,600 had taken out loans) and the total number of corporate groups was equal to 3,200 (of which 2,980 had taken out loans).

Corporate business strategy for 2020

The changing economic context in 2020 and its unprecedented market scenario, characterised by the ongoing Covid.19 outbreak, drove the Corporate business strategy towards the adoption of two macro-approaches: one more tactical and operational, dictated by the "extraordinary" circumstances; the other more project-oriented and far reaching.

The state of emergency resulting from the pandemic impacted the commercial activities of the Corporate segment, both in terms of the product range (as government support measures became progressively available to Customers), and in terms of how services were provided.

On one hand, the aim was to guarantee operational continuity and the continuation of ordinary activities, on the other hand, the network made significant efforts to promptly meet the needs

of customers, digitally or remotely, thanks to the adoption of web collaboration platforms and the acceleration of the Bank's investments in the digitalisation of processes and services and in the implementation of digital interaction procedures with customers, consistent with the emergency situation.

This perspective also included the implementation in the first half of the year of a new commercial platform called "Sales4Change", which sought to boost the effectiveness of the commercial solutions proposed by the Corporate network.

Sustainability: the project-related approach for Corporate activities

Providing support to customer companies that are transitioning towards a more sustainable business model in terms of environmental, social and governance matters, is a far-reaching strategic objective for the Bank.

Through its commercial activities, the Corporate segment is actively involved in reaching several targets that fall within the scope of the United Nation's Sustainable Development Goals. Moreover, the year that has just finished has demonstrated that investing in sustainability is one of the priorities of companies that aim to continue to be competitive in the market, even in complex trading circumstances.

The offer to support corporate enterprises – specific products and services

In 2020, Banco BPM confirmed its leading position at a national level as a bank able to support the specific needs of companies in the Corporate segment. The Banco BPM *Group's ability* to support businesses and its deep roots in local areas contribute to the constant strengthening of its partnership with businesses, thus allowing it to increase its market shares in specific business segments. Working more closely with Corporate customers was one of the measure set in motion to provide support to companies hit by the Covid-19 pandemic in 2020. Even during

the lockdown periods, customers have been able to count on the presence of their managers, as well as all of central management, through digital tools and media.

Loans and lending with specific relation to the Covid-19 emergency

In 2020, work to develop the range of lending products dedicated to Corporate customers was characterised by the implementation of the changes introduced by the various Government Decrees containing emergency measures.

The initiatives undertaken with a view to supporting companies regarded both the adaptation to Government or systemic measures (e.g. ABI), and specific schemes of the Bank.

More specifically, the following are worth mentioning:

- application of the measures envisaged by the Italian Law Decrees that were issued over the year;
- application of the moratoriums envisaged by the Banking System (Agreement for ABI credit and subsequent Covid-19 addenda with extension of the measures to large companies);
- emergency schemes to provide liquidity to businesses through the use of a special fund allocated by Banco BPM Group for a total value of Euro 3 billion;
- implementation of specific bilateral moratoria;
- implementation of tools to be able to work remotely, through the use of the online channel and certified e-mail, with a view to streamlining both ordinary operations, and the contractual stage of lending operations.

With regard to Corporate customers, the tool that was most used and considered to be effective, is presented by SACE's Italy Guarantee which Banco BPM subscribed to immediately. This tool, which envisages that SACE may grant guarantees, in accordance with European legislation on State aid, has proven to be useful in guaranteeing the liquidity needed by Italian companies, whose activities have been restricted or interrupted by the Covid-19 pandemic, to sustain working capital, investments and personnel costs.

In 2020, Banco BPM disbursed loans to Corporate customers under the SACE Italy Guarantee scheme amounting to approximately Euro 1.9 billion, plus disbursements of around Euro 1 billion secured by the guarantee of the Central Guarantee Fund for SMEs.*Main commercial initiatives*

With a view to additionally strengthening the role of reference bank for Italian Mid-Cap companies, the Corporate structure focuses its activities on strengthen the market and business shares of customers. While pursuing such growth objectives, the Group also constantly monitors the creditworthiness of customers and the risk-return ratio.

In December 2020, the Group also announced the allocation of a fund of Euro 5 billion called "Sustainable Investments 2020-2023" to encourage the transition towards a sustainable economy. The fund is a tangible response to the issues emerging in the ESG dimension, which increasingly represent a key element for the development of business customers.

The fund has set itself important objectives, including:

- increasing the share of sustainable loans in the Group's assets;
- confirming Banco BPM as a partner that provides support to companies that are starting to transition towards sustainable business models;
- confirming the Banco BPM brand as forerunner in the sphere of sustainability;
- providing the customer with an innovative financial tool (e.g. technical advice from the Bank's partners).

The fund is addressed to any business that intends to start investing in increasing the ESG sustainability of its business model.

The Sustainability Fund is consistent with the framework that the legislator, with the increasing support of public opinion, has set out in terms of sustainable objectives/policies both at European level (EU Green Deal), and national level (National Integrated Energy and Climate Plan - PNIEC, published at the beginning of 2020 and which extends the objectives of the "old" National Energy Strategy). The Fund is Banco BPM's answer to these institutional initiatives.

BBPM has also launched specific initiatives to grasp the opportunities offered by the Relaunch Decree (in particular Superbonus 110% and Ecobonus) in terms of promoting / developing energy efficiency, which fully meet renewable energy requirements and the objectives of the PNIEC.

In terms of businesses, an Euro 2.5 billion fund dedicated to the Superbonus 110% and the Ecobonus has recently been approved.*Financial risk hedging*

In 2020, the Group continued to provide specialised support to corporate customers by managing interest rates, exchange rates and commodity risks through the Investment Banking structure of Banca Akros. Such activity targets companies that have risk hedging needs in relation to their operational management or the structure of their financial statements.

Customers are assisted by a group of sales advisors and specialists with highly technical and commercial skills, who are located across the various geographical areas.

During the year, the Group continued to develop new products and services to customers, strengthening its role as a benchmark for its customers in terms of innovation. In 2020, this sector stood out for the significant increase in both interest rate and exchange and commodity hedges. Through its sales staff and specialists, the structure has forged solid relationships with its customers, by continuing to provide services with high added value, even in an increasingly challenging market context.

Purchase of trade and tax receivables without recourse

In 2020, Banco BPM strengthened and consolidated the development of services in the sector of business loans secured by the sale of trade receivables as well as the purchase of the same receivables without recourse and tax receivables due to the Public Administration, including "eco-bonus" tax credits.

The purpose of these activities is to sustain the customer's working capital at a complex time for customers' liquidity, through the sale of their trade and/or tax receivables. The execution expertise acquired by Banco BPM in this area is demonstrated by its ability to enter into

customised agreements with leading companies that wish to optimise the opportunities available to manage supply debt, while at the same time offering financial services to their suppliers.

Consolidating its leadership position in this specific market has been possible also due to an initial phase in which internal procedures were innovated by developing a digital platform able to facilitate operating aspects in the bank-customer relationship.

Structured finance

Within the scope of the Corporate function's activities, in 2020, Structured Finance consolidated its important role of meeting the more sophisticated financial needs of institutional and industrial counterparties, which benefit from a highly specialised approach.

Within the structured finance activities, corporate lending recorded a slight decrease in operations in 2020 caused by the interruption of several structuring operations; this contingency was not fully offset by the new operations concluded with the support of system interventions implemented to tackle the Covid-19 pandemic.

Financial sponsor activities recorded a particularly positive year due to the high number of mid- cap primary operations that represent the Bank's main area of operations.

Real Estate Financing also enjoyed very good performance, maintaining the high levels of activity recorded in 2019, thanks to the high interest of institutional operators in areas in which the Bank has extensive commercial coverage.

Project Finance activities recorded a slight decrease due to the substantial interruption of infrastructure activities, also due to the Covid-19 pandemic.

Lastly, in general, Structured Finance confirmed its role as an important driver in the development of more dynamic and sophisticated customer relations, with the service model adopted allowing for systematic specialised support to be given to the commercial networks during their development, negotiation and consolidation of operating relationships with customers.

Origination

Through the Group's senior bankers, who are specialised by industry, and the support of business analysts, the quality of relationships with business owners and the top management of companies improved thanks to the increased perceived satisfaction, cross-selling and overall profitability of relationships.

The Origination Unit then succeeded in further strengthening strategic coverage activities for the more complex Corporate customers, also thanks to the implementation of systematic capital structure analysis & solutions activities. In addition, a team of specialists was established dedicated to the SME segment, again based on the approach of improving the quality of the relationship and cross-selling.*Foreign operations and trade finance*

Dedicated network and foreign goods unit

As a whole, the Foreign Operations structure currently has 130 resources and handles documentation for foreign operations.

In particular, it oversees documentary credit, documented remittances and international guarantees, in accordance with the relative rules in force, seeking to provide customers with a high value-added service that guarantees consistent returns in terms of commission income.

Financial Institutions

During 2020, despite the constraints imposed by the health emergency, the Financial Institutions Group (**F.I.G.**) oversaw the main foreign markets with the primary purpose of guaranteeing adequate credit lines to support customers' imports and exports:

- with regards to exports, the Group implemented and renewed adequate trade credit lines, both ongoing and temporary, for foreign banks;

- with regards to imports, through targeted international missions in the main countries of interest for customers, the Group obtained adequate credit lines from foreign local correspondent banks. The international missions were also aimed at stimulating cross-border business with the foreign local correspondent banks and acquiring commercial information on opportunities and problems in the various markets.

For the purpose of providing suitable coverage for trade finance transactions with countries and banks considered risky or problematic, the F.I.G. renewed its membership in the trade facilitation programmes of the main supranational banks: EBRD, IFC and ADB.

By managing the foreign representative offices in Mumbai and Hong Kong, the Group has helped customers who operate, or intend to operate, in the areas of competence of these offices.

To support new asset acquisition activities, the F.I.G. confirmed its membership of B.A.F.T. (Bankers' Association for Foreign Trade) and the I.T.F.A. (International Trade and Forfaiting Association). It also organised a webinar entitled "Russia: beyond the sanctions and the coronavirus, a market of great opportunities" in collaboration with the Italo-Russian Chamber of Commerce, which saw the participation of around 150 Banco BPM customers.

Lastly, the F.I.G. contributed to the Group's foreign trade operations and profile raising by participating in international banking events.

Foreign Products and Services

Banco BPM provided significant support to companies operating in foreign markets in a year characterised by the global contraction of the demand for goods and services triggered by the Covid-19 pandemic.

In fact, the bank responded to the changed financial requirements of business operators by working with institutional entities and implementing the measures made available by the Italian Government provide financial support to Italian exports.

In line with the growing importance of offering a range of digital services, in 2020, Banco BPM continued its integration of new advanced channels, with both information and order functions, addressed to companies that work with or intend to work with firms abroad.

More specifically, continuing to move forward with the process to improve the digital user experience of Business Customers, BANCO BPM Trade World was created.

This is a new HUB that combines the You World – Doing Business in the World, used by around 1,100 Retail and Corporate customers and the You Lounge – The Trade Club platforms, which serves around 1,500 Retail and Corporate customers. You Lounge, together with a further 13 leading international partner banks, participates in the Trade Club Alliance with geographic coverage that extends to 60 countries and over 22,000 selected companies. Merging the two platforms into a single environment meets the two-fold objective of facilitating access and boosting the use of both services by customers.

The digital range of products and services in the Foreign sphere is completed by a third portal called YouTrade Finance, which enables goods operations to be managed online, simplifying and optimising the bank-customer relationship, and is able to guarantee the highest level of security (e.g. use of digital signatures) through guided procedures.

Agreements with primary institutions

In order to expand the support provided to customers that operate in the complex field of internationalisation through an in-depth knowledge of regulatory techniques and methods, instruments and rules relating to the world of international trade, Banco BPM with its specialised in Foreign Operations and Trade Finance managers has joined numerous associations and has agreements in place with leading institutions (including ICC Italia International Chamber of Commerce, Credimpex Italia, German-Italian Chamber of Commerce, De International Italia and SACE).

In 2020, Banco BPM continued to collaborate with the German-Italian Chamber of Commerce (CCIG) and with DE International Italia. This company, which belongs to the CCIG, offers a wide range of services for the internationalisation and promotion of forms of cooperation (business days, B2B meetings between customers and foreign operators) with a particular focus on Germany, a region of Europe of particular interest for exporting Italian companies.

Culture of sustainable finance for customers

The increased attention paid to the area of sustainability has also been incorporated in projects to educate customers.

In 2020, the "III class ELITE Lounge Akros Banco BPM Sustainability focus" was created, a new training and commercial project, which will be launched at the beginning of 2021 and will last two years, in partnership with Elite S.p.A. (Borsa Italiana) and Banca Akros.

The companies that will participate in the Lounge will have the opportunity to improve their knowledge, enhance projects undertaken in the sphere of sustainability (e.g. circular economy, energy from renewable sources, waste management) and boost their growth and development potential.

In addition, they can more openly discuss extraordinary finance operations, M&A, internationalisation, issue of bond loans, IPOs and even the process of listing on the capital market.

Institutional

The "Institutional" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at bodies and institutions (UCIT units, SICAVs, insurance companies, pension funds and banking foundations).

These activities are mainly carried out by the Commercial Network.

Institutional counterparties are the main supervised entities such as insurance companies, non-banking finance companies, SGRs, "*società di intermediazione mobiliare*" (**SIMs**), open and closed-end mutual funds, banking foundations, social security and welfare funds and pension funds. Furthermore, institutional counterparties include the state, constitutional bodies, the central state bodies and some companies in which the central public administration has a stake, as well as regional authorities, healthcare organisations, hospitals and large municipalities.

Relations with the Institutional counterparties are monitored by the structure of the same name through a complete service model, which includes managers and specialised employees and a dedicated branch.

With a view to achieving greater efficiency in the management of relationships, the Group's services have been harmonised and commercial partnerships have been developed with Banca Akros and Banca Aletti to provide a more comprehensive and specialised range of services. Such intragroup synergies include the launch of a new service exclusively dedicated to the Institutional segment: Mediation of Alternative Investment Funds. This service, designed and created together with the Private Equity and Funds function, was launched on 31 December 2019 and will be implemented in 2020.

Commercial partnership with allies outside the Group

The Institutional function is also tasked with supervising and coordinating the structure dedicated to centrally managing commercial alliances with partners external to the Banco BPM Group.

These alliances are governed by special commercial partnership agreements, which provide for the offer of dedicated products exclusively to the customers of the external partner, via a double distribution channel:

- "off-site" offer, through external financial consultancy;
- "on-site" offer, via dedicated branches within the financial stores of the commercial partner.

Centralised commercial management consists in the presence of a dedicated structure, included within the Institutional function, which has 18 branches spread across Italy, to which five new openings will be added by the end of the first half of 2020.

Thanks to a direct supervision through a wholly dedicated structure, the Group is able to continuously update agreements in light of any legislative changes, to obtain a better economic

return and to carefully monitor operational risks especially with regards to anti-money laundering legislation.

Over 36,000 customers are served in this way, in collaboration with commercial partners.

The market for the off-site offer of banking products and services outside the Group through the networks of financial advisors belonging to groups that do not have banks within their perimeter represents an area with strong potential for the Group, especially in light of the organisational model specifically adopted and the know-how acquired to date by Banco BPM.

Public Administration and Entities

Pursuant to EU Regulation 549/2013 on the European System of National and Regional Accounts, entity or public sector customers consist of:

- Public administrations, which in turn include central administrations (state and constitutional bodies, ministries and their departments, etc.), local governments (regions, provinces and municipalities) and public welfare and assistance bodies;

- Public companies, i.e. entities that produce goods and/or services intended for sale and that have a public legal nature or that are directly or indirectly controlled by the public administrations, by way of specific laws, decrees or regulations.

The Public Sector function is responsible for managing the segment from a commercial, regulatory and administrative perspective. The activity, in relation to the acquisition of relationships and the management of the Public Administration, is conducted with particular focus on the commitments and critical issues that arise, on the limitations of operational risks, of image, of credit and from a commercial perspective.

The activity is quality certified in accordance with UNI EN ISO 9001:2015. In 2019, the UNI EN ISO 9001 quality certification for the design and management of Treasury and Cash Services and the provision of loans to the Public Administration was also successfully renewed for an additional three years, confirming the full validity of the processes implemented and the significant ability to analyse and manage risks.

Third-Sector and Religious Entities

Third sector and religious entities include associations, foundations, socially useful non-profit organisations, cooperatives and social enterprises and other non-profit organisations, which make up the third sector segment, and by dioceses, parishes, congregations and religious orders, which make up the religious entities segment.

Given the growing importance of the third Sector, which offers significant prospects for development, Banco BPM has decided to strengthen its sales efforts through a dedicated structure, which now includes specialists in each geographical area of operation of Banco BPM.

The commercial initiatives for 2020 included:

- entering into an agreement with the Archdiocese of Milan regarding loans to parishes in the Province of Milan to face the Covid-19 emergency;

- sponsoring the "Cantieri Viceversa" laboratory, organised by the National Forum of the Third Sector, to ensure the matching of the demand for and the supply of funds between Third Sector organisations and entities; after the laboratory was concluded, the Third Sector and Religious Entities Structure took part in a webinar entitled "Sustainable Finance and the Third Sector", as part of the "CSR" Week (Corporate Social Responsibility Week), contributing by giving important insights at this high quality event.

Private

The "Private" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at private customers with assets that, individually and/or within their business, amount to at least Euro 1 million.

These activities are carried out by Banca Aletti.

To support development activities, in line with the strategy of previous years, efforts were made, in concert with Banco BPM, to create opportunities to meet potential customers through several local events; given the health emergency, these initiatives were limited to the first few months of the year.

In line with Banco BPM's commercial development plan, which envisages an approach with a greater focus on cross- selling, the year saw the full achievement of collaboration with the Corporate Department (at Markets level and at central structures level, namely Origination and Structured Finance), with which a synergic plan was set out for the development of family-owned businesses, which took shape through the engagement of all Corporate Centres; this activity was combined with the structured collaboration of the Investment Banking division of Banca Akros. This series of activities generated a significant increase in volumes and of the customer base.

As at 31 December 2020, the Banca Aletti network consisted of 11 areas, 45 units, 10 branch offices, 262 private bankers and 13 financial advisors.

Investment Banking

The "Investment Banking" segment includes the structuring of financial products, access to regulated markets, and the support and development of specialised financial services.

These activities are carried out by Banca Akros.

Trading and market making activities on own account

The Group carries out market making and trading on own account in government bonds and securities, interest rates, exchange rates, shares and other financial derivatives, over-the-counter market making on Government securities and bonds and market making on stock options and future stocks.

It also executes transactions with professional customers and qualified counterparties in repurchase agreements and securities lending on bonds and shares.

Brokerage activities

Banca Akros engages in equity trading on behalf of third parties on stock exchanges and on MTFs and also bond trading.

Investment Banking

Banca Akros engages in equity capital markets transactions, including capital increases of companies and banks. It also coordinates public bids and acts as Sponsor for transfers between market segments and in relation to demergers and listings.

Banca Akros further developed its M&A/Corporate Finance activities, acquiring numerous buy side and sell side assignments, especially with private equity funds and family-owned businesses.

Corporate & Institutional Banking

This division into banks and investment products, corporate sales and institutional sales departments, ensures the development of an integrated offer to customers of Banca Akros products and services, in coordination with Banco BPM. Hedging activities for corporate, bank and financial institution customers is also assigned to the Corporate & Institutional Banking division.

Following the centralisation of all sales of hedging products for corporate and business customers in Banca Akros in the fourth quarter of 2018, the Group significantly developed its activities in relation to hedging and financial risk management instruments, provided as part of cross-selling with Banco BPM, with a particular focus on the Mid Corporate segment. In 2020, cash flows on interest rate, exchange rate and commodities risk derivative products amounted to a total of around (in notional value) 4.4 billion for exchange rate and commodity risk hedges and around 5.3 billion for interest rate risk hedges on the underlying loans.

With respect to the diversification of sources of funding for businesses, Banco BPM consolidated its significant presence in the private debt market, also thanks to a non-exclusive commercial partnership with a leading domestic operator in the sector. As of 31 December 2019, Banca Akros had placed two closed-end credit funds with institutional investors, which invest in Italian SMEs to finance their specific projects for international growth and development.

Strategic Partnerships

The "Strategic Partnerships" segment includes the contribution of shares held in Agos Ducato, Vera Vita, Vera Assicurazioni, Bipiemme Vita, Factorit, Alba Leasing, SelmaBipiemme Leasing, CF Liberty Servicing and Anima Holding.

Leases

The "Leases" segment includes data relating to activities connected to the Group's leasing business, the scope of which encompasses activities relating to the contracts of the former Banca Italease and Release.

Corporate Centre

The "Corporate Centre" segment, in addition to governance and support functions, includes the portfolio of owned securities, the treasury and the Group's asset and liability management, the

stock of bond issues placed on institutional markets, equity investments not allocated between Strategic Partnerships, service companies and companies operating in the real estate sector.

Group Finance

Banco BPM is the centre of coordination and oversight for the management policies of the structural items of the Group's own assets and liabilities and those of the other Group companies, geared towards optimising the available capital, identifying appropriate operations and funding strategies for the Group, through actions on domestic and international markets, as well as controlling liquidity needs and their dynamics, and also managing the securities portfolios and other financial instruments owned by the Group.

The operations of Group Finance are divided into the following operating structures: Investments and ALM, Group Treasury, Funding and Capital Management and Monitoring, and Reporting and Coverage.

Funding and Capital Management

Funding and Capital Management is responsible for the funding of the Group and manages its EMTN and covered bond programmes. It also arranges medium/long-term bilateral financing transactions with various market counterparties.

ALM and Investments

The management of interest rate risk in the banking book is carried out centrally within a specific delegated department, and the primary objective of management decisions is to mitigate the rebalancing of the dynamics of economic value volatility with the volatility of interest margin as the rate curve changes of monetary and financial market in general, in accordance with the provisions of specific regulations (BCBS, EBA and the Bank of Italy).

The Group utilises an integrated Asset Liability Management (ALM) system with the aim of calculating the risk measurements that also include the use of behavioural models and measures, and management is primarily based around a "natural hedge" model, which tends to pursue a natural compensation of the risks generated by the gaps in liabilities and assets. The items in which the hedges are present are mainly demand items, bond issues, mortgages and the securities portfolio.

Group Treasury

The achievement of the company's objectives in terms of short-term liquidity coverage indicators (Liquidity Coverage Ratio), both for the Group as a whole and for its individual legal entities, has led to the deployment of effective synergies with the other organisational units involved (specifically, Collateral Management and Liquidity Risk).

Funding on the money markets is intended to optimise available collateral and reduce the cost of financing by seeking the best conditions and greater diversification of sources of funding both in euro and in foreign currencies.

Fund management

The Corporate Centre segment also includes Banca Aletti's fund management activities.

Investments are made adopting an approach geared towards the tactical management of risk factors, compared to strategic positions.

The Covid-19 pandemic and the consequent economic recession had a significant impact on the management policies and the results of the segment in question.

However, the results for the year were overall positive, with the exception of the management mandates more focused on European equity, with yields in line/higher, on average, than the reference parameters and/or different contractual parameters.

As at 31 December 2020, assets under management totalled Euro 3.2 billion, substantially in line with the figure at the end of 2019.

Real estate segment

Real estate activity involves the management of the Group's capital assets and the development and potential disposal of the non-operating assets. As a result of the incorporation of BP Property Management into Banco BPM, all of the activities regarding the management and maintenance (both technical and administrative) of Group property used in transactions is concentrated in the Property Management function.

With regard to the management and maintenance of Banco BPM Group's operating properties, the activities carried out in 2020 were geared towards increasing the efficiency of the spaces occupied and reducing the management costs of the same, continuing with the plan for streamlining locations. The renegotiation of rental payments of branches owned by third parties continued in 2019, with total annual savings of over Euro 3.9 million. The Group also invested its efforts in an energy efficiency project, focused on remote adjustment systems for technological plant.

With regard to non-operating assets, two structures have been identified:

- Advisory Secured NPE, which manages the activities relating to the marketing of real estate resulting from the collection of receivables;

- Property Enhancement and Valuable Works of Art: which is in charge of the management and enhancement of the value of owned properties, with a specific focus on big ticket items.

The management of the remaining non-operating assets owned by Banco BPM and its subsidiaries continues to be assigned to Bipielle Real Estate. The activity also includes the management and remarketing of properties deriving from defaulting leasing contracts.

Environmental, Social and Governance Matters

The Group aims to ensure that its development is sustainable over the long-term and compatible with the interest of all its stakeholders. For this purpose, environmental, social and governance (**ESG**) matters are increasingly incorporated within its business model, operations and processes.

Sustainability Governance

The Group's sustainability governance encompasses the following bodies:

- *Board of Directors*, which defines the management and coordination policies regarding non-financial disclosure, the socio-environmental policies and approves annually the Group's non-financial statement and the associated materiality analysis. One member of the Board of Directors is designated as "ESG referent" for the Internal Control, Risks & Sustainability Committee;

- *Internal Control, Risks & Sustainability Committee*, which supervises sustainability issues as well as – including through the Director delegated by the Committee itself on ESG, "sustainability and social responsibility" issues – the activities connected with the drafting of the Group's non-financial statement.

- *Environmental, Social and Governance (ESG) Managerial Committee*, established by the Board of Directors, is chaired by the Chief Executive Officer and comprises the two Co-General Managers and several other managers of the Group among its permanent members. Its main tasks include evaluating the Group's positioning and coordinating all the activities required to achieve the strategic sustainability objectives;

- *The Sustainability Structure*, which assists the ESG Committee and oversees the definition of the relevant themes and the monitoring of sustainability indicators. It also evaluates the sustainability impacts stemming from the Group's initiatives and provides support to the corporate structures. It drafts the Consolidated non-financial statement and promotes sharing of the ESG culture within and outside the Group.

ESG Strategy

In 2020, under the leadership of the ESG Committee and in light of an analysis of regulatory requirements, but also expectations of the financial market and best practices of national and international competitors, the Group reviewed its strategic ambition and launched an internal assessment intended to involve all of the Group's units in a significant process of sustainability.

In February 2021, the Group identified the following seven areas of activities and related 32 projects (involving 15 Group's units and more than 50 dedicated employees), which will aim to strengthen and achieve the integration of sustainability within the Group's activities and business:

- Governance: integrate ESG-oriented roles and responsibilities within all activities & ESG topics into corporate policies, as well as adopt incentive scheme strengthened with ESG key performance indicators;

- People: focus on integration and diversity, and in particular on female empowerment, with a target to achieve more than 33% of women in managerial positions in 2023;

- Risk & Credit: integrate climate-related and environmental topics within the risk and lending processes;

- Customers – Business: establish an ESG task force in business areas and strengthen ESG commercial offering;

- Customers – Wealth Management: define ESG investment policy and strengthen consulting and offering of ESG investment products;

- Stakeholder engagement and measurement: strengthen relationships with recognized organisations and develop ESG metrics;

- Environment: continue the reduction of environmental impacts in order to achieve carbon neutrality (with respect to scope 1 and 2 greenhouse gas emissions) in 2023.

Main actions taken by the Group

The main actions taken by the Group with respect to its ESG strategy relate to four main areas: (i) customers, (ii) local communities, (iii) human resources and (iv) environment. Such actions are linked to specific United Nation's Sustainable Development Goals.

Customers

The Group developed the following commercial initiatives to support its customers while aiming to protect the environment:

- establishment of a Euro 5 billion plafond for sustainable investments, female enterprises and green transition, in order to facilitate the transition to a sustainable economy;

- implementation of support measures enacted by the Italian Government in response to the Covid-19 pandemic;

- activation of several commercial initiatives as part of the sale of the exceptional tax credits enacted by the Italian Government in 2020;

- offering of green mortgages with the aim of favoring the energy efficiency of buildings;

- collaboration with FIRE – the Italian federation for the rational use of energy – in the context of the European Project "GoEsi" – to put together the most appropriate financial support for energy efficiency investments and the use of "ESI standard template" with the objective to consider it a positive differential element during the credit assessment.

Local Communities

The close relationship with the Group's communities and territory is one of the most important assets and is further developed mainly through:

- supporting initiatives in the fields of art and culture, solidarity and social, sports, educational and training, research and health, environment and the region fields, leveraging on the seven foundations established by the Group; and

- offering products and services in favor of non-profit organizations.

Additionally, in 2020 the Group contributed more than Euro 6 million to social projects involving research, health, solidarity and social initiatives in connection with the Covid-19 pandemic and supported fund raising and crowdfunding activities for the benefit of people negatively affected by the pandemic.

Human Resources

The Group launched a programme dedicated to women, to encourage the development of managers and professionals through training courses, mentoring and coaching, managerial activities, shadowing and job rotation, which enable them to gain extensive experience and integrate the know-how acquired in their professional career, with personalised paths that reflect the individual's aspirations and potential.

Such programme further develops the "Women in Bank" initiative launched by the Italian Banking Association, which the Group joined in 2019.

Environment

The Group aims to safeguard the environment by reducing the impact of its activities, mainly through:

- energy management activities: in 2020, 100% of the electricity consumed was generated from certified renewable sources (Guarantee of Origin GO), avoiding the emission of 33,239 tonnes of carbon dioxide equivalent emissions, resulting in a reduction of energy consumption and carbon dioxide emissions;

- corporate mobility: the management of the company fleet is based on precise criteria of use aimed at promoting environmentally friendly practices (car pooling, replacement of the company fleet and improvement of the video-conference system);

- focus on consumables, waste disposal and recycling: procurement of recycled and Blue Angel certified paper (Blue Angel certification guarantees that the materials produced are completely free of polluting whitening substances. The production process is PCF Process Chlorine Free certified); predominant use of regenerated toner;

- creation of two new key roles: (i) the Energy Manager which oversees the processes of generation and use of energy for the Group, and is also responsible for the conservation and rational use of energy; and (ii) the Mobility Manager, which is in charge of planning and implementing strategies for the rationalization of travel and reduction of the use of individual means of transport, with the objective of reducing, monitoring and communicating the impacts on environment.

Risk Management

In line with regulatory requirements, the Banco BPM Group has adopted a unitary system of risk measurement and control which will be run centrally by Banco BPM.

Within the Banco BPM Group, the Risk Appetite Framework (**RAF**) permits the Group to manage risk profiles in a comprehensive and integrated way. The RAF is deemed as a strategic tool to define in advance how much risk the Bank is willing to take pursuing its strategic objectives.

The framework of risk appetite is developed taking into account the business model adopted by Banco BPM and affects all its main internal processes, playing an important role in managing the Bank in a sound and prudent way.

The RAF sets out, in line with the business model and strategic plan, maximum permissible risks, the Bank's attitude to risk, risk thresholds and limits, risk management policies and the

relevant processes required to define and implement them in accordance with the requirements of applicable prudential banking regulations.

The "Risk Management" division is responsible for these activities and has responsibility for overseeing the processes required to identify, quantify, monitor, manage and report the risks to which the Banco BPM Group is or may be exposed, under business as usual and stressed conditions, in line with the strategies and policies of the Banco BPM Group's corporate bodies.

In pursuance of the main objective of guaranteeing sound and prudent risk management, the Banco BPM Group's risk management strategy is based on organisational oversight, adequate risk qualification and management, asset coverage, a comprehensive system of values and business incentives and a suitably effective and efficient organisational model, with the aim of minimizing the impacts on risk profile also through a risk mitigation and transferring strategy, protecting the Issuer's asset and financial base and preserving the reputation of the Banco BPM Group.

All specific IT procedures necessary to enable risk control and management will be active as a unitary system upon completion of the migration to the IT systems of the Banco BPM Group.

Inspection activities and proceedings conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A.

As regards targeted inspections and proceedings, Banco BPM was subject to a number of inspections and proceedings from 2018 to 2021. Most of the inspection activities have already been concluded with the release of the "Final follow up letters" or "Decisions".

In particular:

- in a letter dated 23 March 2021, the ECB announced the commencement of an inspection (OSI-2021- ITBPM-0180228) entitled 'Credit and counterparty risk - Credit Quality Review of CRE portfolio and assess selected credit risk processes' with the objective of reviewing the asset quality of the Commercial Real Estate ('CRE') portfolio and assessing the credit risk management processes and the control and governance systems. The off-site phase started on 26 April 2021 and is currently under way;

- on 18 February 2021, CONSOB initiated a sanctioning procedure concerning the investigation for the Bank's failure to comply with the reporting obligation - pursuant to Article 16 of the European Market Abuse Regulation No. 596/2014 (MAR) - of orders and transactions suspected of constituting market abuse or attempted market abuse, carried out by two of the Bank's customers. The communication was sent to the Bank on the same date by the Markets Division (Spot and Derivatives Markets Operations Office), with note no. 0193764/202,1. This procedure is currently being investigated;

- in a letter dated 12 August 2020, the ECB announced the beginning of an off-site inspection with the purpose to assess the institution's application for the approval of a new definition of prudential classification of default (constituting a material change to the estimate of Credit risk under Delegated Regulation (EU) 529/14) (IMI-2020- ITBPM-4738); the off-site phase begun on 14 September 2020 and ended on 13 November 2020. Banco BPM received the final decision on 7 May 2021;

- in a letter dated 16 December 2019, the ECB announced the beginning of an on-site inspection with the purpose to perform a Credit Quality Review on Retail&SME-Portfolios (OSI-2020-ITBPM-4737). The on-site phase started on 4 February 2020 and was subsequently cancelled by the ECB due to the COVID-19 pandemic;

- in a letter dated 26 September 2019, the ECB announced the beginning of an on-site inspection with the purpose of assessing the "approval of internal model related to Credit risk (CCF/EAD; ELBE; LGD for performing assets; LGD for defaulted assets; PD) for the following exposure classes: Corporate - Other; Corporate - SME; Retail - Other SME; Retail - Secured by real estate non-SME; Retail - Secured by real estate SME" (IMI-2019-ITBPM-4141). The on-site phase started on 14 October 2019 and ended on 19 March 2020 as an off-site inspection due to the COVID-19 pandemic. In a letter dated 4 March 2021, Banco BPM received the final decision which confirms the authorisation to adopt model changes, providing for some qualitative measures for the most part aimed at strengthening the internal regulation, as well as limitations - regarding the estimation of the margin of conservatism and the method of calculation of Loss Given Default (LGD) - in the application of the models, with effect on regulatory reporting as of 31 March 2021 and therefore reflected in the results for the first quarter of 2021. The remedial action plan is currently under way ;

- in a letter dated 10 September 2019, the ECB announced the beginning of an on-site inspection with the purpose of assessing the "Internal Governance Remuneration" (OSI-2019-ITBPM-4727). The onsite phase started on 9 October 2019 and ended on 13 December 2019. Banco BPM received a final follow up letter on 16 December 2020 and on 13 January 2021 it has submitted the remedial action plan, which is currently under way;

- in a letter dated 24 May 2019, the Bank of Italy announced the beginning of an on-site inspection with the purpose of assessing the "Digital operations/online banking with reference to anti money laundering" (OSI-2019-Bankit). The on-site phase started on 27 May 2019 and ended on 2 August 2019. On 6 November 2019, Banco BPM received the Bank of Italy's report. The remedial action plan delivered on 17 December 2019 to the Bank of Italy, was completed on 31 March 2021;

- in a letter dated 14 April 2019, CONSOB announced the beginning of an on-site inspection with the purpose of assessing the procedures and controls connected to the product governance, the provision of investment advice and the adequacy of the clients (OSI-Consob-2019). The on-site phase started on 14 April 2019 and ended on 3 December 2019; on 30 July 2020, Banco BPM has received a technical note pursuant to which CONSOB, while not launching a sanctioning proceeding, has highlighted certain aspects. On 16 October 2020 Banco BPM submitted the remedial action plan, to be implemented progressively and which is currently under way;

- in a letter dated 13 February 2019, the ECB announced the beginning of an on-site inspection with the purpose of assessing the "Market Risk Model validation (VAR, sVAR, IRC) for debt instruments category – specific risk; Forex risk" (IMI_2019_ITBPM_4145). The on-site phase started on 14 May 2019 and ended on 19 July 2019; Banco BPM received the final decision on 16 November 2020 (which authorized the adoption of the new model) and on 16 December 2020 it submitted the remedial action plan, which is

currently under way; such action plan takes into account the outcome of the December 2020 supplementary decision of the ECB following the horizontal analysis on the outcome of the previous inspection TRIMIX of 2018;

- in a letter dated 7 February 2019, the ECB announced the beginning of an on-site inspection with the purpose of assessing the "Liquidity and Funding Risk of the Bank's activities" (OSI-2019-ITBPM4372). The on-site phase started on 19 February 2019 and ended on 17 May 2019; on 4 February 2020, Banco BPM received the final decision; on 3 March 2020, Banco BPM sent the remedial action plan, which is currently under way;
- in a letter dated 15 October 2018, the Bank of Italy announced the beginning of an on-site inspection regarding "Transparency of transactions and correctness of relationships with clients" (OSI-2018 Bankit). The on-site phase started on 15 October 2018 and ended on 18 January 2019. On 11 April 2019, the Bank of Italy's report was presented and a sanctioning proceeding was commenced. As a result, on 15 July 2020 Banco BPM was notified an administrative sanction pursuant to Article 144 of the Consolidated Banking Act due to "shortcomings in transparency organization and controls". The sanction amounts to €1.76 million (while the maximum sanction could have been equal to ten per cent. of the annual revenues) and was paid in July 2020. The remedial action plan sent on 17 July 2019 was completed on 31 December 2020;
- in a letter dated 3 August 2018, the ECB announced the beginning of an on-site inspection (OSI-2018-ITBPM-3612) on operational risk. The on-site phase started on 17 September 2018 and ended on 25 January 2019. On 21 November 2019, Banco BPM received the final decision specifying recommendations and qualitative requirements; on 19 December 2019, Banco BPM sent the remedial action plan, which was completed within the relevant deadline;
- in a letter dated 6 July 2018, the ECB announced the beginning of an on-site inspection (TRIM-2018-ITBPM-3914) concerning the Europe-wide targeted analysis program of internal models (Targeted Review of Internal Models, "TRIM") relating to credit risk (PD; LGD and CCF) with reference to the "Corporate - Other" and "SME" portfolios. The on-site inspection phase started on 17 September 2018 and ended on 16 November 2018; Banco BPM received the final decision on 7 October 2020 which includes binding prudential measures and recommendations; on 5 November 2020 Banco BPM submitted the remedial action plan, which is currently under way;
- in a letter dated 13 April 2018, the ECB announced the beginning of an on-site inspection (OSI-2018-ITBPM-3610) which, as part of credit risk, relates to the review of credit quality, with reference to corporate portfolios, asset based and project finance ("Credit Quality Review - Corporate, Asset based or Project finance Portfolios"). The on-site phase started on 9 May 2018 and ended on 3 October 2018. On 21 October 2019, Banco BPM has received the final decision. The remedial action plan, delivered on 7 November 2019, has been completed;
- in a letter dated 11 December 2017, the ECB announced the commencement of an on-site inspection concerning the internal models relating to credit risk (PD and LGD) with reference to the "Corporate" and "SME" portfolios. The on-site inspection phase started on 19 February 2018 and ended on 20 April 2018 and Banco BPM has received the final decision on 25 April 2019. The remedial action plan, submitted on 24 May 2019, is now part of the amendments to the internal model referred to the inspection IMI-2019-ITBPM-4141.

Legal Proceedings of the Group

As of 31 December 2020, the provisions allocated against all existing legal and tax disputes, including cases associated with enforcement actions, totalled Euro 109.5 million.

The Group operates in a legal and regulatory context which exposes it to a wide variety of legal proceedings, relating, for example, to the conditions applied to its customers, to the nature and characteristics of the products and financial services it sells, to administrative irregularities, to clawback actions for bankruptcies, and to labour law disputes.

Ongoing Legal and Administrative Proceedings

The main legal and administrative proceedings in which the Group is involved as of the date hereof are as follows:

Proceedings related to the diamonds reporting activities

With regard to the reporting activity of the former Banco Popolare Group to the IDB, of the customers interested in purchasing diamonds, on 30 October 2017, the proceeding before the Italian Antitrust Authority (**AGCM**) was concluded, with a ruling that ascertained the existence of an alleged unfair business practice pursuant to Articles 20 and 21, paragraph 1, letters b), c), d) e f), 22 and of Article 23, paragraph 1, letter t) of Legislative Decree No. 206 of 6 September 2005 (the "Consumer Code"). This ruling envisaged the application of a monetary fine to Banco BPM of Euro 3.35 million (as well as fines to Intermarket Diamond Business S.p.A., its subsidiary IDB Intermediazioni S.r.l. and other reporting banks). The Bank paid the fine within the terms of the law and filed an appeal to the Regional Administrative Court (TAR) against the ruling of the Authority in December 2017; the appeal was rejected by TAR on 14 November 2018; Banco BPM decided to challenge the ruling before "Consiglio di Stato" (Supreme Administrative Court). The Supreme Administrative Court has generally confirmed the first instance ruling, although it reduced by 30% the penalties levied against the Group in light of its limited role in the diamonds sales activity carried out by IDB.

A criminal investigation is also pending with regard to the diamonds sales activity involving IDB and the various reporting banks, including Banco BPM. The criminal offences under investigation are alleged fraud and related self-laundering, obstacle to the supervisory authorities' functions and corruption among private parties. The inquiry involves also managers and former managers of Banco BPM Group (including the former General Manager), the Bank itself and its subsidiary Banca Aletti for administrative offence pursuant to Legislative Decree 231/2001. Preliminary hearing set for 19 July 2021 has been postponed to 20 September 2021. In the context of the inquiry, on 19 February 2019, the Milan Public Prosecutor's Office carried out at Banco BPM a precautionary seizure for a total amount of approximately Euro 84.6 million. In addition, in September 2020 the Public Prosecutor's Office of Milan served those former managers and several employees of the Group with a notice of conclusion of the preliminary investigations as part of proceedings also relating to the operations in diamonds referring to the offence of fraud, which does not change the overall charges previously communicated by the judicial authorities.

This event, with the consequent media coverage, led to a large number of complaints being received from the Group's customers involved and the start of civil litigation. In this regard, and also with a view to being close to its customers, the bank has implemented a broad customer care initiative that provides for an analysis of the individual position, with a case-by-case

assessment of the elements highlighted by the customers, with the aim, if necessary, of reaching a settlement with the customer that provides for financial compensation together with the customer retaining ownership of the stone.

Following the bankruptcy of IDB, which was declared in January 2019, the Group further strengthened its customer care services by providing a free service to assist customers in submitting requests for the return of stones to the bankruptcy and, lastly, for the return of diamonds still in custody in the vaults managed by the IDB bankruptcy to customers who have already received authorisation from the Bankruptcy Judge.

In the months between the dates of approval of the draft consolidated financial statements as at 31 December 2019 and 31 December 2020, new claims were limited both in number and in total additional petitum (with an increase of Euro 21 million). As of 31 January 2021, thanks to out-of-court settlements, complaints and disputes had been settled for a total petition amounting to more than Euro 500 million against claims which, as of the same date, amounted to approximately Euro 700 million.

With regard to the above-mentioned management of claims and disputes, both pending and potential, in the 2017, 2018 and 2019 financial statements the Group had recognised provisions to a specific provision to cover disputes with customers for a total amount of Euro 383.3 million. These financial resources were used for a total of Euro 256.6 million against the repayments made in the meantime to customers with whom a settlement was reached. Therefore, as at 31 December 2020, the total amount of the fund available for potential further repayment actions is Euro 126.7 million.

No adjustment to this provision was necessary in 2020, as the estimates of the variables on which the amount of the resources that the Group will have to use to settle disputes with customers are substantially confirmed.

Maflow S.p.A.

In a notice dated 14 April 2014, Maflow S.p.A., in extraordinary receivership, summoned the former Banco Popolare before the Court of Milan requesting, among other things: (i) a court order to pay compensation for damages of Euro 199 million, calculated by Maflow S.p.A. to be equal to the financial difficulties incurred by it; and (ii) a court order for the bank to return to it the amounts allegedly received by the bank unlawfully from loans granted to Maflow S.p.A. from establishment to default. The claims are based on the assumption that the bank played a dominant role in influencing the financial management of Maflow S.p.A. In a ruling dated 14 December 2016, the Court of Milan rejected the claims brought by Maflow S.p.A. and ordered the same to pay legal expenses. Maflow S.p.A. subsequently filed an appeal against such decision. The Court of Appeal, with a judgement dated 22 July 2020, which has become final, rejected the appeal, fully confirmed the first instance judgement.

Centro Lazio s.c.

On 28 October 2019, Società Cooperativa Centro Lazio has summoned Banco BPM for the declaration of its liability alleging that Banco BPM demanded excess guarantees in providing several agricultural loans, initiated the repayment of one of the loans granted in advance and forced the company to cease operating its own plant. The counterparty also submitted claims for damages equal to Euro 40 million relating to the alleged damages incurred due to the claimed Banco BPM's negligent business conduct and requested that the loan contracts and

related mortgages be declared null and void. The suite is initially heard before the Court of Milan following the declared territorial lack of jurisdiction of the Court of Latina initially brought by the other party.

Malenco S.r.l.

On 4 February 2020, Malenco S.r.l. summoned Banco BPM before the court, together with another bank that led the pooled operations, in relation to the granting of loans for the construction and completion of a property complex. The company requested that the invalidity of the loans be ascertained for allegedly exceeding the usury threshold rate and the invalidity of the derivative contracts taken out to hedge the loans granted, with a request to order Banco BPM to pay the sum of Euro 31 million, of which Euro 10 million is to be paid jontly with the other bank. The lawsuit is pending before the Court of Rome.

BM 124 S.r.l.

On 15 December 2020, BM 124 S.r.l. (assignee of a receivable by Fallimento Barbero Metalli SpA) summoned Banco BPM before the court, along with a further 18 parties (including seven banks), for the purpose of ordering all the defendants to jointly pay 37.5 million (equal to the greater losses recorded) or, alternatively, 22.9 million as compensation for the damages allegedly caused by the unlawful granting of credit. The lawsuit is pending in the initial stage before the Court of Florence.

Privilege Yard

On 20 December 2019, Banco BPM was summoned, along with a pool of banks, by the receivership of Privilege Yard for alleged unlawful disbursement of a loan which was allegedly granted based on a business plan claimed to be improbable, due to the manifest inability to repay the loan, and lacking appropriate guarantees. The receivership requested that the liability of the banks be declared for collusion in the mismanagement by the directors of Privilege Yard, ordering them to jointly pay compensation for the damages of approximately Euro 97 million (of which, Banco BPM share would be equal to Euro 27 million). The lawsuit is pending in the initial stage before the Court of Rome and the hearing to specify the conclusions has been set on 10 May 2022.

Tecnogas S.p.A.

The proceedings require the restitution of sums amounting to Euro 11.2 million. The bankruptcy revocation proceedings at first instance were favourable to the Bank, a ruling opposed by the receiver. The Court of Appeal of Ancona, after initially admitting the court-appointed expert, suspended the assignment following a formal request by the Bank regarding on the burden of deduction and proof in current account revocations. The case was retained for decision by the judge following the rejection of the admission of the OTC. The lawsuit has been concluded with a favorable judgement issued by the Court of Ancona (which may be subject to appeal), with the rejection of the claim. ***CE.DI.SISA Centro Nord S.p.A. (in liquidation)***

On 5 August 2020, the Bank was sued in a liability action against the directors, auditors, auditing firm, consultants of the bankrupt company and credit institutions that contributed with the administrative body in increasing the liabilities. The bank, which never granted loans but operated through advances on invoices, firstly objected to the temporal prescription of the

claim formulated. The overall petitum, against all the banks, amounts to Euro120 million. The first appearance hearing, originally scheduled for 30 December 2020, was postponed to 10 November 2021.

Partecipazioni Italiane (in liquidation)

The subsidiary Partecipazioni Italiane in liquidation, as the former owner of land located in Pavia that was the industrial site of the former Necchi S.p.A., (which ceased business operations many years ago), was the subject of an order of the Province of Pavia which requested that the subsidiary, as the party "historically" responsible, along with another party, carry out the reclamation and containment of that area, which for many years now has been owned by third parties outside Banco BPM Group.

As part of the legal dispute initiated by the subsidiary against that order, on 2 December 2019 the Lombardy Regional Administrative Court rejected the appeal of Partecipazioni Italiane, ordering the company to carry out all the operations necessary to reclaim or secure the area. Considering that a more detailed analysis of the overall results of the evidence and the examination of the interpretation of the environmental laws and verification of the chain of causation could lead to a different classification of the facts, on 7 July 2020 the subsidiary submitted an appeal. The Provincial Authorities of Pavia filed an appearance on 17 September 2020; the public hearing on the merits has not yet been scheduled.

Irrespective of possible future developments of the disputes in question, in relation to the obligation deriving from the afore-mentioned judgement of the Lombardy Regional Administrative Court, it is likely that the subsidiary may be called to use financial resources to take on the burden of the interventions of reclamation and securing the site. Based on a technical report by the technical expert assigned by the subsidiary (Golder), considering the continuing uncertainty of the works to be carried out on the area (which could be defined only after a characterisation plan has been drawn up and the related administrative proceedings for approval of any reclamation plan have concluded), it is not possible to reliably quantify any reclamation costs, even within a range of a certain size. Therefore, no allocations of provisions for risks and charges have been made in the subsidiary's financial statements in relation to the potential liability described and, as a result, none have been made in the Group's 2020 consolidated financial statements.

Litigation with natural persons

On 10 July 2019 a customer summoned Banco BPM before the court to obtain total compensation for damages of approximately Euro 21 million for having allowed a proxy/delegate of the customer to carry out a series of allegedly unauthorised transactions on various current accounts and securities portfolios. With judgement dated 31 December 2020, the Court of Milan rejected the plaintiff's request and ordered it to pay the Bank the legal fees incurred in connection with the proceeding. The plaintiff filed an appeal to the judgement; at the same time, the plaintiff's request has been reduced from Euro 21 million to Euro 11.8 million.

On 18 July 2019, the heirs of a customer summoned Banco BPM before the court to request the cancellation of several transactions, mainly financial in nature, which were allegedly carried out on accounts held by the customer without authorisation and in violation of the MiFID regulations. The counterparties requested that the Bank be ordered to return a total

amount of approximately Euro 37 million. The lawsuit is pending in the initial stage before the Court of Milan.

Disputes with the Tax Authority

Banco BPM, the companies that merged to form the Group, the incorporated subsidiary companies and the subsidiary companies underwent various inspections by the Tax Authority in 2020 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 BPM Group is involved in numerous legal proceedings.

During the year, pending disputes decreased by a total of Euro 5.5 million.

The notice of adjustment and settlement regarding the registration tax served by the Tax Authority – Provincial Headquarters 1 of Milan to Banca Aletti S.p.A., with regard to the acquisition of private banking activities by Banca Popolare di Milano S.p.A., finalised in 2017 was settled, pursuant to Art. 48 of Italian Legislative Decree 546/92. In relation to a total claim of Euro 3.9 million, the dispute was settled with the payment of Euro 1 million. The settlement had no impacts on the income statement, as the charge was already allocated to provisions for risks in 2019.

The further reduction of Euro 1.6 million derives from the write-off of the claims set out in the audit report delivered on 7 August 2017 containing findings regarding the alleged failure to pay IRES and IRAP with reference to certain economic relationships between the former Banca Italease S.p.A. and the subsidiary Banca Italease Funding LLC as part of the capital enhancement operations implemented through the issue of preference shares. Said claims were considered inexistent due to the expiry of the statute of limitations to serve any notices of assessment.

<u>Details of pending disputes as at 31 December 2020</u>

- Banco BPM (former Banca Popolare di Verona e Novara Soc. Coop.) - tax demand regarding IRAP tax paid to the Regional Headquarters for Veneto for 2006. The claim refers to the application of the ordinary rate of 4.25% to the net value of production resulting from business activities performed in Veneto and in Tuscany, instead of the higher rate of 5.25% and amounts to a total of 7.1 million. The tax demand has been challenged. The Provincial Tax Commission partially accepted the appeal, declaring that the fines imposed are not due. The Regional Tax Commission confirmed the first instance judgment, also cancelling the tax demand relating to the additional IRAP referring to the Tuscany Region. The appeal submitted to the Supreme Court is pending. It is deemed that the settlement of the dispute may entail the actual use of economic resources of 5.6 million. That amount was charged to the income statement in the previous years, while the difference is classified as a potential liability in relation to which no provisions have been recognised in the financial statements.

- Banco BPM (former 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 (regarding offences 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 199.8 million

(including interest and tax collection fees). With separate judgements filed on 15 October 2014, the Provincial Tax Commission of Milan fully rejected the appeals submitted by the Bank, though not justifying in any way the rationale underlying the confirmation of the tax demand. Said judgement was appealed against before the Lombardy Regional Tax Commission. However, in 2015 the Commission rejected the joint appeals and confirmed the challenged judgements. A further appeal was submitted to the Supreme Court, which is still pending.

- The notices discussed above were followed by additional notices of assessment served on 22 December 2014 for the tax years 2006-2009. The claims contained in these notices also regard the claimed non-deductibility for IRES and IRAP purposes of the costs deemed attributable to facts or actions classified as offences. More specifically, they regard value adjustments on loans already disputed with reference to tax year 2005. Said value adjustments, although recognised by Banca Popolare Italiana 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 3 of Italian Presidential Decree no. 917 of 22 December 1986. The notices of assessment served therefore charge the claimed non-deductibility of the portions of those adjustments to loans deducted in 2006, 2007, 2008 and 2009. Total claims amount to Euro 15.8 million. An appeal has been presented to the Provincial Tax Commission. The Commission suspended the proceedings until the final judgment of the Supreme Court is passed on the notices of assessment relating to 2005, pursuant to the previous point.

Audits under way as at 31 December 2020

On 5 December 2019, as part of a wider tax audit of a company external to Banco BPM Group, the Italian Tax Police launched an audit for the purposes of direct taxes and VAT of Banco BPM for the tax year 2017. Based on the results of the reports of the audit, which is still under way, no findings have been stated.

On 2 March 2020, the Italian Tax Authority - Regional Department of Lombardy had informed, in compliance with the principles set forth in the taxpayers' statute, that it intends to initiate a tax audit for the purposes of IRES, IRAP, VAT and withholding tax obligations for the year 2016 of the subsidiary Banca Aletti. By subsequent communication of 6 March, the Authority decided to postpone the opening of the verification until a date to be defined in relation to the emergency situation related to the Coronavirus.

Other provisions – other

This residual category of provisions amounts to a total of Euro 224.7 million as at 31 December 2020 and mainly includes allocations against the following liabilities:

(a) risks associated with disputes and claims, both pending and expected, associated with operations with customers and possible developments in the interpretation of certain regulations governing banking activities (129.0 million);

(b) estimate of probable reimbursements of fees consequent to the possible early termination of insurance policies by customers (20.7 million);

(c) risks associated with commitments undertaken as part of partnership agreements and guarantees granted against the disposal of interests or other assets or groups of assets (40.0 million);

(d) charges relating to the restructuring of the distribution network (planned closing of 300 branches) and corporate restructuring (incorporation of ProFamily and Bipielle Real Estate) (15.3 million).

Corporate Governance System

The corporate governance of the Issuer is based on a traditional corporate governance system with a Board of Directors and a Board of Statutory Auditors.

The Board of Directors is responsible for the strategic supervision and management of the Issuer and carries out all of the ordinary or extraordinary transactions that prove necessary, useful or in any way appropriate for achieving the Issuer's corporate purpose, with the assistance of the Intra-Board Committees and the Co-General Managers.

The Board of Statutory Auditors is appointed by the shareholders' meeting 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 (in accordance with Article 35 of the By-laws).

Board of Directors

Pursuant to Article 24.1 of the By-laws, the Board of Directors is responsible for the strategic supervision and management of the Issuer.

The Board of Directors is composed of at least 15 directors, of whom at least 7 must meet the independence requirements set out under Article 20.1.6 of the By-laws.

The composition of the Board of Directors ensures, in compliance with the provisions of Law no. 120 of 12 July 2011 and subsequent amendments, as well as the legislation, including regulations, in force at the time, the balance between genders for the period provided for by the same law.

The members of the Board of Directors must be suitable for the performance of their duties, in accordance with the provisions of the legislation in force at the time and the By-laws and, in particular, they must possess the requirements of professionalism, integrity and independence and respect the criteria of competence, correctness and dedication of time and the specific limits on the accumulation of positions prescribed by the legislation in force at the time and by the By-laws.

Without prejudice to the provisions of Article 20.1, persons who are ineligible or have been removed from office pursuant to Article 2382 of the Italian Civil Code, or who do not meet the requirements of integrity and professionalism prescribed by the laws and regulations in force at the time, may not be appointed to the office of member of the Board of Directors.

Without prejudice to any other causes of incompatibility provided for by the legislation in force at the time, persons who are or become members of administrative bodies or employees of companies that perform or belong to groups that perform activities in competition with those

of the Company or its Group may not be appointed to the office, and if appointed, they shall forfeit their assignment, unless they are central institutions of the category or companies in which the Company has direct or indirect holdings. The above prohibition does not apply when participation in administrative bodies in other banks is taken on behalf of organisations or trade associations of the banking system.

The Board of Directors is appointed in accordance with the list voting system, in accordance with the provisions of Article 20.4 and following of the By-laws.

The Board of Directors appoints, amongst its members a Chief Executive Officer, entrusted with certain attributions and powers of the Board of Directors in accordance with Article 2381, paragraph 2, of the Italian Civil Code.

Within the Board of Directors, the following committees are also established: the Nominee Committee (composed of three members), the Remuneration Committee (composed of three members), the Internal Supervisory and Risks Committee (composed of five members) and the Related Parties Committee (composed of three members), each comprising members entrusted with the necessary functions and roles, in accordance with Supervisory Provisions and the Code of Corporate Governance of Borsa Italiana S.p.A.

The current members of the Board of Directors of Banco BPM were appointed at the ordinary shareholders' meeting held on 4 April 2020 and will remain in office until the ordinary shareholders' meeting to be called to approve the financial statements of Banco BPM as of and for the year ending 31 December 2022:

Name		**Principal Activities outside the Issuer**
Massimo Tononi (**) (Chairman)	Zambon S.p.A.	Director
Mauro Paoloni (**) (Deputy Vice-Chairman)	Unione Fiduciaria S.p.A. Bipiemme Vita S.p.A. Grottini S.r.l. Bipiemme Assicurazioni S.p.A.	Director Chairman Chairman of the Board of Statutory Auditors Chairman
Giuseppe Castagna (Managing Director)	Banca Aletti & C. S.p.A.	Director
Mario Anolli (*) (Director)	Vera Vita S.p.A.	Chairman
Maurizio Comoli (*) (Director)	Vera Assicurazioni S.p.A. Vera Protezione S.p.A. Mil Mil 76 S.p.A. Herno S.p.A. Mirato S.p.A.	Chairman Chairman Chairman of the Board of Statutory Auditors Standing Auditor Chairman of the Board of Statutory Auditors
Nadine Faruque (*) (Director)	-	-
Carlo Frascarolo (Director)	Profamily S.p.A. Entsorgafin S.p.A. ABCD Holding S.r.l. VPA S.p.A. Villa Pedemonte Atelir Laboratorio Damiani S.r.l.	Chairman Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Standing Auditor
Alberto Manenti (*) (Director)	Fabbrica d'Armi Pietro Beretta S.p.A.	Director

Marina Mantelli (Director)	-	-
Giulio Pedrollo (*) (Director)	Gread Elettronica S.r.l. Pedrollo S.p.A. Linz Electric S.p.A. Pedrollo Group S.r.l. Panelli S.r.l. Michel Sales Inc.	Director Managing Director Sole Director Managing Director Managing Director Chairman
Eugenio Rossetti (*) (Director)	Tinexta S.p.A. Infocert S.p.A. Co.Mark S.p.A.	Director Director Director
Manuela Soffientini (*) (Director)	Electrolux Appliance S.p.A.	Chairman and Managing Director
Luigia Tauro (Director)	Prevention For You S.r.l.	Sole Director
Costanza Torricelli (Director)	-	-
Giovanna Zanotti (Director)	Digital Value S.p.A. Pharmanutra S.p.A.	Director Director

(*) Independent member of the Board of Directors pursuant to article 20.1.6 of the by-laws and, consequently, pursuant to art. 148, paragraph 3 of the Italian Finance Act and the Code of Corporate Governance of Borsa Italiana S.p.A.
(**) Independent member of the Board of Directors pursuant to art. 148, paragraph 3 of the Italian Finance Act

The business address of each member of the Board of Directors is at the registered office of Banco BPM, at Piazza Filippo Meda, No. 4, 20121, Milan, Italy.

Board of Statutory Auditors

The Board of Statutory Auditors carries out the tasks and exercises the functions set out in the relevant laws and regulations and by the company By-laws.

The Board of Statutory Auditors is composed of 5 standing and 3 alternate auditors who remain in office for three financial years. The term of office of the present members of the Board of Statutory Auditors is scheduled to expire on the date of the Shareholders' Meeting convened to approve the financial statements relating to the last financial year of their office and they may be re-appointed. Statutory Auditors must meet the eligibility, independence, professional and integrity requirements established by the laws and regulations in force at any given time.

The composition of the Board of Statutory Auditors ensures a balance between genders in accordance with the provisions of Law No. 120 of 12 July 2011 and subsequent amendments, as well as the legislation, including regulations, in force at the time for the period provided for by the same law.

The Board of Statutory Auditors 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 limits on the number of management and control positions held by members of the Board of Statutory Auditors, as established by Consob regulations and any other applicable provisions, shall apply to the members of the Board of Statutory Auditors.

Moreover: (i) Statutory Auditors may not hold offices in bodies other than those with control functions in other Group companies or in companies in which the Company holds, even indirectly, a strategic shareholding (even if not belonging to the Group); and (ii) candidates who hold the office of Director, manager or officer in companies or entities directly or indirectly engaged in banking activities in competition with those of the Company or the relative Group may not be elected, and if elected, they shall forfeit their assignment, unless they are professional bodies.

The current members of the Board of Statutory Auditors were appointed at the ordinary shareholders' meeting held on 4 April 2020 and will remain in office until the ordinary shareholders' meeting to be called to approve the financial statements of Banco BPM as of and for the year ending 31 December 2022:

Name		**Principal Activities outside the Issuer**
Marcello Priori (Chairman of the Board of Statutory Auditors)	Banca Akros S.p.A.	Chairman of the Board of Statutory Auditors
	BPM Vita S.p.A.	Chairman of the Board of Statutory Auditors
	Banca Aletti & C. S.p.A.	Standing Auditor
	Bipiemme Assicurazioni S.p.A.	Standing Auditor
	Carrefour Property Italia S.r.l.	Standing Auditor
	Carrefour Italia Finance S.r.l.	Chairman of the Board of Statutory Auditors
	F2A S.p.A.	Chairman
Maurizio Lauri (Standing Auditor)	Tirreno Power S.p.A.	Standing Auditor
	Officine CST S.p.A.	Chairman of the Board of Statutory Auditors
	ACEA S.p.A.	Chairman of the Board of Statutory Auditors
Silvia Muzi (Standing Auditor)	Rai Way S.p.A.	Chairman of the Board of Statutory Auditors
	Neep Holding S.p.A. .	Chairman of the Board of Statutory Auditors
	Stadio TDV S.p.A..	Chairman of the Board of Statutory Auditors
	AAMPS Livorno Azienda Ambientale di Pubblico Servizio S.p.A.	Standing Auditor
	IDS Airnav S.r.l.	Chairman of the Board of Statutory Auditors
	Ciano Trading & Services C.T. & S. S.p.A.	Standing Auditor
	HD Hospital Device S.r.l.	Standing Auditor
	Ceckmoove S.r.l.	Standing Auditor
	Professional Trust Company S.p.A.	Chairman of the Board of Statutory Auditors
	Comedata S.r.l.	Sole Auditor
Alfonso Sonato (Standing Auditor)	Banca Aletti & C. S.p.A.	Chairman of the Board of Statutory Auditors
	Salus S.p.A. già Casa di Cura Perderzoli S.p.A.	Chairman of the Board of Statutory Auditors
	Ospedale P. Pederzoli Casa di Cura Privata S.p.A.	Chairman of the Board of Statutory Auditors
	Promofin S.r.l.	Chairman of the Board of Statutory Auditors
	Società Athesis S.p.A.	Standing Auditor
	Società Editrice Arena – SEA S.p.A.	Chairman of the Board of Statutory Auditors
	2Vfin S.p.A.	Chairman of the Board of Statutory Auditors
	Società Italiana Finanziaria Immobiliare S.I.F.I. S.p.A.	Chairman of the Board of Statutory Auditors
	Verfin S.p.A.	Chairman of the Board of Statutory Auditors
	Zenato Azienda Vitivinicola S.r.l.	Director
	Zenato Holding S.r.l.	Director
Nadia Valenti (Standing Auditor)	-	-
Francesca Culasso (Alternate Auditor)	Equiter S.p.A.	Director

Name		Principal Activities outside the Issuer
Gabriele Camillo Erba (Alternate Auditor)	Alba Leasing S.p.A.	Standing Auditor
	Anima SGR S.p.A.	Chairman of the Board of Statutory Auditors
	Anima Holding S.p.A.	Standing Auditor
	Casa di Cura Privata S. Giacomo S.r.l.	Chairman of the Board of Statutory Auditors
	Molino Pagani S.p.A.	Chairman of the Board of Statutory Auditors
	Cantina Valtidone soc. coop. a r.l.	Chairman of the Board of Statutory Auditors
Wilmo Carlo Ferrari (Alternate Auditor)	Bipielle Real Estate S.p.A.	Standing Auditor
	Gruppo Bertoli S.p.A.	Chairman of the Board of Statutory Auditors
	FSIA Investimenti S.r.l.	Chairman of the Board of Statutory Auditors

The business address of each member of the Board of Statutory Auditors is at the registered office of Banco BPM, at Piazza Filippo Meda, No. 4, 20121, Milan, Italy.

Directorate General

Currently, the two Co-General Managers, appointed by the Board of Directors are Mr. Domenico De Angelis and Mr. Salvatore Poloni.

	Name		Principal Activities outside the Issuer
Domenico De Angelis (Co-General Manager)	-		-
Salvatore Poloni (Co-General Manager)	Società Interbancaria Automazione S.p.A.		Director
	Enbicredito Associazione		Director

The business address of the Co-General Managers is at the registered office of Banco BPM, specifically Piazza Filippo Meda No. 4, 20121, Milan, Italy.

Conflicts of Interest

As of the date of this Prospectus, and to the knowledge of the Issuer, with regard to the members of the Board of Directors, Board of Statutory Auditors and the Co-General Managers of Banco BPM there are no conflicts of interest between any duties to the Issuer and their private interests and or other duties.

In the ordinary course of business, the members of the Board of Directors, Board of Statutory Auditors and the Co-General Managers of Banco BPM may hold positions in other companies of the Banco BPM Group as well as in companies which are not part of the Banco BPM Group, subject to the limitations set out in Article 36 of Legislative Decree no. 201 of 6 December 2011 (converted with amendments into Law no. 214 of 22 December 2011) on "Protection of competition and personal cross holdings" (Prohibition of Interlocking Directorates). As such, they may have interests that are in conflict with the tasks arising from their position at Banco BPM.

Members of the administrative, management or supervisory bodies of Banco BPM must comply with the following rules to regulate cases where there is a potential specific conflict of interest concerning the completion of a transaction:

- Article 136 of the Italian Consolidated Banking Act requires an authorisation procedure (a unanimous decision by the Board of Directors, excluding the vote of the interested member, and the favourable vote of all members of the Board of Statutory Auditors, without prejudice to the obligations provided for by the Italian Civil Code with regard to conflicts of interest of directors and transactions with related parties) to be followed in cases where the person performing administration, management and control functions enters into obligations of any nature or carries out acts of sale, directly or indirectly, with the bank that it administers, directs or controls;

- Article 2391 of the Italian Civil Code provides that directors must inform the other directors and the board of statutory auditors of any interest they may have, either on their own behalf or on behalf of third parties, in a specific Company transaction. If he is the Chief Executive Officer of the Company, he must refrain from carrying out the transaction in question by submitting the matter to the Board of Directors;

- Article 2391-*bis* of the Italian Civil Code and the Consob Regulation implementing Resolution no. 17221 of 12 March 2010 and no. 17389 of 23 June 2010 require companies whose shares are listed or widely distributed to adopt special procedures to ensure the transparency and substantive and procedural fairness of transactions with related parties. In addition, on 12 December 2011, the Bank of Italy, in its role as Banking Supervisory Authority, issued special rules on risk activities and conflicts of interest with entities related to the implementation of resolution no. 277 of 29 July 2008 of the CICR (Comitato Interministeriale per il Credito ed il Risparmio). In accordance with these rules and international accounting standards, the Issuer has adopted specific "Rules for related parties" such as:

- define the criteria for identifying related parties of Gruppo Banco BPM (the "related parties");

- define the quantitative limits for the Banco BPM Group's assumption of- risk-weighted assets- of related parties and determine the calculation methods;

- establish the manner in which transactions with related parties are approved, distinguishing between transactions that are significant or not and define in this context, the role and tasks of an independent member of the Management Board, with the assistance of an independent expert;

- cases of exclusion and exemption for certain types of transactions with related parties;

- establish disclosure (and accounting) requirements in relation to related party transactions;

- Article 150 of the Italian Consolidated Law on Finance requires directors to report to the Board of Statutory Auditors promptly and at least quarterly on their activities and any other significant transactions carried out with the bank or its subsidiaries; in particular, directors are required to report on transactions in which they have an interest,

either on their own behalf or on behalf of third parties, or which are influenced by the person exercising the activity of management and coordination;

- in compliance with the provisions of the Code of Corporate Governance of Borsa Italiana, Banco BPM has adopted measures aimed at ensuring that transactions in which an Exponent has an interest, on his own behalf or on behalf of third parties, and those carried out with Related Parties are carried out in a transparent manner and in compliance with criteria of substantial and procedural correctness.

Principal Shareholders

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 3% of the share capital of a listed company are obliged to notify that company and the Italian regulator CONSOB of their holding.

As at the date of this Prospectus, the significant shareholders of Banco BPM are the following (source: CONSOB):

	% of Ordinary Shares
Capital Research and Management Company	**4.988**

Independent Auditors

PricewaterhouseCoopers S.p.A. has been appointed by the shareholders' meetings of Banco Popolare and BPM held on 15 October 2016 as independent auditor of the consolidated and non-consolidated annual financial statements of Banco BPM for the period established by the law in force and for the review of its interim consolidated financial statements, pursuant to Article 13, first paragraph and Article 17, first paragraph, of Legislative Decree No. 39 of 27 January 2010 (**Legislative Decree No. 39/2010**).

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the **MEF** (Decree No. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is in Piazza Tre Torri, 2, 20145 Milan, Italy.

Recent Developments

Euro 400 million issuance of Additional Tier 1 securities for institutional investors only

On 12 January 2021, Banco BPM launched an issue of Additional Tier 1 securities for a nominal amount of Euro 400 million, for institutional investors only. The Additional Tier 1 securities are perpetual and may be redeemed at the option of Banco BPM, in compliance with applicable regulations, on 19 January 2026 and, if not redeemed on such date, the option may be exercised every 6 months thereafter.

The non-cumulative semi-annual coupon was set at 6.50%. If the early redemption option envisaged for 19 January 2026 are not exercised, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Euro Mid-Swap Rate at the reset date. Such new

coupon shall remain fixed for the following 5 years until the next reset date. Payment of the coupon is fully discretionary and subject to certain limitations.

The Additional Tier 1 securities provide for a temporary principal write-down mechanism in case the CET1 ratio of the Bank (on a standalone basis) or of the Group is less than 5.125% (trigger event).

Purchase of 100% of the share capital of Release

On 15 January 2021 Banco BPM finalized the purchase of 39,923,532 ordinary shares of the subsidiary Release SpA from BPER Banca SpA. By virtue of this transaction, which followd the purchase of 22,981,811 ordinary shares from Banca Popolare di Sondrio S.c.p.a. finalised on 22 December 2020, the interest held by Banco BPM SpA in Release is represented by 42,930,480,261 ordinary shares, corresponding to 100% of share capital.

Partnership Banco BPM and Cattolica Assicurazioni: new agreement on exit right and on commercial partnership

On 5 March 2021, Banco BPM and Cattolica Assicurazioni signed an agreement with which they defined the terms and conditions of adjustment and continuation of the partnership in the bancassurance sector and the related exit rights. the agreement envisages recognition for Banco BPM of an early exit right from the partnership, the initial duration of which was set at 2033, exercisable in the period between 1.1.23 and 30.6.23, which may be postponed by the bank from six months to six months on three occasions and until 31.12.24.

The parties have agreed for the benefit of Banco BPM an unconditional option to purchase the 65% held by the company in the capital of the JVs V era Vita and Vera assicurazioni at the exercise price set at own funds - excluding subordinated liabilities and including any profits up to the date of transfer - to be calculated as at the six-month period prior to the exercise of the option. The agreement between Banco BPM and Cattolica also provides for a revision of the production targets to which are linked under-performance penalties and over-performance premiums to be paid by/to Banco BPM as distributor.

Rating Actions by Moody's and DBRS

On 12 May 2021, Moody's announced the rating actions taken on several Italian banks, as a reflection of the improvement in the Italian economic conditions and the national banking sector. In this context, Moody's has affirmed all ratings assigned to Banco BPM, including the Baseline Credit Assessment (at ba3), the Long and Short-term Deposit Ratings (at Baa3/P3), as well as the Long-Term Issuer and Long-term Senior Unsecured Debt Rating (at Ba2). At the same time, still in relation to Banco BPM, Moody's has instead changed the Outlook, from Negative to Stable, on the Long-Term Deposit rating and long-term senior unsecured debt and issuer ratings.

REGULATORY SECTION

The Banco BPM Group is subject to extensive regulations and to the supervision (being for regulatory, information or inspection purposes, as the case may be) by the Bank of Italy, CONSOB and IVASS with respect to its bancassurance operations.

Capital and Liquidity Requirements

Following the crisis of the financial markets in the last several years, the Basel Committee on Banking Supervision approved a number of capital adequacy and liquidity requirements (**Basel III**), aimed at strengthening the existing capital rules, including raising the quality of CET1 capital in a harmonised manner, introducing also requirements for Additional Tier 1 (**AT1**) and Tier 2 capital instruments.

At a European level, the Basel III rules have been implemented through two separate legislative instruments: Directive 2013/36/EU of 26 June 2013 (the **CRD IV**) and Regulation (EU) No. 575 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, the **CRD IV Package**), whose provisions are directly binding and applicable in each member state. The CRD IV and the CRR were approved by the European Council on 20 July 2013 and entered into force on 1 January 2014. Furthermore, on 14 March 2016 the ECB adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions available in Union law, published on 24 March 2016 and the ECB Guide on options and discretions available in Union law (the **ECB Guide**). This regulation specifies certain of the options and discretions conferred on competent authorities under Union law concerning prudential requirements for credit institutions that the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of Regulation (EU) No 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. Depending on the manner in which these options or discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise such options or discretions in the future, additional or lower capital requirements may be required. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide which addresses eight options and discretions and complements the existing ECB Guide and Regulation (EU) No. 2016/445.

In addition, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities (the **NCAs**) concerning the exercise of options and national discretions available in European Union law that affect banks directly supervised by NCAs (i.e. the so called "less significant institutions"). Both documents are intended to further harmonise the way banks are supervised by the NCAs. The aim is to ensure a level playing field and the smooth functioning of the Euro area banking system as a whole.

In Italy, the Bank of Italy published the supervisory regulations on banks with circular No. 285 of 17 December 2013 (**Circular No. 285**), which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules. The Government implemented the CRD IV with Legislative Decree No. 72 of 12 May 2015, which entered into force on 27 June 2015.

With respect to capital requirements, Italian banks are currently required to comply with: (a) a CET1 capital ratio of 4.5%; (b) a Tier 1 capital ratio of 6.0%; and (c) a Total Capital Ratio of

8.0%. These minimum ratios are complemented by the following capital buffers to be met with CET1 capital:

1. *capital conservation buffer*: the capital conservation buffer applies to the Issuer pursuant to Circular No. 285 and, starting from 1 January 2019, is equal to 2.5% of risk-weighted assets (**RWAs**);

2. *counter-cyclical capital buffer*: set by the relevant competent authority between 0% and 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the Member State justify it), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive. The counter-cyclical capital buffer for the second quarter of 2020 was set by the Bank of Italy at 0%;

3. *capital buffers for global systemically important institutions ("G-SIIs")*: set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (e.g. size, interconnectedness, substitutability of the services provided, global cross-border activity and complexity), and has become fully effective starting from 1 January 2019, which does not apply to the Banco BPM Group; and

4. *capital buffers for other systemically important institutions at domestic level ("O-SIIs")*: up to 2.0% as set by the relevant competent authority and must be reviewed at least annually, to compensate for the higher risk that such banks represent to the domestic financial system. On 30 November 2017 the Bank of Italy identified the Banco BPM Group as an O-SII. Banco BPM Group is required to reach gradually a reserve equal to 0.25% with linear increments between 1 January 2019 and 1 January 2022.

In addition, to the above-listed capital buffers, under Article 133 of the CRD IV, each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of that sector in order to prevent and mitigate long-term non-cyclical systemic or macroprudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. As at the date of this Prospectus, no provision has been taken on the systemic risk buffer in Italy.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140, 141 and 141(b) of CRD IV, as amended and integrated by the EU Banking Reform referred to below).

In addition, supervisors, pursuant to the CRD IV Package, may require institutions to maintain capital to cover other risks (so called Pillar 2 capital requirements). The combined buffer represents an additional layer of capital which banks need to hold to counter systemic, macro-prudential and other risks not covered by idiosyncratic Pillar 1 and Pillar 2 minimum capital requirements.

On 11 December 2019, the ECB notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual SREP, conducted in compliance with Article 4(1)(f) of Regulation (EU) No.

1024/2013. The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. Therefore, in compliance with Article 16(2)(a) of Regulation (EU) No. 1024/2013 which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, a requirement of 2.50% was introduced to be added to the minimum capital requirements. Taking into account this additional capital requirement, the Banco BPM Group is required to meet, for 2020, the following capital ratios at consolidated level, in accordance with the transitional criteria in place: (i) CET1 ratio of 9.385%; (ii) Tier 1 ratio of 10.885%; (iii) Total Capital ratio of 12.885%; and (iv) Total SREP Capital requirement of 10.25%. However, there can be no assurance that the total capital requirements imposed on the Issuer or the Group from time to time may not be higher than the levels of capital available at such time. Also, there can be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Group.

It should be noted that, on 12 March 2020, the ECB, taking into account the economic effects of the COVID-19 pandemic, announced certain measures aimed at ensuring that banks, under its direct supervision, are still able to provide credit support to the real economy.

Considering that the European banking sector acquired a significant amount of capital reserves (with the aim of enabling banks to face with stressful situations such as the COVID-19 pandemic), the ECB allows banks to operate temporarily below the capital level defined by the "Pillar 2 Guidance (P2G)" and the "capital conservation buffer". Furthermore, the ECB expects these temporary measures to be further improved by an appropriate revision of the countercyclical capital buffer by the competent national authorities.

In addition, the ECB has amended its SREP 2019 decision allowing banks to partially use AT1 or Tier 2 instruments in order to comply with the Pillar 2 Requirements (P2R) instead of Common Equity Tier 1 capital. This advances a measure that was initially planned to enter into force in January 2021, following the latest revision of the Capital Requirements Directive (CRD V).

Liquidity Cover Ratio and Net Stable Funding Ratio

Further, the Basel III agreements provided for (i) the introduction of a Liquidity Coverage Ratio or (**LCR**), which expresses the ratio between the amount of available assets readily monetizable, in order to establish and maintain a liquidity buffer which will permit the bank to survive for 30 days in the event of serious stress (as of 1 January 2018, the indicator is subject to a minimum regulatory requirement of 100 per cent) and (ii) a Net Stable Funding Ratio (**NSFR**), with a time period of more than one year, introduced to ensure that the assets and liabilities have a sustainable expiry structure. The Commission Delegated Regulation (EU) No. 2015/61, adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015, specifies the calculation rules of the LCR, while the relevant provisions concerning NSFR are included in the amendments to the CRR comprised in the EU Banking Reform referred to below. With reference to the LCR, on 12 March 2020, the ECB, taking into account the economic effects of the COVID-19 pandemic, announced that banks will be allowed to operate temporarily below the minimum LCR.

The EU Banking Reform

In November 2016, the European Commission announced a comprehensive package of reforms to further strengthen the resilience of EU banks, resulting in the amendment of the CRD IV, the CRR, the BRRD and the SRM by the following:

- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures;

- Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the Capital Requirements Regulation as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements;

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC; and

- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 806/2014 as regards the loss absorbing and recapitalisation capacity of credit institutions and investment firms,

published in the Official Journal of the European Union on 7 June 2019 and entered into force 20 days thereafter, on 27 June 2019 (the **EU Banking Reform**).

Many of the changes to the CRR are directly applicable to the Banco BPM Group from that date, with the remainder to apply in phases beginning in December 2020. The majority of the CRD IV amendments and the amendments to the BRRD will need to be transposed into Italian law within 18 months before taking effect, while changes to the SRM Regulation will also apply from December 2020. The EU Banking Reform includes, among other things, a binding 3% leverage ratio and a binding detailed NSFR (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. In particular, the binding 3% leverage ratio is added to the own funds requirements set forth in Article 92(1) of the CRR. The leverage ratio requirement is a parallel requirement to the risk-based own funds requirements, and will apply - from June 2021 - to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments. Institutions should be able to use any CET1 capital that they use to meet their leverage-related requirements to also meet their risk-based own funds requirements, including the combined buffer requirement.

In addition, under the new Article 92(a) to the CRR, each institution that is a G-SII is expected to be required to comply with, commencing 1 January 2022, a leverage ratio buffer requirement (equal to 50% of the G-SII buffer referred to above) above the minimum leverage ratio. Failure by a G-SII to meet this leverage ratio buffer requirement will result in application of the restrictions on distribution provisions by reference to the Leverage ratio related Maximum

Distributable Amount (**L-MDA**). The EU Banking Reform furthermore amends Article 131(5) of the CRD IV by increasing the O-SII buffer to up to 3% of the total risk exposure amount, and requires the Commission to investigate whether a leverage ratio buffer is appropriate also for O-SII. The 3% leverage ratio, the G-SII leverage ratio buffer requirement and the NSFR introduced by the EU Banking Reform are consistent with the corresponding requirements agreed upon at international level by the Basel Committee.

Bank Recovery and Resolution Directive

On 2 July 2014, Directive 2014/59/EU, providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **Bank Recovery and Resolution Directive** or **BRRD**) entered into force.

The BRRD provides the competent authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so that it can ensure the continuity of the institution's critical financial and economic functions, whilst 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 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 into shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (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 made use of the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable 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 burden sharing requirement of the EU state aid framework and the BRRD. In particular, a single resolution fund financed by bank contributions at a national level is being established and Regulation (EU) No. 806/2014 establishes the modalities for the use of the fund and the general criteria to determine contributions to the fund.

An institution will be considered to be 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 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**).

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 and/or its group meets the conditions for resolution (but no resolution action has yet been taken) or that the institution and/or its group will no longer be viable unless the relevant capital instruments are written-down/converted or extraordinary public support is to be provided and the appropriate authority determines that without such support the institution would no longer be viable.

In the context of these resolution tools, the resolution authorities also have the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to Article 44(2) of the BRRD.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 of 16 November 2015 and 181/2015 (together, the **BRRD Decrees**), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the General Bail-In Tool, and (ii) the BRRD provides, at Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the General Bail-In Tool, the BRRD specifically contemplates that pari passu ranking liabilities may be treated unequally.

With respect to the BRRD Decrees, Legislative Decree No. 180 of 16 November 2015 sets forth provisions regulating resolution plans, the commencement and closing of resolution procedures, the adoption of resolution measures, crisis management related to cross-border groups, powers and functions of the national resolution authority and also the regulation of the national resolution fund. On the other hand, Legislative Decree No. 181 of 16 November 2015 introduces certain amendments to the Consolidated Banking Act and the Financial Services Act, by introducing provisions regulating recovery plans, intra-group financial support, early intervention measures and changes to creditor hierarchy. Moreover, this decree also amends certain provisions regulating the extraordinary administration procedure (amministrazione straordinaria), in order to make them compliant with the European regulation. The regulation on the liquidation procedures applied to banks (*liquidazione coatta amministrativa*) are also amended in compliance with the new regulatory framework and certain new market standard practices.

On 1 June 2016, the Commission Delegated Regulation (EU) No. 2016/860 of 4 February 2016 (**Delegated Regulation (EU) 2016/860**) specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of BRRD was published on the Official Journal of the European Union. In particular this regulation lays down rules specifying further the exceptional circumstances provided for in Article 44(3) of BRRD, where the resolution authority may exclude, or partially exclude, certain liabilities from the application of the write down or conversion powers where the General Bail-In Tool is applied. The Delegated Regulation (EU) No. 2016/860 entered into force on 21 June 2016.

Pursuant to Article 44 (2) of the BRRD, as implemented by Article 49 of Legislative Decree No. 180 of 16 November 2015, resolution authorities shall not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments), that exceeds the value of the assets, pledges, lien or collateral against which it is secured. In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the General Bail-In Tool, and (ii) the BRRD provides, in Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the General Bail-In Tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of the Covered Bonds may be subject to write-down or conversion upon application of the General Bail-In Tool while other *pari passu* ranking liabilities are partially or fully excluded from such application of the General Bail-In Tool. The safeguard set out in Article 75 of the BRRD would not provide any protection since Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings rather than to address any such possible unequal treatment.

Also, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to the Deposit Guarantee Schemes Directive have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181 of 16 November 2015 has amended the bail-in creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which rank pari passu with any unsecured liability owed to the Bondholders under the national insolvency regime currently in force in Italy, will rank higher than such unsecured liabilities in normal insolvency proceedings. Therefore, on application of the General Bail-In Tool, such creditors will be written-down/converted into equity capital instruments only after such unsecured liabilities. The safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection since, as noted above, Article 75 of the BRRD only seeks to achieve

compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

Legislative Decree No. 181 of 16 November 2015 has also introduced strict limitations on the exercise of the statutory rights of set-off which are normally available under insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary.

Therefore under the BRRD the liabilities in relation to the Covered Bonds that exceed the value of the Cover Pool may be subject to write-down or conversion into equity capital instruments or any application of the General Bail-In Tool, which may result in such holders losing some or all of their investment.

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree No. 30 of 15 February 2016 – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree came into force on 9 March 2016, except for Article 1 paragraph 3, let. A), which came into force on 1 July 2018. Amongst other things, the Decree amends the Consolidated Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is EUR 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

In addition to the capital requirements under the CRD IV Package, the BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the **MREL**). The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding and to ensure adequate capitalisation to continue exercising critical functions post resolution.

The BRRD, as amended by the EU Banking Reform, introduces a minimum harmonised MREL requirement (also referred to as a **Pillar 1 MREL requirement**) applicable to G-SIIs, to be satisfied only with own funds and eligible liabilities subordinated to excluded liabilities (even if, under specific conditions, part of the requirement may be satisfied with non subordinated liabilities). In addition, all EU banks will be required to comply with a bank specific (in terms of calibration) MREL requirement (a **Pillar 2 MREL requirement**), which can be satisfied also through the use of non subordinated liabilities, for the amount exceeding a minimum subordination level equal to 8% of TLOF (total liabilities and own funds) and applicable to G-SIBs and "Top Tier" banks (banks with assets exceeding Euro 100 billion) only. However, if a bank is identified among the "riskiest" EU institutions, the Resolution Authority can decide to discretionally raise the applicable subordination requirement beyond the minimum level, in any case subject to the resolution authority assessment and determination.

The Financial Stability Board published the "Total Loss-Absorbing Capacity (TLAC) Term Sheet" on 9 November 2015, applicable to G-SIBs (referred to as G-SIIs in the European Union framework). The EU Banking Reform has introduced amendments aimed at implementing and integrating the TLAC requirements into the general MREL rules, thereby avoiding duplication from the application of two parallel requirements and ensuring that both the TLAC and MREL requirements are met with largely similar instruments. The resolution authorities will also be

able, on the basis of bank-specific assessments, to require that G-SIIs comply with an institution-specific supplementary MREL requirement (a 'Pillar 2' add-on requirement).

Under the amendments to the BRRD introduced by the EU Banking Reform, where an entity fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities, resolution authorities have the power to prohibit certain distributions in accordance with the restrictions on distributions provisions by reference to the Maximum Distributable Amount. The Relevant Authority may furthermore exercise its supervisory powers under Article 104 of the CRD IV in case of breach of the minimum requirement for own funds and eligible liabilities.

Regulatory measures on NPLs

On 14 March 2018, the European Commission (the **EC**) published certain legislative proposals aimed at addressing the issues connected with the existing stock of NPLs held by European banks – namely (i) a proposal for a Regulation amending the CRR as regards minimum loss coverage for NPLs, which was later enacted through Regulation (EU) 2019/630 of 17 April 2019 (the **Prudential Backstop Regulation**) (also known as calendar provisioning); (ii) a proposal for a directive on credit servicers, credit purchasers and the recovery of collateral; and (iii) a blueprint on asset management companies, accompanying the EC's "Second Progress Report" on NPLs.

In parallel with the above proposals, on 15 March 2018 the ECB issued an addendum, "Addendum to the Guidance on non-performing loans" (the **ECB Addendum**) to its "Guidance to banks on NPLs of March 2017" (the **NPLs Guidance**). The ECB Addendum details the ECB supervisory expectations as regards the minimum levels of NPLs provisioning by significant credit institutions. These Guidelines (based on a Pillar 2 approach, to be incorporated into SREP decisions) are to be applied to all new non performing exposures (i.e. Past Due, Unlikely to Pay, Bad Loans) classified as such since 1 April 2018. The ECB Addendum sets out an expectation that, as of 1 April 2018, new unsecured NPLs must be fully covered after a period of two years from the date of their classification as NPLs. For example, the supervisor would expect a loan that is classified as an unsecured NPL on 1 May 2018 to be fully provisioned for by May 2020. For new secured NPLs, a certain level of provisioning is expected after three years of classification as an NPL, or "NPL vintage, which then increases over time until year seven. In this case, if a secured loan was classified as an NPL on 1 May 2018, the supervisor would expect these NPLs to be at least 40 per cent. provisioned for by May 2021, and totally provisioned by May 2025. The potential gap between the coverage envisaged by the new rules and the provisions applied at the reference date can be addressed through a Core Tier 1 deduction or an increase of provisions.

The Prudential Backstop Regulation imposes a "Pillar 1" minimum regulatory backstop for the provisioning of NPLs by EU banks. The minimum provisioning level is calculated by multiplying the value of the relevant NPLs within the portfolio by the factors indicated in the Prudential Backstop Regulation, which differ depending on (i) the number of years after the date on which the exposure was classified as non-performing, and (ii) whether the NPL is classified as "secured" or "unsecured" exposure (and if secured, whether the exposure is secured by immovable collateral or residential loan guaranteed by an eligible protection provider or is secured by other funded or unfunded credit protection) in accordance with the criteria set forth in the Prudential Backstop Regulation. In particular, under the Prudential Backstop Regulation the Issuer is required to apply a minimum provisioning level for NPLs

equal to 100% after ten years (in case of exposures secured by immovable property or residential loan) eight years (in case of exposures secured by other funded or unfunded credit protection) or four years (in case of unsecured exposures) from the date when the exposure was classified as non-performing. If the aggregate amount of provisions and other eligible items is lower than such minimum provisioning level, any shortfall (so-called "insufficient coverage amount") shall be fully deducted from CET1 items.

The statutory prudential backstop applies only to exposures originated after the date of entry into force of the regulation and not to prior legacy exposures. However, the Prudential Backstop Regulation specifies that where the terms and conditions of an exposure which was incurred prior to the date of entry into force of the regulation are modified by the institution in a way that increases the institution's exposure to the obligor, the exposure shall be considered as having been incurred on the date of the modification so that such exposure becomes subject to the new regime including the statutory prudential backstop.

On 22 August 2019 the ECB published a revised version of its supervisory expectations for prudential provisioning for NPLs, as set forth in the ECB Addendum, with a view to align such expectations to the regulatory approach followed under the Prudential Backstop Regulation. The main changes introduced by the ECB relate to: (i) the scope of the supervisory expectations for new NPLs, which is now limited to NPLs arising from loans originated before 26 April 2019 (which are not subject to the Pillar 1 treatment provided under the Prudential Backstop Regulation); and (ii) the time frames for the relevant prudential provisioning, the progressive path to full implementation and the split of secured exposures and other guaranteed exposures, which have been aligned to the Prudential Backstop Regulation.

In the context of the actions taken by the supervisory authorities to mitigate the effect of the COVID-19 pandemic on the EU banks' capital requirements, the European Central Bank and the European Banking Authority have issued statements in March 2020 aimed at providing clarity on aspects related to (i) the classification of loans in default, (ii) the identification of forborne exposures and (iii) the accounting treatment, with the ultimate goal to support government actions addressing the adverse systemic economic impact of the COVID-19 pandemic, which have mostly taken the form of general moratoria and payment holidays. In this respect, in April 2020 the European Commission has also published (i) a proposal to amend the CRR in order to mitigate the negative effects of the COVID-19 pandemic by adapting the timeline of the application of international accounting standards on EU banks' capital, treating more favourably public guarantees granted during this crisis, postponing the date of application of the leverage ratio buffer and excluding certain exposures from the calculation of the leverage ratio; and (ii) an interpretative communication confirming the flexibility available to EU banks with respect to the classification of loans in connection with public and private moratoria.

Measures to counter the impact of the "COVID-19" virus

In recent months, European and national authorities have undertaken several measures to support the banking and financial market to counter the economic effects of COVID-19.

On 10 March 2020, through an addendum to the 2019 credit agreement between ABI and the Business Associations, the possibility of requesting suspension or extension was extended to loans granted until 31 January 2020. The moratorium refers to loans to micro, small and medium-sized companies affected by COVID-19 outbreak. The capital portion of loan repayment instalments may be requested to be suspended for up to one year. The suspension is applicable to medium/long-term loans (mortgages), including those concluded through the issue of agricultural loans, and to property or business assets leasing transactions. In the latter

case, the suspension concerns the implicit capital instalments of the leasing. On 21 April 2020, through an agreement entered into with the consumer associations, the moratorium was extended to credit to households, including the suspension of the principal portion of mortgage-backed loans and unsecured loans repayable in instalments.

On 11 March 2020, ESMA, considering the spread of COVID-19 and its impact on the EU financial markets, issued 4 recommendations on the following areas: (1) business continuity planning, (2) market disclosure, (3) financial reporting and (4) fund management.

1. Business Continuity Planning: ESMA has recommended all financial market participants to be ready to apply their contingency plans to ensure operational continuity in line with regulatory obligations.

2. Market disclosure: issuers should disclose as soon as possible any relevant significant information concerning the impacts of COVID-19 on their fundamentals, prospects or financial situation in accordance with their transparency obligations under the Regulation (EU) No. 596/2014 (**MAR**), as a disclosure obligation contained in Article 17, paragraph 1 of the MAR, pursuant to which issuers are required to disclose to the public without delay any inside information directly concerning them.

3. Financial reporting: ESMA has recommended issuers to provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance in their 2019 yearend financial report if these have not yet been finalised or otherwise in their interim financial reporting disclosures.

4. Fund Management: ESMA has encouraged fund managers to continue to apply the requirements on risk management and to react accordingly.

Among the various measures adopted by the Italian government to address the epidemiological emergency due to COVID-19 outbreak, on 17 March 2020 Law Decree No. 18 (**Cura Italia Decree**) has been adopted. The Cura Italia Decree has introduced special measures derogating from the ordinary proceeding of the Guarantee Fund for SMEs in order to simplify the requirements for access to the guarantee and strengthen the intervention of the Guarantee Fund for SMEs itself, as well as the possibility of transforming the DTA relating to losses that can be carried forward but not yet deducted and to the amount of the ACE notional return exceeding the total net income, to the extent of 20% of the impaired loans sold by 31 December 2020.

The European Central Bank (**ECB**), at its monetary policy meeting held on 12 March 2020, decided to adopt a comprehensive set of monetary policy measures, consisting of three key elements: first, safeguarding liquidity conditions in the banking system through a series of favourably-priced longer term refinancing operations (LTROs); second, protecting the continued flow of credit to the real economy through a fundamental recalibration of targeted longer-term refinancing operations (TLTROs); and, third, preventing financing conditions for the economy tightening in a pro-cyclical way via an increase in the asset purchase programme (APP).

As regards LTROs these will be carried out through a fixed rate tender procedure with full allotment. They will be priced very attractively, with an interest rate that is equal to the average rate on the deposit facility of ECB. These new LTROs will provide liquidity on favourable terms to bridge the period until the TLTRO III operation in June 2020.

As regards TLTRO, the Governing Council decided to apply considerably more favourable terms during the period from June 2020 to June 2021 to all TLTRO III operations outstanding during that time. Throughout this period, the interest rate on these TLTRO III operations will be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations.

Lastly, the Governing Council also decided to add a temporary envelope of additional net asset purchases of €120 billion until the end of the year, ensuring a strong contribution from the private sector purchase programmes.

On 12 March 2020, the ECB Banking Supervision leg, the Single Supervisory Mechanism (SSM), published the first supervisory response to provide banks with a temporary capital and operational relief.

According to the ECB statements: i) banks are allowed to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the liquidity coverage ratio (LCR) to release resources for financing households and undertakings; ii) the ECB encourages also national macroprudential authorities to relax the countercyclical capital buffer (CCyB); iii) banks are allowed to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital to meet the Pillar 2 Requirements (P2R), for example Additional Tier 1 (AT1) or Tier 2 instruments; iv) banks will discuss with the ECB further individual measures, such as modified timetables, processes and deadlines (e.g. for on-site inspections or remedial actions); v) flexibility will be granted for the application of the ECB Guidance to banks on non-performing loans to adjust to bank's specific situation due to Covid19.

On 20 March 2020, the ECB announced additional measures (in addition to those already undertaken on 12 March 2020 on temporary capital and operational relief for banks) to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations amid the coronavirus-related economic shock to the global economy. The ECB published also a detailed FAQ on the measures adopted with the aim of updating it as needed. In particular, the ECB recommended to:

− give banks further flexibility in prudential treatment of loans backed by public guarantees, by extending to them the preferential treatment foreseen in its Guidance for NPLs for loans guaranteed or insured;

− encourage banks to avoid excessive procyclical effects when applying the IFRS 9 international accounting standard;

− activate capital and operational relief measures announced on 12 March 2020.

On 25 March 2020, the EBA and ESMA published detailed statements to address IFRS 9 accounting issues due to the Covid-19 outbreak and linked to the exceptional measures taken by banks and governments to address the situation, which affected compliance with the EBA Guidelines on the definition of default (DoD) and forbearance/past-due classifications of loans.

The EBA statement of 25 March 2020 explained the functioning of the prudential framework in relation to the exposures in default, the identification of forborne exposures and impaired exposures in accordance with IFRS 9. In particular, EBA has clarified some additional aspects of the operation of the prudential framework concerning:

− the classification of exposures in default;

− the identification of forborne exposures;

− the accounting treatment of the aforesaid exposures

Specifically, the EBA repeated the concept of flexibility in the application of the prudential framework, clarifying that an exposure should not be automatically reclassified as (i) exposure in default, (ii) forborne exposure, or (iii) impaired exposure under International Financial Reporting Standard - IFRS9, in case of adoption of credit tolerance measures (such as debt moratorium) by national governments.

The ESMA statement of 25 March 2020 provided guidance on the application of IFRS 9 (Financial Instruments) addressed to issuers and auditors with regard to the calculation of expected losses and related disclosure requirements, in particular, as regards the suspension (or deferral) of payments established for credit agreements (e.g. moratorium on debt) that impact the calculation of Expected Credit Loss (ECL) under the principles set forth in IFRS 9. On 20 May 2020, ESMA published a Public Statement addressing the implications of the COVID-19 pandemic on the half-yearly financial reports of listed issuers (the **Public Statement**). The Public Statement provided recommendations on areas of focus identified by ESMA and highlighted: i) the importance of providing relevant and reliable information, which may require issuers to make use of the time allowed by national law to publish half-yearly financial reports while not unduly delaying the timing of publication; ii) the importance of updating the information included in the latest annual accounts to adequately inform stakeholders of the impacts of COVID-19, in particular in relation to significant uncertainties and risks, going concern, impairment of non-financial assets and presentation in the statement of profit or loss; and iii) the need for entity-specific information on the past and expected future impact of COVID-19 on the strategic orientation and targets, operations, performance of issuers as well as any mitigating actions put in place to address the effects of the pandemic. The Public Statement was conceived to be applicable also to financial statements in other interim periods when IAS 34 Interim Financial Reporting is applied. It called on the management, administrative and supervisory bodies, including audit committees, of issuers and, where applicable, their auditors, to take due consideration of the recommendations included within the statement".

On 27 March 2020, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), has deferred Basel III implementation to increase operational capacity of banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the Covid19 on the global banking system.

The measures endorsed by the GHOS comprise the following changes to the implementation timeline of the outstanding Basel III standards:

− the implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028.

− the implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023.

− the implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.

On 27 March 2020, the European Central Bank published a recommendation addressed to significant banks to refrain from paying dividends and from share buy-backs aimed at

remunerating shareholders for the duration of the economic shock related to COVID-19. The ECB has decided to extend the recommendation on dividends until 1 January 2021 with the Recommendation ECB/2020/35. This Recommendation has been subsequently repealed by the ECB's Recommendation ECB/2020/62, which requires banks to exercise extreme prudence when deciding on, or paying out, dividends or performing share buy-backs until 30 September 2021. Credit institutions that intend to decide on or pay out dividends or perform share buy-backs aimed at remunerating shareholders should contact their joint supervisory teams, as part of their supervisory dialogue, to discuss whether the level of intended distribution is prudent.

On 1 April 2020 the ECB provided banks with further clarifications on the use of forecasts for the Expected Credit Loss (ECL) calculations under IFRS 9, after having invited banks to opt, if not done before, for applying the IFRS 9 five-year transitional arrangements included in the CRR to mitigate the First Time Application (FTA) capital impact of the new accounting principle.

On 2 April 2020, the EBA published more detailed guidance on the criteria to be fulfilled by legislative and non-legislative moratoria applied before 30 June 2020. The Guidelines acknowledged that Member States have implemented a broad range of support measures in order to minimise the medium- and long term economic impacts of the efforts taken to contain the COVID-19 pandemic. In light of this, the EBA Guidelines clarify several aspects of payment moratoria, such as that they do not automatically trigger the classification as forborne or distressed restructuring if the measures taken are based on the applicable national law or on an industry or sector-wide private initiative agreed and applied broadly by the relevant credit institutions. In June 2020, the EBA further extended the application date of its Guidelines by three months, from until 30 September 2020, and on the 21 September, communicated its phasing-out. However, on 2 December 2020 the Guidelines were reactivated until 31 March 2021.

In continuity with the Cura Italia Decree, Law Decree no. 23 of 8 April 2020 (Liquidity Decree) was issued, a further measure deemed necessary to support Italian entrepreneurship. The Liquidity Decree, in addition to providing an additional guarantee managed by SACE Simest (SACE), a company of the Cassa Depositi e Prestiti group, aims to further strengthen the Guarantee Fund for SMEs by redrawing its rules for accessing,by including also companies with no more than 499 employees and professionals, as well as increasing the guarantee coverage percentages already provided by Article 49 of the Cura Italia Decree (provision that is repealed). In the wake of the latter provision, the Liquidity Decree makes further exceptions to the ordinary rules of the Guarantee Fund for SMEs, which will be applicable until 31 December 2020.

On 28 April 2020, the European Commission published a legislative proposal for amending the CRR to ease banking activity during the Covid-19 emergency and ensure the flow of loans to households and businesses.

The Commission has proposed exceptional temporary measures to mitigate the immediate impact of coronavirus-related developments, which imply:

− a revision of transitional arrangements for the application of IFRS 9, adopted in the CRR II to mitigate its impact on banks' capital;

− a preferential treatment for NPLs secured by public guarantees issued as a measure to address the COVID-19 crisis, for the purpose of the application of the prudential provisioning in line with the Regulation (EC) 630/2109;

− the postponement of the date of application of the additional reserve requirement for the leverage ratio of systemic banks ("G-SIB buffer");

− a change in the way of excluding certain exposures from the calculation of the leverage ratio, as of June 2021.

The Commission also proposed to advance by one year (as of 28 June 2020) the date of application of certain measures agreed in CRR II, i.e. the SMEs (Art. 501) and Infrastructure supporting factors (art.501a), as well as the preferential treatment of loans backed by pensions or salaries (Art. 123) The so-called "CRR quick fix" Regulation (EU) 2020/873) was definitely adopted on 24 June 2020 and published on the Official Journal of the EU on 26 June 2020 and entered into force the day after. During the interinstitutional negotiation process additional measures were introduced by the co-legislators (i.e. the European Parliament and the Council of the EU), such as the reintroduction of the prudential filter for unrealised gain/losses from sovereign exposures valued at FVOCI; the exclusion of overshootings from the calculation of the back-testing; credit risk and large exposure transitional treatment of euro-denominated public debt issued by non-euro Member States.

On 24 July 2020 the European Commission also adopted a Capital Markets Recovery Package regarding the Securitisation Framework, MIFID II and the Prospectus Regulation. The underlying rationale of these proposals is to help financial markets support Europe's economic recovery from the COVID-19 crisis. The package was approved in March 2021.

Covered Bond Legislative Package

In March 2018, the European Commission proposed a dedicated EU legal and regulatory framework for covered bonds, consisting of a directive and a regulation (the **Covered Bond Legislative Package**).

On 18 December 2019, the Covered Bond Legislative Package was published in the Official Gazette of the European Union and the official entry into force of the Covered Bond Legislative Package occurred on 7 January 2020 – twenty days after the relevant publication. The Member States have now 18 months (after the entry into force) to transpose the directive into national law (indicatively, within July 2021), and the transposed law and the regulation will be applied throughout the European Union within the following 12 months.

More in particular, the directive is aimed at providing a common definition of covered bonds, defining the structural features of the instrument and identifying the assets that can be considered eligible in the pool backing the debt obligations. The directive is also aimed at establishing a special public supervision for covered bonds and setting out the rules allowing the use of the 'European Covered Bonds' label. The regulation is aimed at amending the CRR with the purpose of strengthening the conditions for granting preferential capital treatment to covered bonds, by adding further requirements.

CREDIT AND COLLECTION POLICY

Set out below is a overview of the main features of the collection policies adopted by the Servicer for the granting and servicing of the loans. Prospective Bondholders may inspect a copy of the collection policies upon request at the registered office of the Issuer, the Representative of the Bondholders and at the Specified Offices of the Principal Paying Agent and of any additional Paying Agents. For a description of the obligations undertaken by Banco BPM as servicer see the Servicing Agreement. For a description of the representations and warranties given and the obligations undertaken by the Sellers as originators see the relevant Warranty and Indemnity Agreement.

Mortgage Loans are entered into by Banco BPM S.p.A. (Banco BPM or the Originator or the Bank) as mutui fondiari and mutui ordinari ipotecari.

The borrowers 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 Originator in according with limits defined in the Credit and Collection Policy.

The analysis and credit-decision process is supported by a preliminary investigation of the loan which takes into account multiple risk factors and fully covers the grant from the "request" to the fund "allocation". The main criteria adopted are as follows:

1. the credit worthiness of each single debtor is ascertained through an internal rating process to be attributed to the debtor, automatically updated from time to time upon occurrence of certain circumstances.

2. in addition to the internal rating process, in determining the credit worthiness of a debtor, evaluations are being made as to the past performance of such debtor and any of its related entities and/or guarantors.

3. loan to value ratios do not exceed 80%

4. mortgage over real estate properties (which is first ranking in an economic sense) is 150% than the loan amount.

The main documents the customer has to provide for a loan application are:

1. certificates from the registry office regarding the applicant and the other parties involved in the signature of the loan agreement;

2. income documentation and any other documentation proving the ability to repay;

3. technical documentation for the assets offered as guarantee (e.g. title deeds and land registry certificates);

4. a Notary's report.

The same documentation described in points 1 and 2 is requested also for the guarantors.

Moreover, apart from the above documentation, additional documentation shall be requested, depending on the type of debtor:

− if the applicant is the owner of an individual firm or is an independent professional:

(a) registration in the Professional Register and/or Chamber of Commerce;

(b) accounts and tax documentation linked to the business in question;

(c) useful information on the business in question (e.g. sector performance, corporate development programme, etc.).

− if the applicant is a company:

(a) articles of Association and last available copy of these for the company;

(b) updated Chamber of Commerce certificate, from which can be proved, for the company and its directors, the non-existence of bankruptcy proceedings and the validity of the appointments;

(c) statement on the assignment of proxy powers (if necessary);

(d) balance sheet with income statement for the current financial period;

(e) financial statements for the last two financial periods (if belonging to a group with consolidated financial statements and financial statements for the most important companies in the group);

(f) updated report on bank guarantees and how they are used.

After the approval, the preparation of the documentation and the conclusion of the Mortgage Loans are delegated to the Back Offices Department (BO) which:

− enter the transaction in the internal mortgage procedure;

− appoint a surveyor to evaluate the property;

− verify that the property insurance is in favour of the Originator;

− prepare the minutes of the mortgage loan;

− check property documentation received by the notary; and

− upon successful completion of the previous activity checks, update the mortgage loan status to “payable”;

− upon request of the agency send the minutes to the notary for the mortgage contract signature.

Once the agreement has been signed by bank and the customer and the notary has registered the mortgage, the relevant documents are sent to the Back Office that stores them.

The Back Office Department, based on the necessary feasibility analyses and in compliance with the applicable credit/authorization decision, is also responsible for:

− in respect of economic conditions: verifying that the single transaction and the internal credit decision is in line with the internal regulations and verifying the mortgage validity;

− 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 relevant 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; and

• any request made to the insurance companies for the release of the vincolo on the insurance policies.

Collection policies

The monitoring of credit risk is carried out also by defining processes for monitoring and managing performing loans as well as loans included in the watch list and non-performing loans.

For each of these processes, Banco BPM Group uses IT procedures in support of the activities of the Managers.

The Credit and Collection Policy described below are consistent with the credit status of each borrower position.

Monitoring and managing loans classified as performing

The Customer Relationship Manager, who is the responsible for managing the relationship with customers included in his portfolio, plays a crucial role in the monitoring process.

The Customer Relationship Manager is responsible for handling relationships with customers as well as acting in order to maintain and improve credit quality by closely monitoring the evolution of relationships.

The process of monitoring and managing performing loans consists of a set of activities carried out by the Customer Relationship Manager and by other internal departments which are responsible for credit monitoring and controls in order to guarantee that the credit relationship

with the counterparty remains in performing status and to promptly detect any signs of delay and/or irregularity.

In particular, with reference to mortgages, the systematic examination of the evidences reported by the automatic performance assessment tools and the monitoring of compliance with the commitments allow the rapid activation of the Customer Relationship Manager for a concrete solution of the problems detected, facilitating the timely recruitment of measures to maintain the relationship performing (alias "in bonis").

Referring to the latter, an IT system of "credit warnings" is put in place, within which, in the section "detection of overruns", all the daily overrides on credit lines and overdue instalments are reported every day. In these situations, the Relationship Manager contacts the customer to verify the reasons for the failure or partial payment and, consequently, to propose the most appropriate actions (accept the overrun because the payment will take place in a short period of time, propose a renegotiation to decrease the instalment amount, propose a suspension of payments for a specific period of time, etc.).A specific IT system called "ELISE", dedicated to the management of loans and used both by the Back Office department and by the entire Branch network, sends communications to debtors on regular basis, at each unpaid instalment at due date. The automatic alerts are sent on the last working day of the month in which the instalment is due when the due date is at least three working days before the end of the month. Otherwise, the alerts are sent on the last working day of the following month.

For performing positions ("in bonis"), the Bank grants a few days within which the payment can be made without any consequences. For all payments made in this period, default interests are not applied and the value date of the payment of the instalment is the original due date.

After that date, default interests contractually agreed start to be applied up to the maximum limit set by provisions on usury. The "usurious" interest rate is defined by a decree of the Ministry of Economy and Finance on quarterly basis (the current legislation envisages that the verification of non-usury of default rates is carried out, as for the corresponding interest payments, at the agreement and not at the payment).

Irrespectively of the Relationship Manager's behaviour, the IT system automatically intercepts (i.e. in a way which is independent from elements of discretion of the Relationship Manager) the positions that show the first signals of anomaly. Thus, the IT system will insert these positions in a specific "watch list".

Monitoring and managing "watch list loans"

For all the positions classified as performing, where anomalies are detected through trend risk indicators - the valuation is expressed by the counterparty's internal rating and other particularly serious events concerning the credit quality - are included in a "watch list".

The "Monitoring of performing credit" process consists of a set of activities carried out by the Relationship Manager along with other people responsible for credit monitoring and control; these activities are aimed at promptly identify any signals of tensions and/or irregularity as well as to carry out any interventions required to restore the position to a performing status or, when this is not possible, to take the necessary actions to protect the Banco BPM's credit claims.

According to the process, the Relationship Manager maintains the responsibility to manage the customers belonging to his own portfolio with the aim to put in place the necessary

management actions to bring the relationship back to regular conditions. Assessment objectivity is ensured through a system of rules aimed at guaranteeing, both during the internal classification and during the identification of the related management actions, the put into place of adequate mechanisms of organizational interaction between the roles responsible for the relationship management (Relationship Manager) and the credit quality control roles ("Monitoring and default prevention" structure and "Credit governance" of the parent company).

The phases of the abovementioned process, with the support of the PMG IT procedure, involve:

- on daily basis, the automatic identification of positions with irregularities that requires the adoption of dedicated management interventions;

- the Relationship Manager's analysis in order to properly evaluate the risk, considering any participation in Groups of linked borrowers as well as relationships in place with other companies within the Banking Group;

- analysis of consistency of the calculated rating and assessment of the need to activate a potential rating override process;

- classification, within the process, in an "management category" consistent with the type of irregularity found and with the timing of recovery of regular operations;

- the definition of behaviour and actions, within the pre-determined period of time, whose outcome is subject to measurement;

- the maintenance of the performing classification and the automatic exclusion from the watch list either when the interception causes are no longer verified or through a specific decision taken by the decision making bodies (Organi della Banca) when the absence of the financial difficulty of the customer has been verified and there are no exposures that benefit from an active measure of tolerance. These decision making bodies are defined by the "Regulations of the limits of autonomy and powers for loan granting and management";

- the classification with a higher level of risk is realized automatically either when all the conditions for the classification under Past Due have been found or through a specific decision taken by the decision making bodies - Regulations of the limits of autonomy and powers for loan granting and management"- on the basis of a proposal automatically generated by the IT system in specific situations (i.e. a file for bankruptcy) or upon a proposal made by a proposing body for positions subject to events that are compromising the "performing" classification.

To support the recovery of exposures against "Private" and "Business" customers, the "watch list or non-performing loan reminder" process has been put in place and it is triggered when the first delay occurs in the payment of the loan periodical instalment (delay of one month compared to the contractual maturity date).

This process pursues the objective of promptly implementing the actions necessary to restore the position to performing status, avoiding customer's default and simultaneously maintaining the relationship with the customer.

The process is supported by the IT procedure named "Recupera", which governs a series of actions, starting from the written reminder to the borrower, to the telephone contact and the

assignment of debt recovery to different external recovery companies according the persistence of the unpaid positions.

The management of the positions within the "watch list and non-performing loan reminder" process is highlighted to the Relationship Manager to avoid any overlap of the actions taken by the external companies with those taken internally by the Bank. Furthermore, the IT procedure permits to identify in any moment the list of the position under management along with their level of insolvency, updated accounting data, the plaintiff and the action underway as well as the results of solicit actions that have been already carried out.

Exposures with unpaid amounts are in any case subject to monitoring activities set by another IT procedure (MOCED) with the aim to verify the achievement of time and materiality thresholds for the automatic classification as non-performing loan (Past due) defined by Bank of Italy.

Monitoring and managing "Forbearance positions"

Banco BPM has defined the criteria for the identification and management of "Forbearance" or "Forborne loan".

The renegotiation of contractual agreements of a loan, granted to the customer in order to allow him to meet his requirements despite the situation of financial difficulty that he is going through, constitutes a measure of forbearance by the Bank.

The Decision-making Bodies of the performing or non-performing loan chain are liable for certifying, when deciding on the loan proposal, the consistency or inconsistency, with respect to the elements examined, of the valuation made by the "Proposing Party" regarding the situation of financial difficulty of the borrower and to the identification of the concession as a forbearance measure in relation to each granted credit facility.

Once classified as "forborne", exposures are managed as part of the referred processes ("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 the relationships with customers and the persistence of conditions for (i) the ceasing of the forborne status with reference to customers classified as performing ("in bonis") or for (ii) the reclassification as performing, by maintaining the forbearance measure (under probation) for customers that have been already classified as "Impaired forbearance exposures";

b) identify and evaluate the events that may anticipate the ineffectiveness of the forbearance concession, referable to (i) the failure to comply with any new deadlines agreed, (ii) to the onset of an overdraft or (iii) to the downgrade of creditworthiness consequently to events that may compromise the full recovery of the exposure.

With reference to points a) and b), the following two cases are observed:

The position has a regular trend

Termination of the forborne loan condition for performing positions

The Customer Relationship Manager verifies the persistence of the following conditions in order to declare the end of the condition of forborne loan and consequently activates the process of reclassification as performing ("in bonis") 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 about to become past due (considering the tangible thresholds currently into force) for more than 30 days;

- the payment of the amount due, as indicated by the forbearance concession, must have been made on a regular basis in the past 12 months and must have involved a "more than insignificant" portion of the principal or interest;

- no elements should 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" is made by the "Monitoring and Prevention Default department" of the Parent Company through a process procedurally verified, which allows to check the objective elements of regularity of the position as well as the Monitoring Manager's declaration about the absence of subjective elements (including any valuation of "non insignificance" of the repaid loan).

<u>Reclassification as performing of "Impaired forbearance exposures" maintaining the condition of forborne loan</u>

Positions classified as "Unlikely to Pay", which are beneficiaries of a forbearance measure, for which (i) at least 12 months have elapsed from the granting of forbearance and (ii) do not show any past due or overdraft, are automatically recognized on daily basis.

To initiate the proposal for the classification as "performing", the Manager of the non-performing position verifies the absence of concerns regarding the full payment of the due amount when one of the following conditions is met:

- the amount of the exposure, that at the time of the forbearance concession was classified as past due or overdraft, has been fully paid;

- the amount paid is equal to the credit that may have been written off as part of the credit restructuring agreement or;

- the customer's ability to comply with terms and conditions indicated by the forbearance concession has been demonstrated.

Following a valuation of the financial situation of the borrower, the decision concerning the reclassification as performing ("in bonis") of the "Impaired forbearance exposures" (non-performing positions) is taken through the approval of the authorized Body as defined by the "Regulations of the limits of autonomy and powers for loan granting and management".

Following the resolution of reclassification as performing, the position maintains the forbearance condition (forbearance under probation) and the identification as "Other forborne exposures". This condition can be declared as terminated only when all the above mentioned

conditions exist with reference to the "termination of the forborne loan condition for performing positions".

The position has an irregular trend

If the position has registered a default after the grant of the forbearance status, the process provides the immediate solicitation to the customer in order to settle the position.

Once the necessary time for the solicitation to the client and for the verification of the causes that determined the default has expired, the Customer Relationship Manager for the position identified as "Other forborne exposures" or the Manager responsible for the non-performing position for "Impaired forbearance exposures" will evaluate whether the events, that may also be independent of the granted forbearance, require the consideration of a more precautionary measure to protect the loan. Furthermore, this valuation takes into consideration the proposal to attribute a higher risk to the position and, in particular:

- as "Unlikely to Pay", for positions classified as "performing";

- as "Unlikely to Pay" with management class "revoked", with closure of credit lines and immediate notice to pay sent to the borrower for the positions classified as "Past Due" or already classified as "Unlikely to Pay".

The decision on the classification as "Unlikely to Pay" is taken through resolution of the authorized Body, on the proposal of a proponent (see the section "Classification of positions in non-performing loans categories").

If an exposure, already reclassified from "non-performing" ("Impaired forbearance exposures") to "performing loans" or "in bonis" ("Other forborne exposures"), has had positions that are about to be classified as Past Due (considering the tangible thresholds currently into force) for more than 30 days or benefits from a further forbearance concession, it is automatically classified as unlikely to pay.

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 Relationship Manager and those of the Manager of the Non-performing Position aimed at ensuring the consistency of the operational status of the position with the deterioration of the risk profile of the customer and compliance with the Supervisory provisions.

Futhermore, the process is designed to ensure the return of the position to a performing status when the causes that determined the classification within the non-performing loans categories no longer exist, coherently with the rules established by the European Banking Authority (EBA) on forbearance and non-performing exposures and by the Bank of Italy on the new "classification in non-performing loans categories" (see update of Circular n.272 "Accounts Matrix", Chap. II "Credit Quality").

The expected classifications are: "Past due and/or overdue non-performing exposures" (Past Due), "Unlikely to Pay" and "Bad Loans".

The classification as Past Due is carried out automatically for the positions that reach the thresholds envisaged by the Supervisory provisions of the Bank of Italy (Circular n.272,

"Accounts Matrix", Chap. II "Credit Quality", "Past due and/or overdue non-performing exposures").

Exposures to parties experiencing temporary financial hardship are defined Unlikely to Pay whereby the debtor is assessed by the Bank as Unlikely to Pay its credit obligations in full (for the principal and interest) without collateral enforcement.

This valuation is carried out by the Manager regardless of the presence of any overdue or instalments past due and not paid. Therefore, it is not necessary to wait for any explicit sign of irregularity (failure to repay or non-redemption) if there are elements or indicators that may imply the risk of default of the borrower (for example, even a crisis of the industrial sector in which the debtor operates).

In order to guarantee the promptness of the credit recovery process, some automatic methods for the classification as Unlikely to Pay have been provided for those positions that:

- have undergone a forbeareance measure that imply a loss of more than 1% (distressed restructuring) or have received more than one forbearance measure and the loss is less than 1% (distressed multiple restructuring);

- persist as non-performing Past Due for more than 180 days;

- are paid back through regular instalments for which a past due amount is existing on continuous basis from more than 180 days, regardless of the amount past due and the legal status of the borrower;

- are in performing or past due non-performing status with credit facilities or overdrafts exceeding 1,500.00 euro, which are classified as "Sofferenze" by Centrale dei Rischi ;

- showing one of the following states: bankruptcy, "concordato preventivo" or "liquidazione coatta amministrativa".

These proposals must be assessed by the competent Manager of the non-performing position and are subject to an approval process, managed through the Electronic Management Procedure (PEG), which requires the intervention of intermediate Bodies, responsible for providing a non-binding opinion, and the competent decision-making Body based on the amount.

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 the Bank, are defined as Bad Loans. Therefore, the existence of any (real or personal) personal guarantee to protect the loans is not considered.

Monitoring and managing non-performing loans

The management of non-performing loans in Banco BPM Group is primarily based on a model that assigns the management of a defined non-performing portfolio to specialized managers (Non-performing loan managers).

Positions are assigned to individual Managers using an automatic process based on the geographic location of the loan, identified according to the Branch, Business Area and Area Office to which the customer is associated. However, it is possible to manage exceptions,

through a controlled process, to assign a position to a different Manager from the one identified automatically, as well as for temporary situations.

Processes for monitoring and managing non-performing loans are differentiated based on:

- the exposure's classification status, which distinguishes between customers with Bad Loans positions and customers with other non-performing loan statuses:
- the amount of the exposure, based on its size (at the customer's Economic Group level);
- the product, distinguishing between "leasing" exposures and other types of exposure;
- the goals of the Bank by distinguishing between positions "Core" or " Non Core".

Past Due and Unlikely to pay:

With reference to the amount of the exposure and the type of the counterparty, the responsibility for the management of positions, at the time of classification:

- up to euro 30,000, remains attributed to the Branches,
- over euro 30,000, is assigned to specialized personnel of the unit "Network" or "Strategic Positions and restructuring" within the structure "Core NPE".

With reference to smaller positions, which remain under the responsibility of the Branches, the management is supported by a very detailed and guided process, with time limits defined beforehand and with minimal discretion.

The process of monitoring and managing larger positions, which is always assigned to specialized managers, allows greater discretion to identify more flexible and customized solutions.

The processes are designed to govern the actions of the manager and to detect any inaction.

For positions classified as Past Due or Unlikely to Pay, the non-performing loan Managers are responsible for management decisions regarding the positions assigned to their respective portfolios, in compliance with established decision-making powers, but they are supported in administrative management by the managers (Client Relationship Manager) of the Network in which portfolio the relationship as well as the economic results achieved are still attributed.

For legal requirements, the Managers of non-performing loans receive support from an internal legal structure, which belongs to the Legal Department and Regulatory Affairs. It is structured in order to carry out in the best way possible its advisory activities to the central office structures and the Branch Network.

To ensure an efficient loan management, powers are assigned to the Decision-Making Bodies of the Branch and to the Headquarter competent units in proportion with the above-mentioned operational limits and with the associated operational needs

The system of levels of autonomy and operational powers is structured to protect the Bank from conflicts of interest through the attribution of decision-making responsibilities in the

matter of classification to higher or lower risk classes, value adjustments (provisioning) or the waiver of loans, to Bodies higher than those that manage the positions.

All positions classified as "Unlikely to Pay" exceeding 30,000 euro are subject to a six-monthly review by the Manager of the non-performing position in order to verify the progress of the relationship with the customer and his financial position, as well as to define the consistency of expected losses with respect to such assessments. The review may be required in advance if the IT system automatically detects the occurrence of certain pre-codified detrimental conditions.

Within the review activities, as regards the determination of the expected losses, we distinguish two cases:

- within the relevant threshold (euro 1,000,000): the loss forecasts are automatically aligned;

- beyond the relevant threshold: the manager of the non-performing position must perform an analytical assessment within 30 days from the classification of the position as Unlikely to Pay, meanwhile (and as a precautionary measure) the loss forecasts automatically assigned to the position are calculated for positions under threshold. In the assessment, the Manager must explicitly specify the methodology adopted for the identification of the cash flows (Going or Gone Concern).

In case of real estate collateral, the Manager of the non-performing position must consider the market value "with assumption" of the guarantee in the assessment. The value is determined taking into consideration the fire sale value1 (SRV) of the asset. In case of individual guarantee positions, with gross exposure:

o greater than the relevant threshold of euro 300,000: the value of the asset must be certified by an appraisal. Considering this valuation, the Manager of the non-performing position must renew the appraisal during the classification of the exposure as Unlikely to Pay and, subsequently, every 12 months. If the value of the real estate collateral of the individual position has already been estimated and it is lower than euro 300,000, the update of the appraisal is evaluated on the basis of the incidence of the value of the real estate collateral on the gross exposure;

o lower than the relevant threshold of euro 300,000: the value of the real estate property is automatically updated every six months through the use of price changes provided by a specialized third party company that uses methodologies based on the revision of the data provided by the Italian Internal Revenue Agency (Real Estate Market Observatory).

In order to prudently consider any depreciation of real estate properties provided as collateral and to correctly quantify the effective value, the Manager must use the market value with assumption.

- in the credit analytical assessment, if the value of the real estate collateral refers to an out-of-date appraisal, a reduction (haircut) is applied based on the age and the type of debtor. If the market value with assumption is not available, the non-performing loan Manager must use the market value applying specific reductions (haircuts).

The non-performing loan Manager may propose additional provisions against the perception of an increase in the perceived risk. These proposals to revise provisions are automatically subject to a resolution procedure, managed through the Electronic Management Procedure (PEG). It requires the intervention of intermediary Bodies that must express a non binding opinion and of the competent deliberating Body as defined in the "Regulations of the limits of autonomy and powers for loan granting and management".

Furthermore, the PEG procedure historicizes all information and evaluation expressed on the position for decision tracking purposes.

Bad loans (Sofferenze)

The "Bad Loans" management model is based on the specialization of management competences between internal structures of Banco BPM and external ones, envisaging that positions with higher relevance and complexity are internally managed.

This model envisages:

- the assignment to the "Non Core NPE" unit of the coordination of all the activities for the recovery of Bad Loans and the direct management of customers classified as non-performing who are not assigned to the external management mandate in terms of size and reputational impact;

- the assignment to an external Servicer of the direct management – through a specific mandate and with predefined limits – of clients classified as non-performing not internally managed;

- the possibility, in particular circumstances, to call back from the Servicer any positions previously assigned.

The Servicer's activity is always monitored by the unit "Performance Management NPE".

The internal management responsibility is assigned to specialized managers, all of whom report directly to the Non Core NPE unit. They are identified among the resources with legal skills.

For internally managed positions, the Manager, after a first attempt to contact the borrower and guarantors, defines, on a case by case basis, whether it is possible to collect the debt out of court, or to activate legal actions, such as the registration of a lien on real estate assets of the borrower or guarantors.

In the case of legal actions, the process involves external law firms for executive activities; they are contacted by internal managers. They coordinate actions relating to the borrower and guarantors and send proposals to the competent decision-making bodies.

- "Bad Loans" with exposure within the relevant threshold of Euro 1,000,000 are automatically assigned loss forecasts.

- "Bad Loans" with exposure exceeding the relevant threshold must be subject to a periodic review by the Manager of the Bad Loan in order to verity the consistency of loss forecasts, except for positions with a loss forecast equal or higher than the 95%. When analytically assessing bad loans, the Manager of the Bad Loan must apply – consistently with the Guidelines regarding management of loans classified as bad – the

"gone concern" approach which envisages, as the main source of repayment, the amount obtained from the sale of the assets subject to any secured guarantee (pledge or appraisal). In addition to this source of repayment, potential repayment flows from the asset of the debtor or guarantors must be assessed as well as any liquidity or other sources of income, other than real estate assets of the debtor or guarantors.

- With secured guarantees on real estate assets, the Manager of the "Bad Loan" must consider the effective value of the guarantee in the appraisal, as specified below.

- in order to quantify the coverage of the exposure provided by the real estate asset, the "market value with assumption (MVWA)"[6] - must be acquired in addition to the market value of the asset. The MVWA must be certified through a monitoring appraisal, drawn down according to the method-related indications approved by the Bank. The value formulated at the auction by the competent Court if there are active judicial procedures are considered like a MVWA.

- For individual guaranteed positions, with gross exposure:

o greater than euro 300,000: the market value and the MVWA of the asset must be certified by an appraisal that must be renewed once the position is classified as Bad Loan and, subsequently, every 12 months. If the value of the asset of the single position has already been estimated and it is lower than the threshold of euro 300,000, the update of the appraisal is evaluated on the basis of the incidence of the value of the real estate collateral on the gross exposure;

o lower than euro 300,000: the value of the real estate property is automatically updated every six months through the use of price changes provided by a specialized third party company that uses methodologies based on the revision of the data provided by the Italian Internal Revenue Agency (Real Estate Market Observatory);

- for secured positions where the sum of the gross exposure is higher than the euro 300,000 euro threshold, the market value and the MVWA of the asset must refer to the value of the asset as reported by an expert appraisal. The appraisal must be renewed once the position is classified as Bad Loans and, then, every 12 months;

- in order to prudently taken into account the depreciation of properties provided as collateral and to quantify their expected value, the Bad Loan Manager must use the MVWA. If the value of the real estate collateral refers to an out-of-date appraisal, a reduction (haircut) is applied based on the vintage and the type of debtor in relation to specific tables indicated in the internal Guidelines for the management of Bad Loans.

The Bad Loan Manager must periodically review the provisions of positions over the relevant threshold according to the frequency criteria set out in the internal "Guidelines for the management of bad loans".

[6] "The market value with assumption" replaces the value of ready realisation or fire sale value and is determined according to the definition set out in Regulation (EU) 575/2013 article 4 paragraph 1 point 76, considering that all the conditions set out in the explanation cannot be satisfied. For further information on the concept of 'assumption', please refer to the ABI 2018 (3.1), TEGoVA (EVS 2016 - EVS.1) and RICS 2017 (VPS 4.8) guidelines.

In particular, the receivables valuation must be continuously updated and when any new elements that may generate a significant change either in recoverable cash flows or in the expected loss arise.

The minimum revision frequency shall be differentiated according to (i) the size of the estimated recovery forecasts, (ii) the presence of real guarantees that are supporting the loan and (iii) the expected loss.

The periodical analytical review of the loss forecast is not required for positions with an exposure under the relevant threshold for the flat-rate valuation and for those with a predicted recovery lower or equal to the 5% of the total exposure.

For remaining positions, the review is required at least every 12 months for all the positions with a predicted recovery of more than 1.000.000 euro.

For secured positions, a review is required at least every 12 months coherently with the needed timing for the renewal of the appraisals.

For the unsecured positions, the review is requested:

- at least every 12 months for the positions with a predicted recovery of more than 1,000.000 euro;

- at least every 24 months for the positions with a gross coverage (any write-offs made included) at least equal to the 80% of total receivables.

If necessary, the expected loss may also be revised before the periodical review of the position.

For positions with an exposure over the relevant threshold, the expected loss review must be anticipated with respect to the periodical review in case there has been an automatic detection of a relevant reduction of the market value of the guarantees, (ii) in case of a new bidding for the collateral or (iii) in case of serious adverse events.

The above rules also apply to Bad Loans under external management.

Proposals to revise provisions are automatically subject to a decision-making process managed through the IT Procedure (named "PEG"), which requires the intervention of intermediary Bodies, responsible for providing an opinion, and the competent decision-making body as defined in the "Regulations of the limits of autonomy and powers for loan granting and management".

Furthermore, the PEG procedure historicizes all the information and evaluation expressed on the position for decision tracking purposes.

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 operating structures because they are first in charge of the process of risk management.

In compliance with this responsibility, during daily operations, operating structures must identify, measure or evaluate, monitor and mitigate the risks deriving from the normal course of the business in compliance with the risk management process.

First-level line controls can be either "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 line controls include those carried out by the "Monitoring and Default Prevention" and "Credit Governance" departments ", or by other structures that carry out the operations.

Through the second-level line controls, the above departments exercise their 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 on the operational structures to press for corrective actions, either directly or by means of the central structures of the Area Offices and of the Companies of the Banking Group.

The line controls (of first and second level) can be implemented either systematically or by sampling.

These controls are defined in the regulations on loans issued with reference to each process, according to criteria and methods able to 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 to ensuring the correct implementation of the risk management processes 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 which characterizes the level II controls concerns the fact that they are carried out by a risk control unit separate from the production one. Consequently, the level II controls include the goal to ensure that level I controls are effectively performed as well.

The level II controls regarding loans are assigned to the Risks unit through the "Loan control and monitoring function".

This unit is responsible for the verification of the correct implementation of the lending processes by the business units, respecting the already established rules and, more specifically, with reference to:

- the monitoring of the performance of exposures classified as performing;
- the monitoring of the performance of exposures classified as non-performing loans;

- the consistency of the classification in the operational statuses of the "Loan management and monitoring: watch list" process, among the exposures subject to concessions of "tolerance" (forbearance), in the statuses of the non-performing loan;
- the appropriateness of the provisions;
- the suitability of the debt recovery process.

Level II controls efficiency is ensured through the identification and definition of a "basic" series of controls. They are defined without affecting the autonomy of the "Loan control and monitoring function" in identifying and carrying out other controls activities deemed functional for the assigned role.

The controls envisage the systematic application of indicators of anomaly to the loan portfolio, the assessment of the deviations detected from time to time, the in-depth analysis of the individual positions and, if necessary, adaptation measures on the same

THE GUARANTOR

Introduction

The Guarantor was incorporated in the Republic of Italy on 21 September 2007 pursuant to the Securitisation and Covered Bonds Law as a limited liability company (società a responsabilità limitata) under the name **Duse Finance S.r.l.** and changed its name into **BPM Covered Bond S.r.l.** and modified its corporate object by the resolution of the meeting of the Guarantor Quotaholders held on 3 June 2008. The Guarantor is registered at the Companies' Registry of Rome under registration number 09646111006. The registered office of the Guarantor is at Via Curtatone 3, 00185, Rome, Italy and its telephone number is +39 068091531. The Guarantor has no employees and no subsidiaries. The Guarantor's by-laws provide for the termination of the same in 2050 subject to one or more extentions to be resolved, in accordance with the by-laws, by a Quoteholders's resolution.

The legal entity identifier (LEI) of the Guarantor is 81560053F1023BE1D690.

The Guarantor performs Covered Bond activities in accordance with the Securitisation and Covered Bonds Law and, in compliance with Bank of Italy's instructions of 21 January 2014 has recognised the acquired loans, the issued notes and the other transactions accomplished during the course of the securitisation in the explanatory notes to the financial statements and not in the balance sheet. As disclosed by the Guarantor's management, the recognition of financial assets and liabilities in the explanatory notes of the financial statements is done in conformity with the administrative dispositions issued by the Bank of Italy based on article 9 of legislative decree 38/2005, in accordance with the international accounting standards.

Banco BPM Group

On 30 May 2008, the Bank of Italy has authorised the purchase by the Issuer has purchased 80% of the quota capital of the Guarantor. The Guarantor is consolidated in the Banco BPM Group as it is reported in the financial statements of the Issuer. For further information on the Banco BPM Group, please refer to paragraph "*Business Description of the Issuer and the Group*" above.

Principal Activities

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

Share Capital

The outstanding capital of the Guarantor is €10,000.00 divided into quotas as described below. The quotaholders of the Guarantor are as follows:

Quotaholder	**Quota**
Banco BPM	€8,000.00 (80% of capital)
Stichting Horizonburg*	€2,000.00 (20% of capital)

**Stichting Horizonburg is a Dutch foundation whose director is ANT Securitisation Services B.V.*

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

Management

Board of Directors

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

Name	**Position**	**Principal activities performed outside the Guarantor**
Giorgio Pellagatti	Chairman of the Board of Directors	Head of Planning and Control Department of BPM
Franco Marini	Director	Financial Consultant
Angelo Zanzi	Director	Head of Financial Reporting of BPM

The business address of the Board of Directors of the Guarantor is Via Curtatone, 3, 00185 Roma, Italy.

Board of Statutory Auditors

Under the Quotaholders' Agreement the Guarantor Quotaholders have undertaken that, if, at any time, a Board of Statutory Auditors shall be appointed, it shall be composed of three members which shall appointed as follows: one by Stichting Horizonburg and two by Banco BPM S.p.A.

Conflict of Interest

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

The Quotaholders' Agreement

Pursuant to the term of the Quotaholders' Agreement entered into on or about the date of this Prospectus, between Banco BPM and Stichting Horizonburg, as sole quotaholders of the Guarantor, and the Representative of the Bondholders, the quotaholders have agreed, *inter alia*, not to amend the by-laws (*statuto*) of the Guarantor and not to pledge, charge or dispose of the quotas (save as set out below) of the Guarantor without the prior written consent of the Representative of the Bondholders. The Quotaholders' Agreement is governed by, and will be construed in accordance with, Italian law.

Financial Statements

The financial year of the Guarantor ends on 31 December of each calendar year.

PricewaterhouseCoopers Advisory SpA is appointed to perform the audit of the financial statements of the Guarantor up to the years ending on 31 December 2019 and on 31 December 2020.

PricewaterhouseCoopers S.p.A. is authorized and regulated by the Italian Ministry of Finance (**MEF**) and registered on the special register of auditing firms held by MEF. The registered office of PricewaterhouseCoopers S.p.A. is at Piazza Tre Torri, 2, 20145 Milan, Italy.

Copies of the financial statements of the Guarantor for each financial year may be inspected and obtained free of charge during usual business hours at the specified offices of the Principal Paying Agent and of the Representative of the Bondholders.

The Guarantor has not, from the date of its incorporation, carried out any business activities nor has incurred in any financial indebtedness (other than those incurred in the context of the Programme). Nevertheless, in accordance with Italian law (requiring all companies to approve a balance sheet within a specified period from the end of each finacial year), the Guarantor has prepared its financial statements for the period between its incorporation (21 September 2007) and the end of its financial year (31 December 2020). The following table shows the summary figures of the Guarantor's financial statements as at 31 December 2019 and as at 31 December 2020 as approved by the meeting of the quotaholders of the Guarantor on 5 February 2020 and on 5 February 2021.

Balance sheet as at 31 December 2020

Assets	Euro
Due from banks	10,000
Other assets	39,651
Tax assets	-
Total Assets	49,651
Liabilities and Quotaholders' Equity	
Tax liabilities	-
Other liabilities	39,651
Quotaholders' Equity	
Authorised, issued and outstanding capital Euro 10,000 (2 quotas of Euro 8.000 and Euro 2.000)	10,000
Total Quotaholders' Equity	10,000
Total Liabilities and Quotaholders' Equity	49,651

Statements of income as at 31 December 2019

Income Statement	Euro
Administrative expenses	124,883
Other operating income and expenses	124,883
Operating costs	-
Profit (loss) before tax from continuing operations	-
Income tax for the year on continuing operations	-
Net profit (loss) for the year	-

Balance sheet as at 31 December 2019

Assets	**Euro**
Due from banks	10,000
Other assets	41,165
Tax assets	-
Total Assets	51,165

Liabilities and Quotaholders' Equity	
Tax liabilities	-
Other liabilities	41,165
Quotaholders' Equity	
Authorised, issued and outstanding capital	10,000
Euro 10,000 (2 quotas of Euro 8.000 and Euro 2.000)	
Total Quotaholders' Equity	10,000
Total Liabilities and Quotaholders' Equity	51,165

Statements of income as at 31 December 2019

Income Statement	**Euro**
Administrative expenses	126,346
Other operating income and expenses	126,346
Operating costs	-
Profit (loss) before tax from continuing operations	-
Income tax for the year on continuing operations	-
Net profit (loss) for the year	-

DESCRIPTION OF THE TRANSACTION DOCUMENTS

GUARANTEE

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Guarantee pursuant to which the Guarantor issued, for the benefit of the Bondholders and the Other Guarantor Creditors, a first demand, unconditional, irrevocable and autonomous guarantee to support payments of interest and principal under the Covered Bonds issued by Banco BPM S.p.A. under the Programme and of the amounts due to the Other Guarantor Creditors. Under the Guarantee the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Guarantee constitute direct and (following the occurrence of an Issuer Event of Default, the service of an Issuer Default Notice on the Issuer and the Guarantor or, if earlier, the service on the Issuer and the Guarantor of a Guarantor Default Notice) unconditional, unsubordinated and limited recourse obligations of the Guarantor, backed by the Cover Pool as provided under the Securitisation and Covered Bonds Law, Decree No. 310 and the Bank of Italy Regulations. Pursuant to the terms of the Guarantee, the recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

Under the Guarantee the parties thereof have agreed that as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer, the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall exercise, on an exclusive basis and in compliance with the provisions of article 4 of the Decree No. 310, the rights of the Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds.

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

(a) without prejudice to the effects of a suspension of payments by the Issuer pursuant to article 74 of the Consolidated Banking Act and under article 4, sub-paragraph 4, of Decree No. 310, following the service of an Issuer Default Notice on the Issuer and on the Guarantor (but prior to a Guarantor Event of Default), on each Guarantor Payment Date that falls on an Interest Payment Date, an amount equal to those Guaranteed Amounts which shall become Due for Payment, but which have not been paid by the Issuer to the relevant Bondholders on the relevant Interest Payment Date; or

(b) following the service of a Guarantor Default Notice on the Guarantor in respect of the Covered Bonds of each Series (which shall have become immediately due and repayable), the Guaranteed Amounts.

All payments of Guaranteed Amounts by or on behalf of the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor shall pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted.

The Guarantor shall not be obliged to pay any amount to any Bondholder in respect of the amount of such withholding or deduction.

To the extent that the Guarantor makes, or there is made on its behalf, a payment of any amount under the Guarantee, the Guarantor will be fully and automatically subrogated to the Bondholders' rights against the Issuer for the payment of an amount corresponding to the payments made by the Guarantor with respect to the relevant Series of Covered Bonds under this Guarantee, to the fullest extent permitted by applicable law.

Governing law

The Guarantee and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

SUBORDINATED LOAN AGREEMENT

The Seller entered into a Subordinated Loan Agreement with the Guarantor, pursuant to article 7-*bis* of the Securitisation and Covered Bonds Law under which each of Banco BPM S.p.A. granted to the Guarantor a term loan facility in an aggregate amount equal to the relevant Total Commitment, for the purposes of (a) funding the purchase price of the relevant Receivables and/or (b) funding the purchase of Substitution Assets or other Eligible Assets pursuant to the terms of the Cover Pool Management Agreement.

Each Term Loan granted pursuant to the Subordinated Loan Agreement shall be identified in (A) a Term Loan A which is a Term Loan (i) advanced concurrently with an issue of a Series of Covered Bonds, (ii) identified by reference to the relevant Series of Covered Bonds so issued or to be issued and (iii) for an amount equal to the principal amount of the relevant Series of Covered Bonds so issued or to be issued; and (B) a Term Loan B which is a Term Loan (i) advanced for the purpose of funding the purchase of Substitution Assets; and/or (ii) advanced for the purpose of purchasing other Eligible Assets to be sold in accordance with the Cover Pool Management Agreement; and/or (iii) advanced concurrently with the advance of a Term Loan A, for an amount equal to the difference between the Term Loan A and the aggregate amount advanced on such Drawdown Date and/or (iv) being any principal amount still outstanding of a Term Loan A on the Maturity Date (or the Extended Maturity Date) of the Corresponding Series of Covered Bonds and not paid at such date and/or (v) advanced for the purpose of purchasing Eligible Assets to serve as Cover Pool for a future issuance of a Corresponding Series of Covered Bonds and to be regulated in accordance with the Subordinated Loan Agreement.

Each Term Loan A shall accrue interest on its principal amount outstanding at a rate calculated on the same basis as the interest computed under the Corresponding Series of Covered Bonds (the **Base Interest**) and shall be payable on each Guarantor Payment Date falling on any Interest Payment Date following the relevant Drawdown Date in accordance with the relevant Priority of Payments. A Premium may also be payable on each Term Loan A on each relevant Guarantor Payment Date, in accordance with the relevant Priority of Payments.

In respect of a Term Loan B a Premium may be payable on each Guarantor Payment Date following the relevant Drawdown Date, subject to the relevant Priority of Payments.

Each Term Loan A shall be due for final repayment on the date that matches the Maturity Date (or, as applicable, Extended Maturity Date) of the Corresponding Series of Covered Bonds,

and shall be payable within the limits of the Guarantor Available Funds and in accordance with the relevant Priority of Payments, provided that, if on such date the relevant Term Loan A has not been repaid in full, any amount outstanding thereunder shall be deemed as a Term Loan B and the provisions of the Subordinated Loan Agreement regulating the repayment of a Term Loan B shall apply.

Each Term Loan A shall be subject to partial repayment on each Guarantor Payment Date, prior to a Segregation Event and/or an Issuer Event of Default, according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, as follows:

(i) *mandatory repayment*: if the Substitution Assets exceed the 15% Limit, for an amount equal to the Limit Excess Amount; and/or

(ii) *early repayment*: if the Subordinated Lender has sent a Term Loan A Redemption Request, for the amount indicated by the Subordinated Lender in such Term Loan A Redemption Request, in any case within the limits of the Term Loan A Redemption Amount,

provided, that each of such repayment does not result in a breach of Tests, a Segregation Event or an Issuer Event of Default.

Each Term Loan B shall be repaid on each Guarantor Payment Date prior to an Issuer Event of Default according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, provided that such repayment does not result in a breach of any of the Tests and provided that, unless repaid in full prior to such date, it shall be due for repayment on the Programme Maturity Date or the Extended Programme Maturity Date, again within the limits of the then Guarantor Available Funds and in accordance with the relevant Priority of Payments.

Amounts owed by the Guarantor under the Subordinated Loan Agreement will be subordinated to amounts owed by the Guarantor under the Guarantee.

To the extent that the Guarantor makes a payment under the Guarantee, Banco BPM S.p.A. will become indebted to the Guarantor for an amount equal to the relevant payment. Any amounts owing by Banco BPM S.p.A. to the Guarantor in respect of amounts paid by the Guarantor under the Guarantee shall be set-off automatically against any amounts repayable by the Guarantor under the terms of the Subordinated Loan Agreement granted by Banco BPM S.p.A.

Pursuant to the Subordinated Loan Agreement each Term Loan that has been repaid in accordance with the terms thereof will be available to the Guarantor for redrawing during the Availability Period within the limits of the relevant Total Commitment.

Payments by the Issuer of amounts due to the Bondholders under the Guarantee are not conditional upon receipt by the Issuer of payments from the Guarantor pursuant to the relevant Subordinated Loan Agreement.

Governing law

The Subordinated Loan Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

BANCO BPM SUBORDINATED LOAN AGREEMENT

On 19 April 2018 Banco BPM entered into a Subordinated Loan Agreement with the Guarantor, pursuant to article 7-*bis* of the Securitisation and Covered Bonds Law under which Banco BPM granted to the Guarantor a term loan facility in an aggregate amount equal to the relevant Total Commitment, for the purposes of (a) funding the purchase price of the relevant Receivables and/or (b) funding the purchase of Substitution Assets or other Eligible Assets pursuant to the terms of the Cover Pool Management Agreement.

Each Term Loan granted pursuant to the Subordinated Loan Agreement shall be identified in (A) a Term Loan A which is a Term Loan (i) advanced for the purpose of financing (in whole or in part) the purchase of Eligible Assets to be used as collateral for issue of a Series of Covered Bonds, (ii) identified by reference to the relevant Series of Covered Bonds so issued or to be issued and (iii) for an amount equal to (1) the principal amount of the relevant Series of Covered Bonds so issued or to be issued or (2) the lower amount necessary for such purpose, taking into account the Guarantor Available Funds; and (B) a Term Loan B which is a Term Loan (i) advanced for the purpose of funding the purchase of Substitution Assets; and/or (ii) advanced for the purpose of purchasing other Eligible Assets to be sold in accordance with the Cover Pool Management Agreement; and/or (iii) advanced concurrently with the advance of a Term Loan A, for an amount equal to the difference between the Term Loan A and the aggregate amount advanced on such Drawdown Date and/or (iv) being any principal amount still outstanding of a Term Loan A on the Maturity Date (or the Extended Maturity Date) of the Corresponding Series of Covered Bonds and not paid at such date and/or (v) advanced for the purpose of purchasing Eligible Assets to serve as Cover Pool for a future issuance of a Corresponding Series of Covered Bonds and to be regulated in accordance with the Subordinated Loan Agreement.

Each Term Loan A shall accrue interest on its principal amount outstanding at a rate calculated on the same basis as the interest computed under the Corresponding Series of Covered Bonds (the **Base Interest**) and shall be payable on each Guarantor Payment Date falling on any Interest Payment Date following the relevant Drawdown Date in accordance with the relevant Priority of Payments. A Premium may also be payable on each Term Loan A on each relevant Guarantor Payment Date, in accordance with the relevant Priority of Payments.

In respect of a Term Loan B a Premium may be payable on each Guarantor Payment Date following the relevant Drawdown Date, subject to the relevant Priority of Payments.

Each Term Loan A shall be due for final repayment on the date that matches the Maturity Date (or, as applicable, Extended Maturity Date) of the Corresponding Series of Covered Bonds, and shall be payable within the limits of the Guarantor Available Funds and in accordance with the relevant Priority of Payments, provided that, if on such date the relevant Term Loan A has not been repaid in full, any amount outstanding thereunder shall be deemed as a Term Loan B and the provisions of the Subordinated Loan Agreement regulating the repayment of a Term Loan B shall apply.

Each Term Loan A shall be subject to partial repayment on each Guarantor Payment Date, prior to a Segregation Event and/or an Issuer Event of Default, according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, as follows:

(i) *mandatory repayment*: if the Substitution Assets exceed the 15% Limit, for an amount equal to the Limit Excess Amount; and/or

(ii) *early repayment*: if the Subordinated Lender has sent a Term Loan A Redemption Request, for the amount indicated by the Subordinated Lender in such Term Loan A Redemption Request, in any case within the limits of the Term Loan A Redemption Amount,

provided, that each of such repayment does not result in a breach of Tests, a Segregation Event or an Issuer Event of Default.

Each Term Loan B shall be repaid on each Guarantor Payment Date prior to an Issuer Event of Default according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, provided that such repayment does not result in a breach of any of the Tests.

Amounts owed by the Guarantor under the Subordinated Loan Agreement will be subordinated to amounts owed by the Guarantor under the Guarantee.

To the extent that the Guarantor makes a payment under the Guarantee, Banco BPM will become indebted to the Guarantor for an amount equal to the relevant payment. Any amounts owing by Banco BPM to the Guarantor in respect of amounts paid by the Guarantor under the Guarantee shall be set-off automatically against any amounts repayable by the Guarantor under the terms of the Subordinated Loan Agreement granted by Banco BPM.

Pursuant to the Subordinated Loan Agreement each Term Loan that has been repaid in accordance with the terms thereof will be available to the Guarantor for redrawing during the Availability Period within the limits of the relevant Total Commitment.

Payments by the Issuer of amounts due to the Bondholders under the Guarantee are not conditional upon receipt by the Issuer of payments from the Guarantor pursuant to the relevant Subordinated Loan Agreement.

Governing law

The Subordinated Loan Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

MASTER RECEIVABLES PURCHASE AGREEMENT

The Seller entered into a Master Receivables Purchase Agreement with the Guarantor in accordance with the combined provisions of articles 4 and 7-*bis* of the Securitisation and Covered Bonds Law, pursuant to which the Seller assigned and transferred, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), the Receivables comprised in the Initial Portfolio.

Under the Master Receivables Purchase Agreements, upon satisfaction of certain conditions set out therein, the Seller (i) undertook to assign and transfer in the future, without recourse (*pro soluto*), to the Guarantor and the Guarantor undertook to purchase in the future, without recourse (*pro soluto*) from the Seller, Subsequent Portfolios if such transfer is required under the terms of the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Tests; and (ii) may transfer Subsequent Portfolios to the Guarantor, and the Guarantor shall purchase from the Seller such Subsequent Portfolios, in order to supplement the Cover Pool in connection with the issuance by the Issuer of further Series of Covered Bonds under the Programme in accordance with the Programme Agreement.

Prior to the occurrence of a Guarantor Event of Default, Portfolios may only be offered or purchased if the following conditions are satisfied:

(a) the First Series of Covered Bonds has been issued and fully subscribed;

(b) a Guarantor Default Notice has not been served on the Guarantor;

(c) such transfer will not result in a breach of any requirements of law (including, but not limited to, the Securitisation and Covered Bonds Law, Decree No. 310 and the Bank of Italy Regulations), including compliance of the Cover Pool with the 15 per cent threshold limit with respect to the Substitution Assets in accordance with Decree No. 310 and the Bank of Italy Regulations.

In addition, at least the 98% of the Mortgage Loans included in the Cover Pool are granted to Debtors resident in the Republic of Italy, provided that such additional condition can be amended or derogated by the Parties subject to the prior notice to the Rating Agency.

Each Initial Portfolio Purchase Price payable pursuant to the Master Receivables Purchase Agreements is equal to the aggregate Individual Purchase Price of all the Receivables included in the relevant Initial Portfolio. The Individual Purchase Price for each Receivable included in the relevant Initial Portfolio is equal to (i) the most recent book value (*ultimo valore di iscrizione in bilancio*) of all the Receivables included in the relevant Initial Portfolio; plus (ii) any Accrued Interest; less (iii) any principal Collections received by the Seller from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione in bilancio*) is calculated (included). Under the Master Receivables Purchase Agreements the parties thereof have acknowledged that each Initial Portfolio Purchase Price shall be funded through the proceeds of the first Term Loan under the Subordinated Loan Agreement.

The Receivables comprised in each Initial Portfolio and Subsequent Portfolio meet the Common Criteria (described in detail in the section headed **Description of the Cover Pool**). Receivables comprised in any Subsequent Portfolio to be transferred under the Master Receivables Purchase Agreement shall meet, in addition to the Common Criteria, the relevant Additional Criteria and/or any Further Criteria (both as defined below).

As consideration for the transfer of any Subsequent Portfolios, pursuant to the Master Receivables Purchase Agreements, the Guarantor will pay to the Seller an amount equal to the aggregate of the Individual Purchase Price of all the relevant Receivables as at the relevant Valuation Date. The Individual Purchase Price for each Receivable included in each Subsequent Portfolio will be equal to (a) (i) the book value as of the most recent audited balance sheet (*ultimo valore di iscrizione in bilancio*) of all the Receivables included in the relevant Subsequent Portfolio and (ii) for those Receivables originated after such audited balance sheet, the value certified by the auditors of Banco BPM in accordance with the provisions of the Bank of Italy Regulations; plus (b) any Accrued Interest; less (c) any principal Collections received by the Seller from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione in bilancio*) is calculated (included) to the relevant Valuation Date (included), provided that the Seller and the Guarantor may agree to use different criteria for the calculation of the purchase price of any Subsequent Portfolio in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to

the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310.

Pursuant to the Master Receivables Purchase Agreements, prior to the service of an Issuer Default Notice, the Seller will have the right to repurchase Receivables, in accordance with articles 1260 and following of the Civil Code or in accordance with article 58 of the Consolidated Banking Act, as the case may be, transferred to the Guarantor under the Master Receivables Purchase Agreements in the following circumstances:

(a) to purchase Excess Receivables (to be selected on a random basis);

(b) to purchase any Non Performing Receivables;

(c) to purchase Receivables arising from Mortgage Loans which have become non-eligible in accordance with Decree No. 310; or

(d) to purchase Affected Receivables.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor may or, following an Issuer Default Notice, shall sell Selected Assets included in the Cover Pool in accordance with the terms of the Cover Pool Management Agreement and the Seller, pursuant to the relevant Master Receivables Purchase Agreement, has the right of pre-emption to buy such Selected Assets.

The transfer of the Initial Portfolio and each Subsequent Portfolios of the Seller were made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of the Securitisation and Covered Bonds Law). Notice of the relevant assignments were published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) and filed for publication in the companies' register (*registro delle imprese*) of Rome.

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

Governing law

The Master Receivables Purchase Agreements and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

BANCO BPM MASTER RECEIVABLES PURCHASE AGREEMENT

On 19 April 2018 Banco BPM entered into a Master Receivables Purchase Agreement with the Guarantor in accordance with the combined provisions of articles 4 and 7-*bis* of the Securitisation and Covered Bonds Law, pursuant to which Banco BPM assigned and transferred, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), the Receivables comprised in the Initial Portfolio.

Under the Master Receivables Purchase Agreements, upon satisfaction of certain conditions set out therein, Banco BPM (i) undertook to assign and transfer in the future, without recourse (*pro soluto*), to the Guarantor and the Guarantor undertook to purchase in the future, without recourse (*pro soluto*) from Banco BPM, Subsequent Portfolios if such transfer is required under the terms of the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Tests; and (ii) may transfer Subsequent Portfolios to the Guarantor, and

the Guarantor shall purchase from Banco BPM such Subsequent Portfolios, in order to supplement the Cover Pool in connection with the issuance by the Issuer of further Series of Covered Bonds under the Programme in accordance with the Programme Agreement.

Prior to the occurrence of a Guarantor Event of Default, Portfolios may only be offered or purchased if the following conditions are satisfied:

(a) a Guarantor Default Notice has not been served on the Guarantor;

(b) such transfer will not result in a breach of any requirements of law (including, but not limited to, the Securitisation and Covered Bonds Law, Decree No. 310 and the Bank of Italy Regulations), including compliance of the Cover Pool with the 15 per cent threshold limit with respect to the Substitution Assets in accordance with Decree No. 310 and the Bank of Italy Regulations.

The Initial Portfolio Purchase Price payable pursuant to the Master Receivables Purchase Agreements is equal to the aggregate Individual Purchase Price of all the Receivables included in the Initial Portfolio. Under the Master Receivables Purchase Agreement the parties thereof have acknowledged that each Initial Portfolio Purchase Price shall be funded through the proceeds of the first Term Loan under the Subordinated Loan Agreement.

The Receivables comprised in each Initial Portfolio and Subsequent Portfolio meet the Common Criteria (described in detail in the section headed **Description of the Cover Pool**). Receivables comprised in any Subsequent Portfolio to be transferred under the Master Receivables Purchase Agreement shall meet, in addition to the Common Criteria, the relevant Additional Criteria and/or any Further Criteria (both as defined below).

As consideration for the transfer of any Subsequent Portfolios, pursuant to the Master Receivables Purchase Agreements, the Guarantor will pay to Banco BPM an amount equal to the aggregate of the Individual Purchase Price of all the relevant Receivables as at the relevant Valuation Date. The Individual Purchase Price for each Receivable included in each Subsequent Portfolio will be equal to (i) the book value as of the most recent audited balance sheet (*ultimo valore di iscrizione in bilancio*) of all the Receivables included in the relevant Subsequent Portfolio; plus (ii) any Accrued Interest; less (iii) any principal Collections received by Banco BPM from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione in bilancio*) is calculated (included) to the relevant Valuation Date (excluded), provided that Banco BPM and the Guarantor may agree to use different criteria for the calculation of the purchase price of any Subsequent Portfolio in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310.

Pursuant to the Master Receivables Purchase Agreements, prior to the service of an Issuer Default Notice, Banco BPM will have the right to repurchase Receivables, in accordance with articles 1260 and following of the Civil Code or in accordance with article 58 of the Consolidated Banking Act, as the case may be, transferred to the Guarantor under the Master Receivables Purchase Agreements in the following circumstances:

(a) to purchase Excess Receivables (to be selected on a random basis);

(b) to purchase any Non Performing Receivables;

(c) to purchase Receivables arising from Mortgage Loans which have become non-eligible in accordance with Decree No. 310; or

(d) to purchase Affected Receivables.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor may or, following an Issuer Default Notice, shall sell Selected Assets included in the Cover Pool in accordance with the terms of the Cover Pool Management Agreement and Banco BPM, pursuant to the relevant Master Receivables Purchase Agreement, has the right of pre-emption to buy such Selected Assets.

The transfer of the Initial Portfolio and each Subsequent Portfolios of Banco BPM were made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of the Securitisation and Covered Bonds Law). Notice of the relevant assignments were published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) and filed for publication in the companies' register (*registro delle imprese*) of Rome.

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

Governing law

The Master Receivables Purchase Agreements and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

WARRANTY AND INDEMNITY AGREEMENT

The Seller entered into a Warranty and Indemnity Agreement with the Guarantor, pursuant to which the Seller has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself, the relevant Receivables, the Real Estate Assets and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the relevant Receivables.

The Warranty and Indemnity Agreement contains representations and warranties given by each of the Seller as to matters of law and fact affecting each of the Sellers including, without limitation, that each of the Seller validly exists as a legal entity, has the corporate authority and power to enter into the Transaction Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

The Warranty and Indemnity Agreement sets out standard representations and warranties in respect of the Receivables including, *inter alia*, that, as of the date of execution of the relevant Warranty and Indemnity Agreement:

(a) the Receivables comprised in the Initial Portfolio are valid, in existence and in compliance with the Criteria;

(b) each Mortgage Loan Agreement, as amended and/or supplemented even pursuant to a burden deed (*atto di accollo*) has been entered into, executed and performed and the

advance of each Mortgage Loan has been made in compliance with all applicable laws, rules and regulations, including, without limitation, all laws, rules and regulations relating to *credito fondiario*, usury, personal data protection and disclosure in force at the time, as well as in accordance with commercial practice, including origination guidelines and lending policies and procedures adopted from time to time by the Seller;

(c) each authorisation, approval, consent, license, registration, recording, filing, presentation, or notarisation or other action which is required to ensure the validity, legality, or effectiveness of the rights and obligations of the relevant parties to each Mortgage Loan Agreement, Mortgage, Collateral Security or of any other agreement, deed or document relating thereto, has been duly and unconditionally obtained, made or taken by the time of execution of each Mortgage Loan Agreement, Mortgage and Collateral Security and other agreement, deed or document relating thereto, or by such other time as is required by any applicable law;

(d) each Mortgage Loan has been fully and timely advanced and drawn down by the relevant Debtor, as evidenced by the relevant disbursement agreements and the relevant receipts, and there is no obligation on the part of the Seller to advance or disburse further amounts in connection with the relevant Mortgage Loan;

(e) each Mortgage Loan Agreement has been entered into substantially in the form of the Seller's standard form agreement as adopted from time to time. No Mortgage Loan Agreement has been substantially amended with respect to the Seller's standard form agreement from the date of its execution;

(f) all Mortgage Loans were granted in accordance with the criteria set out in the Seller's origination and underwriting procedures applicable from time to time or, in relation to Mortgage Loans purchased by a Seller from different banks, in accordance with the criteria of the relevant originator, substantially in line with the Seller criteria. For any Mortgage Loan granted on the basis of an appraisal carried out by an external appraiser (i.e. not a in-house appraiser of the Seller), such appraiser's fee was not conditional or subordinated to the approval of such Mortgage Loan Agreement and, to the best of the Seller's knowledge, having taken all reasonable care to ensure that such is the case, such appraiser at no time had any direct or indirect interest in the related Real Estate Asset and Mortgage Loan Agreements;

(g) each Mortgage is economically a first ranking mortgage (*ipoteca di primo grado*), i.e. (i) a first ranking priority mortgage, or (ii) (A) a voluntary second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage, or (iii) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is the Seller who, or whose obligations, are secured by such second or subsequent ranking priority mortgages arise from Mortgage Loans transferred to the Guarantor. There are no other mortgages in relation to the Real Estate Assets in favour of third parties which rank *pari passu* with or in priority to the Mortgages;

(h) each Receivable is fully and unconditionally owned by, and available to, the Seller and is not subject to any lien (*pignoramento*), seizure (*sequestro*) or other charges in favour of any third party and is freely transferable to the Guarantor. The Seller holds sole and unencumbered legal title to each of the Mortgage Loan Agreements and it has not assigned (whether absolutely or by way of security), charged, transferred or otherwise disposed of any of the Mortgage Loan Agreements, the Mortgage Loans and/or the Receivables or otherwise created, allowed creation of, or constitution of any lien, pledge, encumbrance, or any other right, claim or beneficial interest of any third party on any of the Mortgage Loan Agreements, the Mortgage Loans and/or the Receivables;

(i) as of the Valuation Date, each Mortgage Loan is classified as performing (*in bonis*) and at least one Instalment has been paid;

(j) as of the Valuation Date, no Mortgage Loan falls within the definition of a defaulted debt (*credito in sofferenza*), unlikely to pay debt (*inadempienze probabili*) or a debt that is in the process of being restructured (credito in corso di ristrutturazione) under the Bank of Italy supervisory regulations (*Istruzioni di Vigilanza*) or under the Credit and Collection Policy;

(k) the books, the records, data and the documents relating to the Mortgage Loan Agreements and the Receivables, all instalments and any other amounts paid or repaid thereunder are in all material respects complete, proper and up to date, and all such books, records, data and documents are kept by and available to the Seller;

(l) all the Real Estate Assets were existing and fully owned by the relevant Mortgagors at the time the Mortgage was perfected;

(m) the Insurance Policies are in full force, valid and regulated by Italian law and the Seller has the right to require that all payments to be made pursuant to the relevant Insurance Policies are made directly to it or any of its assignees different from the relevant Debtor and that all the interests and rights in favour of the relevant Debtor arising from the Insurance Policies can be assigned to the Guarantor without affecting the validity of each Insurance Policy;

(n) at the relevant Valuation Date, each of the Real Estate Assets was completed and not under construction. Each Real Estate Asset was constructed in full compliance with all applicable planning and building laws and regulations (*legislazione edilizia, urbanistica e vincolistica*) or where it did not comply a petition of amnesty with reference to any existing irregularity had been duly filed with the competent authorities. As at the relevant Valuation Date, each Real Estate Asset was marketable (*non soggetto a vizio di incommerciabilità*) and was not otherwise subject to defects (*vizi*) pursuant to Law n. 47 of 28 February 1985 (*Norme in materia di controllo dell'attività urbanistico-edilizia, recupero e sanatoria delle opere edilizie*), Law n. 146 of 12 April 1995 (*Ratifica ed esecuzione del protocollo alla convenzione sull'inquinamento atmosferico transfrontaliero*) and Law n. 298 of 21 June 1985 (*Conversione in legge, con modificazioni, del D.L. 23 aprile 1985 n. 146, recante proroga di taluni termini di cui alla L. 28 febbraio 1985 n. 47, concernente norme in materia di controllo dell'attività urbanistico-edilizia, sanzioni recupero e sanatoria delle opere abusive*), as subsequently amended and/or supplemented and/or extended, or any other relevant legislation.

(o) pursuant to the Master Receivables Purchase Agreements, the rights arising from the Insurance Policies have been duly transferred to the Guarantor. Such transfer is valid and opposable to the Seller and any other third party;

(p) each Real Estate Asset is located in Italy; and

(q) the value of the relevant Real Estate Asset is at least equal 150% of the Principal Balance of the relevant Mortgage Loan as of the date of origination.

Pursuant to the Warranty and Indemnity Agreement, the Seller has agreed to indemnify and hold harmless the Guarantor, its officers or agents or any of its permitted assigns from and against any and all damages, losses, claims, costs and expenses awarded against, or incurred by such parties which arise out of or result from, *inter alia*, (a) a default by the Seller in the performance of any of its obligations under any Transaction Document to which it is a party; (b) any representation and warranty given by the Seller under or pursuant to the relevant Warranty and Indemnity Agreement being false, incomplete or incorrect; (c) any alleged liability and/or claim raised by any third party against the Guarantor, as owner of the Receivables, which arises out of any negligent act or omission by the Seller in relation to the relevant Receivables, the servicing and collection thereof or from any failure by the Seller to perform its obligations under any of the Transaction Documents to which it is, or will become, a party; (d) the non compliance of the terms and conditions of any Mortgage Loan with the provisions of article 1283 of the Civil Code; (e) the fact that the validity or effectiveness of any security, pledge, collateral or other security interest, relating to the Mortgage Loans, has been challenged by way of claw-back (*azione revocatoria*) or otherwise, including, without limitation, pursuant to article 67 of the Bankruptcy Law; (f) any amount of any Receivable not being collected or recovered by the Guarantor as a consequence of the proper and legal exercise by any Debtor and/or insolvency receiver of a Debtor of any grounded right to termination, annullability or withdrawal, or other claims and/or counterclaims, including set off, against the Seller in relation to each relevant Mortgage Loan Agreement, Mortgage Loan, Mortgage, Collateral Security and any other connected act or document, including, without limitation, any claim and/or counterclaim deriving from non compliance with the Usury law provisions in the granting of the Mortgage Loan; (g) any Receivables being assigned under the Initial Portfolios and the Subsequent Portfolios assigned to the Guarantor, *inter alia*, on 15 June 2009, 14 October 2010, 15 October 2010 and 17 October 2011, which arise from Mortgage Loans granted to Debtors for the purpose of purchasing an house other than a first house of residence (*prima casa*); and (h) any Receivables (other than the Receivables already covered by letter (g) above) which have become a Non Performing Receivables (and in relation to which the process of legal enforcement of the real estate property has started), which arise from Mortgage Loans granted to Debtors for the purpose of purchasing an house other than a first house of residence (*prima casa*).

Governing law

The Warranty and Indemnity Agreements and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

BANCO BPM WARRANTY AND INDEMNITY AGREEMENT

On 19 April 2018 Banco BPM entered into a Warranty and Indemnity Agreement with the Guarantor, pursuant to which Banco BPM has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself, the relevant Receivables, the Real Estate

Assets and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the relevant Receivables.

The Warranty and Indemnity Agreement contains representations and warranties given by Banco BPM as to matters of law and fact affecting Banco BPM including, without limitation, that Banco BPM validly exists as a legal entity, has the corporate authority and power to enter into the Transaction Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

The Warranty and Indemnity Agreement sets out standard representations and warranties in respect of the Receivables including, *inter alia*, that, as of the date of execution of the relevant Warranty and Indemnity Agreement:

(a) the Receivables comprised in the Initial Portfolio are valid, in existence and in compliance with the Criteria;

(b) each Mortgage Loan Agreement, as amended and/or supplemented even pursuant to a burden deed (*atto di accollo*) has been entered into, executed and performed and the advance of each Mortgage Loan has been made in compliance with all applicable laws, rules and regulations, including, without limitation, all laws, rules and regulations relating to *credito fondiario*, usury, personal data protection and disclosure in force at the time, as well as in accordance with commercial practice, including origination guidelines and lending policies and procedures adopted from time to time by Banco BPM;

(c) each authorisation, approval, consent, license, registration, recording, filing, presentation, or notarisation or other action which is required to ensure the validity, legality, or effectiveness of the rights and obligations of the relevant parties to each Mortgage Loan Agreement, Mortgage, Collateral Security or of any other agreement, deed or document relating thereto, has been duly and unconditionally obtained, made or taken by the time of execution of each Mortgage Loan Agreement, Mortgage and Collateral Security and other agreement, deed or document relating thereto, or by such other time as is required by any applicable law;

(d) each Mortgage Loan has been fully and timely advanced and drawn down by the relevant Debtor, as evidenced by the relevant disbursement agreements and the relevant receipts, and there is no obligation on the part of Banco BPM to advance or disburse further amounts in connection with the relevant Mortgage Loan;

(e) each Mortgage Loan Agreement has been entered into substantially in the form of Banco BPM standard form agreement as adopted from time to time. No Mortgage Loan Agreement has been substantially amended with respect to Banco BPM standard form agreement from the date of its execution;

(f) all Mortgage Loans were granted in accordance with the criteria set out in Banco BPM origination and underwriting procedures applicable from time to time or, in relation to Mortgage Loans purchased by Banco BPM from different banks, in accordance with the criteria of the relevant originator, substantially in line with Banco BPM criteria. For any Mortgage Loan granted on the basis of an appraisal carried out by an external appraiser (i.e. not a in-house appraiser of Banco BPM), such appraiser's fee was not

conditional or subordinated to the approval of such Mortgage Loan Agreement and, to the best of Banco BPM knowledge, having taken all reasonable care to ensure that such is the case, such appraiser at no time had any direct or indirect interest in the related Real Estate Asset and Mortgage Loan Agreements;

(g) each Mortgage is economically a first ranking mortgage (*ipoteca di primo grado*), i.e. (i) a first ranking priority mortgage (*ipoteca di primo grado* economico) *i.e.* (i) a voluntary first ranking mortgage or (ii) a voluntary second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied or (iii) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is Banco BPM or other banks who, or whose obligations are secured by such second or subsequent ranking priority mortgages, have subsequently converted into Banco BPM either by way of merger (*fusione*) de-merger (*scissione*), contribution of going concern (*conferimento di ramo d'azienda*) or transfer of going concern (*cessione di ramo d'azienda*);

(h) each Receivable is fully and unconditionally owned by, and available to, Banco BPM and is not subject to any lien (*pignoramento*), seizure (*sequestro*) or other charges in favour of any third party and is freely transferable to the Guarantor. Banco BPM holds sole and unencumbered legal title to each of the Mortgage Loan Agreements and it has not assigned (whether absolutely or by way of security), charged, transferred or otherwise disposed of any of the Mortgage Loan Agreements, the Mortgage Loans and/or the Receivables or otherwise created, allowed creation of, or constitution of any lien, pledge, encumbrance, or any other right, claim or beneficial interest of any third party on any of the Mortgage Loan Agreements, the Mortgage Loans and/or the Receivables;

(i) as of the Valuation Date, each Mortgage Loan is classified as performing (*in bonis*) and at least one Instalment has been paid;

(j) as of the Valuation Date, no Mortgage Loan falls within the definition of a defaulted debt (*credito in sofferenza*), unlikely to pay debt (*inadempienze probabili*) or a debt that is in the process of being restructured (credito in corso di ristrutturazione) under the Bank of Italy supervisory regulations (*Istruzioni di Vigilanza*) or under the Credit and Collection Policy;

(k) the books, the records, data and the documents relating to the Mortgage Loan Agreements and the Receivables, all instalments and any other amounts paid or repaid thereunder are in all material respects complete, proper and up to date, and all such books, records, data and documents are kept by and available to Banco BPM;

(l) all the Real Estate Assets were existing and fully owned by the relevant Mortgagors at the time the Mortgage was perfected;

(m) the Insurance Policies are in full force, valid and regulated by Italian law and Banco BPM has the right to require that all payments to be made pursuant to the relevant Insurance Policies are made directly to it or any of its assignees different from the relevant Debtor and that all the interests and rights in favour of the relevant Debtor

arising from the Insurance Policies can be assigned to the Guarantor without affecting the validity of each Insurance Policy;

(n) pursuant to the Master Receivables Purchase Agreements, the rights arising from the Insurance Policies have been duly transferred to the Guarantor. Such transfer is valid and enforceable to Banco BPM and any other third party;

(o) each Real Estate Asset is located in Italy; and

(p) the value of the relevant Mortgage is at least equal 150% of the Principal Balance of the relevant Mortgage Loan as of the date of origination.

Pursuant to the Warranty and Indemnity Agreement, Banco BPM has agreed to indemnify and hold harmless the Guarantor, its officers or agents or any of its permitted assigns from and against any and all damages, losses, claims, costs and expenses awarded against, or incurred by such parties which arise out of or result from, *inter alia*, (a) a default by Banco BPM in the performance of any of its obligations under any Transaction Document to which it is a party; (b) any representation and warranty given by Banco BPM under or pursuant to the relevant Warranty and Indemnity Agreement being false, incomplete or incorrect; (c) any alleged liability and/or claim raised by any third party against the Guarantor, as owner of the Receivables, which arises out of any negligent act or omission by Banco BPM in relation to the relevant Receivables, the servicing and collection thereof or from any failure by Banco BPM to perform its obligations under any of the Transaction Documents to which it is, or will become, a party; (d) the non compliance of the terms and conditions of any Mortgage Loan with the provisions of article 1283 of the Civil Code; (e) the fact that the validity or effectiveness of any security, pledge, collateral or other security interest, relating to the Mortgage Loans, has been challenged by way of claw-back (*azione revocatoria*) or otherwise, including, without limitation, pursuant to article 67 of the Bankruptcy Law; (f) the fact that Banco BPM has (in whole or in part) cancelled, released, reduced or waived any Mortgage or Collateral Security existing as of the Effective Date other than in compliance with the Consolidated Banking Act or any other laws and regulations in force from time to time (g) any amount of any Receivable not being collected or recovered by the Guarantor as a consequence of the proper and legal exercise by any Debtor and/or insolvency receiver of a Debtor of any grounded right to termination, annullability or withdrawal, or other claims and/or counterclaims, including set off, against Banco BPM in relation to each relevant Mortgage Loan Agreement, Mortgage Loan, Mortgage, Collateral Security and any other connected act or document, including, without limitation, any claim and/or counterclaim deriving from non-compliance with the Usury law provisions in the granting of the Mortgage Loan.

Governing law

The Warranty and Indemnity Agreements and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

SERVICING AGREEMENT

On 9 June 2008, BPM and the Guarantor entered into the Servicing Agreement, pursuant to which the Guarantor has appointed Banco BPM (formerly Banca Popolare di Milano S.c.a r.l.) as Servicer of the Receivables. The receipt of the Collections is the responsibility of the Servicer acting as agent (*mandatario*) of the Guarantor. The Servicer will also act as the *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento*

pursuant to the Securitisation and Covered Bonds Law. In such capacity, the Servicer shall also be responsible for ensuring that such operations comply with the provisions of articles 2.3, letter (c), and 2.6 of the Securitisation and Covered Bonds Law. On 9 May 2017 the Servicer has appointed Banco BPM S.p.A., which accepted, to act as Sub-Servicer in relation to the Cover Pool (to the extent that, and limited to, the Receivables sold by Banco BPM S.p.A. (formerly, BPM S.p.A.) to the Guarantor in its capacity as Seller). In case of accession of Additional Seller(s) to the Programme, the Servicer may sub-delegate any Additional Seller, in its capacity as Sub-Servicer in the management, administration, collection and recovery of the Receivables, comprised in each relevant Portfolio which will be assigned and transferred in the context of the Programme pursuant to the relevant Master Receivables Purchase Agreement, subject to the limitations set out in the supervisory regulations and with the prior written notice to the Guarantor, the Representative of the Bondholders, the Asset Monitor and the Rating Agency, provided that such sub-delegation does not prejudice the compliance by the Servicer with its obligations under the Servicing Agreement. The Servicer will be responsible for the fulfilment of the obligations undertaken by it under the Servicing Agreement and will not be responsible, in express derogation of the provisions of article 1717, second paragraph, of the Italian Civil Code, for the actions undertaken by the Sub-Servicers, which will, on their part, be responsible for the fulfilment of the obligations undertaken by them under the Servicing Agreement. Notwithstanding the above, the Servicer undertakes to remedy any breach of the provisions of the Servicing Agreement resulting from an action by, or a failure to act on the part of, such Sub-Servicers, in performing any of the activities sub-delegated to them by the Servicer.

On 19 April 2018 Banco BPM acceded to the Servicing Agreement in the capacity as Sub-Servicer.

Under the Servicing Agreement, the Servicer and the Sub-Servicer(s) (if any), as the case may be, shall credit to the relevant Collection Account any amounts collected from the Receivables (i) within the same Business Day upon receipt if such sums are received by the Servicer or the relevant Sub-Servicers before 15.00 p.m. or (ii) within the following Business Day if such sums are received by the Servicer or the relevant Sub-Servicers after 15.00 p.m.

Each of the Servicer and the Sub-Servicer(s) (if any), each for the respective Receivables, has been authorised to reach with the Debtors any settlement agreements or payment extensions or moratorium or similar arrangements (including any renegotiation in relation to the margin), in accordance with the provisions of the Credit and Collection Policy, however, following the delivery of an Issuer Default Notice the Servicer and the Sub-Servicer(s) (if any) will not be authorised, with respect to the performing Receivables (*in bonis*), to reach with any Debtors thereof any extension of the maturity or any modification of the margin originally agreed in the relevant Mortgage Loan Agreement.

The Servicer and the Sub-Servicer(s) (if any), each in relation to its servicing activities pursuant to the Servicing Agreement, has confirmed its willingness to be the autonomous holder (*titolare autonomo del trattamento dei dati personali*) together with the Guarantor, for the processing of personal data in relation to the Receivables, pursuant to the Privacy Law and to be responsible, in such capacity, for processing such data.

Each of the Servicer and the Sub-Servicer(s) has represented to the Guarantor that it has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Servicing Agreement.

The Servicer has undertaken to prepare and deliver to, *inter alios*, the Guarantor, the Asset Monitor, the Representative of the Bondholders, the Principal Paying Agent and the Guarantor Corporate Servicer, the Monthly Servicer's Report and the Quarterly Servicer's Report (the latter will be delivered, in addition to the above entities, to the Rating Agency).

Each Sub-Servicer (if any) undertakes to prepare and deliver to the Servicer the monthly Sub-Servicer's report and quarterly Sub-Servicer's report, substantially in the form of the Monthly Servicer's Report and the Quarterly Servicer's Report.

Upon (i) the rating of the Servicer's long term unguaranteed, unsubordinated and unsecured obligation falling below Ba3(cr) by Moody's, and (ii) termination of the appointment of the Back-up Servicer, the Guarantor, subject to prior consultation with the Representative of the Bondholders and the Servicer, shall, within 30 days from the abovementioned events, appoint such Back-up Servicer meeting the requirements under Clause 9.4 of the Servicing Agreement.

The Back-up Servicer shall automatically succeed to Servicer upon occurrence of a Servicer Termination Event (as defined below).

If the rating of the short term unsecured and unsubordinated debt obligations of the Servicer falls below "Ba3(cr)" by Moody's and provided that no Moody's Potential Commingling Amount is deducted in the Asset Coverage Test in accordance with the Cover Pool Management Agreement, the Servicer (i) shall immediately give notice of such event to the Representative of the Bondholders, the Calculation Agent, the Sub-Servicer and the Guarantor; and (ii) shall, alternatively:

(i) notify in writing the Debtors with the details of the new account opened in name of the Guarantor with an Eligible Institution where any payments in respect of the Receivables shall be made; or

(ii) procure and maintain a first demand and irrevocable guarantee granted by an Eligible Institution to the Guarantor in order to guarantee the due and timely performance of the obligations of the Servicer and the Sub-Servicer to transfer the Collections under Clause 3.6 of the Servicing Agreement; or

(iii) deposit and maintain with an Eligible Institution an amount of cash or Eligible Investments equal to 1.4% of aggregate outstanding principal balance of the Receivables included in the Cover Pool.

The Guarantor may terminate the Servicer's appointment and appoint a successor servicer (the **Substitute Servicer**) if certain events occur (each a **Servicer Termination Event**). The Servicer Termination Events include the following events:

(a) failure (not attributable to force majeure) on the part of the Servicer to deposit or pay any amount required to be paid or deposited which failure continues for a period of 5 Business Days following receipt by the Servicer of a written notice from the Guarantor requiring the relevant amount to be paid or deposited;

(b) failure on the part of the Servicer to observe or perform any other term, condition, covenant or agreement provided for under the Servicing Agreement and the other Transaction Documents to which it is a party, and the continuation of such failure for a period of 5 Business Days following receipt by the Servicer of written notice from the

Guarantor, provided that a failure ascribable to any entities delegated by the Servicer in accordance with the Servicing Agreement shall not constitute a Servicer Termination Event;

(c) an Insolvency Event occurs with respect to the Servicer;

(d) it becomes unlawful for the Servicer to perform or comply with any of its obligations under the Servicing Agreement or the other Transaction Documents to which it is a party;

(e) the Servicer is or will be unable to meet the current or future legal requirements and the Bank of Italy's regulations for entities acting as servicers in the context of a covered bonds transaction.

Notice of any termination of the Servicer's appointment shall be given in writing, in accordance with the provisions of the Servicing Agreement, by the Guarantor to the Servicer with the prior agreement of the Representative of the Bondholders and shall be effective from the date of such termination or, if later, when the appointment of a Substitute Servicer becomes effective.

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

(a) who meets the requirements of the Securitisation and Covered Bonds Law and the Bank of Italy to act as Servicer;

(b) who has at least three years of experience (whether directly or through subsidiaries) in the administration of mortgage loans in Italy;

(c) who has available and is able to use software for the administration of mortgages compatible with that of the Servicer;

(d) who is able to ensure, directly or indirectly, the efficient and professional maintenance of a computerised archive system (*Archivio Unico Informatico*) as required by Italian anti-money laundering legislation and, if such legislation requires, the production of such information as is necessary to meet the information requirements of the Bank of Italy; and

(e) has sufficient assets to ensure the continuous and effective performance of its duties.

Pursuant to the Servicing Agreement the Servicer shall not be entitled to resign from its appointment as Servicer prior to the Expiry Date.

The Guarantor may terminate each Sub-Servicer, and thereafter the Servicer will succeed to the terminated Sub-Servicer, if certain events occur (each, a **Sub-Servicer Termination Event**):

(a) failure to observe or perform duties under specified clauses of the Servicing Agreement and the continuation of such failure for a period of 10 (ten) Business Days following receipt of written notice from the Guarantor;

(b) an Insolvency Event occurs with respect to the Sub-Servicer;

(c) it becomes unlawful for the Sub-Servicer to perform or comply with any of its obligations under the Master Servicing Agreement.

Notice of any termination of each Sub-Servicer's appointment shall be given in writing by the Guarantor to the relevant Sub-Servicer, to the Servicer and to the Issuer with the prior written notice to the Representative of the Bondholders and shall be effective from the date of such termination or, if later, when the Servicer succeeds the relevant Sub-Servicer's obligations pursuant to this Agreement. The Sub-Servicer must continue to act as such and meet its obligations under this Agreement unless and until the Servicer succeeds to the Sub-Servicer's obligations.

Governing law

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

CASH ALLOCATION, MANAGEMENT AND PAYMENT AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Servicer, the Seller, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders entered into the Cash Allocation, Management and Payment Agreement.

On 19 April 2018 Banco BPM acceded to the Cash Allocation, Management and Payments Agreement.

Under the terms of the Cash Allocation, Management and Payment Agreement:

(i) the Account Bank has established in the name and on behalf of the Guarantor, the Collection Account, the Transaction Account, the Investment Account, the Quota Capital Account, the Reserve Account, the Securities Account and the Expenses Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition, the Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

(ii) The Guarantor Corporate Servicer has agreed to operate the Expenses Account in order to make certain payments as set out in the Cash Allocation, Management and Payment Agreement.

(iii) The Principal Paying Agent has agreed to provide the Issuer and the Guarantor with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

(iv) The Calculation Agent has agreed to provide the Guarantor with calculation services with respect to the Accounts and the Guarantor Available Funds and calculation services with respect to the Floating Rate Provisions.

(v) The Investment Manager has agreed to invest on behalf of the Guarantor any funds standing to the credit of the Investment Account in Eligible Investments having a rate of return not less than a specified margin linked to Euribor.

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke its appointment of any Agent by giving not less than three months' (or less, in the event of a breach of warranties and covenants) written notice to the relevant Agent (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. Prior to the delivery of an Issuer Default Notice, the Issuer may revoke its appointment of the Principal Paying Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Principal Paying Agent (with a copy to the Representative of the Bondholders). Any Agent may resign from its appointment under the Cash Allocation, Management and Payment Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Bondholders subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payment Agreement, provided that a valid substitute has been appointed.

Governing law

The Cash Allocation, Management and Payment Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

THE SWAP AGREEMENTS

INTEREST RATE SWAP AGREEMENTS

The Guarantor has entered and is expected to enter into one or more Interest Rate Swap Agreements on or about each Issue Date with the Interest Rate Swap Provider(s) to mitigate certain interest rate, currency and other risks in respect of amounts received by the Guarantor under the Cover Pool Agreement and the Cover Pool Swap Agreement (if any) and amounts payable by the Guarantor under, prior to the service of an Issuer Default Notice, the Subordinated Loan and, following the service of an Issuer Default Notice, the Covered Bonds. The aggregate notional amount of the Interest Swap Agreements entered into in respect of each issue shall be equal to the nominal amount of the relevant Series of Covered Bonds.

Under the Interest Rate Swap Agreements it is anticipated that on each Guarantor Payment Date, the Guarantor will pay to the Interest Rate Swap Providers an amount linked to a variable reference rate such as three month EURIBOR plus a margin. In return the Interest Rate Swap Providers are expected to pay to the Guarantor on each Interest Payment Date, the notional amount multiplied by a rate linked to the relevant Series of Covered Bonds. If the maturity of the relevant Series of Covered Bonds is extended in accordance with their terms, the Interest Rate Swap Providers will on a monthly basis pay an amount linked to a variable reference rate.

It is anticipated that each Interest Rate Swap Agreement will be scheduled to terminate on the date which is the later of (i) the Maturity Date of the Covered Bonds of the relevant Series and (ii) if the Maturity Date is extended under the terms of such Covered Bonds, their Extended Maturity Date.

COVER POOL SWAP AGREEMENT

Some of the Mortgage Loans in the Portfolio from time to time will pay a variable rate of interest for a period of time. Other Mortgage Loans will pay a fixed rate of interest for a period of time. Moreover, all other assets held by the Guarantor will pay different rates of return,

either fixed or variable. However, the payments to be made by the Guarantor under each of the Interest Rate Swap Agreements are expected to be based on EURIBOR and, in addition, the Guarantor's obligations to make interest payments under the outstanding Term Loans, or (following service of an Issuer Default Notice) the Guarantee, may be based on EURIBOR.

As a result, the Guarantor may, but is not obliged to, enter into a Cover Pool Swap Agreement with the Cover Pool Swap Provider to mitigate variations between the rate of interest payable on (i) Mortgage Loans in the Cover Pool (ii) the outstanding balance of the Accounts, (iii) the Substitution Assets and (iv) the Eligible Investments held by the Guarantor, on one hand, and EURIBOR, on the other hand. The aggregate notional amount of the Cover Pool Swap Agreement shall be the value of the Cover Pool. The Guarantor shall pay to the Cover Pool Swap Provider the interest proceeds it receives on the Cover Pool (both fixed and floating) and receive back three month EURIBOR plus a margin.

As at the date of this Prospectus, the Guarantor has not entered into any Cover Pool Swap Agreements.

MANDATE AGREEMENT

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Mandate Agreement under which, subject to a Guarantor Default Notice being served or upon failure by the Guarantor to exercise its rights under the Transaction Documents and fulfilment of certain conditions, the Representative of the Bondholders, acting in such capacity, shall be authorised to exercise, in the name and on behalf of the Guarantor, all the Guarantor's non-monetary rights arising out of the Transaction Documents to which the Guarantor is a party.

Governing law

The Mandate Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

INTERCREDITOR AGREEMENT

On or about the First Issue Date, the Guarantor and the Other Guarantor Creditors entered into the Intercreditor Agreement. Under the Intercreditor Agreement provision is made as to the application of the proceeds from Collections in respect of the Cover Pool and as to the circumstances in which the Representative of the Bondholders will be entitled, in the interest of the Bondholders, to exercise certain of the Guarantor's rights in respect of the Cover Pool and the Transaction Documents.

In the Intercreditor Agreement the Other Guarantor Creditors have agreed, *inter alia*: to the order of priority of payments to be made out of the Guarantor Available Funds; that the obligations owed by the Guarantor to the Bondholders and, in general, to the Other Guarantor Creditors are limited recourse obligations of the Guarantor; and that the Bondholders and the Other Guarantor Creditors have a claim against the Guarantor only to the extent of the Guarantor Available Funds.

On 19 April 2018 Banco BPM acceded to the Intercreditor Agreement.

Under the terms of the Intercreditor Agreement, the Guarantor has undertaken, following the service of a Guarantor Default Notice, to comply with all directions of the Representative of

the Bondholders, acting pursuant to the Terms and Conditions, in relation to the management and administration of the Cover Pool.

Each of the Other Guarantor Creditors has agreed in the Intercreditor Agreement that in the exercise of its powers, authorities, duties and discretions the Representative of the Bondholders shall have regard to the interests of both the Bondholders and the Other Guarantor Creditors but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interests of the Bondholders. The actions of the Representative of the Bondholders will be binding on each of the Other Guarantor Creditors.

Under the Intercreditor Agreement, each of the Other Guarantor Creditors has appointed the Representative of the Bondholders, as their agent (*mandatario con rappresentanz*a), so that the Representative of the Bondholders may, in their name and behalf and also in the interests of and for the benefit of the Bondholders (who make a similar appointment pursuant to the Programme Agreements and the Conditions), *inter alia*, enter into the Deed of Pledge and the Deed of Charge. In such capacity, the Representative of the Bondholders, with effect from the date when the Covered Bonds have become due and payable (following a claim to the Guarantor or a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or the enforcement of the Guarantee if so instructed by the Bondholders or the exercise any other rights of enforcement conferred to the Representative of the Bondholders), may exercise all of the Bondholders and Other Guarantor Creditors' right, title and interest in and to and in respect of the assets charged under the Deed of Pledge and the Deed of Charge and do any act, matter or thing which the Representative of the Bondholders considers necessary for the protection of the Bondholders and Other Guarantor Creditors' rights under any of the Transaction Documents including the power to receive from the Issuer or the Guarantor any and all moneys payable by the Issuer or the Guarantor to any Bondholder or Other Guarantor Creditors. In any event, the Representative of the Bondholders shall not be bound to take any of the above steps unless it has been indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

Governing law

The Intercreditor Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

CORPORATE SERVICES AGREEMENT

Under the Corporate Services Agreement entered into on or about the First Issue Date between the Guarantor Corporate Servicer and the Guarantor, the Guarantor Corporate Servicer has agreed to provide certain corporate and administrative services to the Guarantor.

Governing law

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

PROGRAMME AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s), entered into the Programme Agreement pursuant to which the parties thereof have recorded the arrangements agreed between them in relation to the issue by the Issuer and the subscription by the Dealer(s) from time to time of Covered Bonds issued under the Programme.

On 19 April 2018 Banco BPM acceded to the Programme Agreement.

Under the Programme Agreement, the Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series.

Pursuant to the Programme Agreement, before the Issuer reaches its first agreement with any Dealer for the issue and purchase of the first Series of Covered Bonds under the Programme, each Dealer shall have received, and found satisfactory (in its reasonable opinion), all of the documents and confirmations described in schedule 1 (*Initial Conditions Precedent*) of the Programme Agreement constituting the initial conditions precedent and the conditions precedent set out under Clause 3.2 (*Conditions precedent to the issue of any Series of Covered Bonds*) of the Programme Agreement, as applicable to the first Series, shall have been satisfied.

According to the terms of the Programme Agreement, the Issuer may nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular Series of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

In addition, under the Programme Agreement, the parties thereof have agreed to certain terms regulating, *inter alia*, the performance of any stabilisation action which may be carried out in connection with the issue of any Series of Covered Bonds.

Governing law

The Programme Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

COVER POOL MANAGEMENT AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Calculation Agent and the Representative of the Bondholders entered into the Cover Pool Management Agreement pursuant to which they have agreed certain terms regulating, *inter alia*, the performance of the Tests and the purchase and sale by the Guarantor of the Eligible Assets and Substitution Assets included in the Cover Pool.

On 19 April 2014 Banco BPM acceded to the Cover Pool Management Agreement.

Under the Cover Pool Management Agreement the Issuer has undertaken to procure that on any Calculation Date each of the Mandatory Tests and the Amortisation Test (as described in detail in Section "*Credit structure - Tests*" below) is met with respect to the Cover Pool. In

addition, starting from the Issue Date of the first Series of Covered Bonds and until the earlier of (i) the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Terms and Conditions, and (ii) the date on which an Issuer Default Notice is served on the Issuer and the Guarantor, the Issuer has undertaken to procure that on any Calculation Date, the Asset Coverage Test (as described in detail in Section "*Credit structure - Tests*" below) are met with respect to the Cover Pool.

The Calculation Agent has agreed to prepare and deliver to the Issuer, (any Additional Seller, if any), the Guarantor, the Servicer, the Representative of the Bondholders and the Asset Monitor, a report setting out the calculations carried out by it with respect of the Mandatory Tests and the Amortisation Test and, prior to the delivery of an Issuer Default Notice, the Asset Coverage Test (the "**Test Performance Report**"). Such report shall specify the occurrence of a breach of the Mandatory Tests and/or the Amortisation Test and/or of the Asset Coverage Test.

Following the notification by the Calculation Agent, in the relevant Test Performance Report, of a breach of any Test, the Guarantor will purchase (with the proceeds of any appropriate Term Loan advanced by the Issuer (and/or any Additional Seller, if any) in accordance with the relevant Subordinated Loan Agreement) Subsequent Portfolios from the Seller (and/or any Additional Seller, if any) in accordance with the Master Receivables Purchase Agreement and/or purchase, or invest in, Substitution Assets or other Eligible Assets, in order to ensure that, within the Test Grace Period, all Tests are satisfied with respect to the Cover Pool.

If the relevant breach has not been remedied prior to the end of the applicable Test Grace Period, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders shall deliver:

(a) a Breach of Tests Notice to the Issuer and the Guarantor; or

(b) a Guarantor Default Notice, if an Issuer Default Notice has already been served.

Under the Cover Pool Management Agreement, the parties thereof have also agreed the conditions that the Guarantor shall comply with in the selection of the assets to be purchased. For such purpose the Guarantor will:

(i) give priority to the purchase of Subsequent Portfolios or any other Eligible Assets from the Seller (and/or any Additional Seller, if any) and

(ii) to the extent that the Seller (and/or any Additional Sellers) inform the Guarantor that the Receivables available for sale to the Guarantor prior to the expiry of the relevant Test Grace Period are not sufficient for the purpose of allowing the Tests to be met as of the following Calculation Date, the Guarantor will:

  (a) purchase Substitution Assets from the Seller (and/or any Additional Sellers); and

  (b) to the extent the Substitution Assets purchased in accordance with item (a) above are insufficient, purchase Substitution Assets from other entities;

provided however that the aggregate amount of Substitution Assets included in the Cover Pool following such purchase may not be in excess of 15% of the aggregate outstanding principal

amount of the Cover Pool or any other limit set out in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor (or the Servicer on behalf of the Guarantor) may, or following an Issuer Default Notice, shall sell, provided that the Representative of the Bondholders has been duly informed, the Eligible Assets and Substitution Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the rights of pre-emption in favour of the Seller to buy such Eligible Assets and Substitution Assets pursuant to, respectively, the Master Receivables Purchase Agreement and the Cover Pool Management Agreement.

The Eligible Assets and Substitution Assets to be sold will be selected from the Cover Pool on a random basis by the Servicer on behalf of the Guarantor (any such Eligible Assets and Substitution Assets, the **Selected Assets**) and the proceeds from any sale of Selected Assets shall be credited to the Transaction Account and applied as set out in the applicable Priority of Payments.

Under the terms of the Cover Pool Management Agreement, before offering Selected Assets for sale, the Guarantor shall ensure that the Selected Assets have an aggregate Outstanding Principal Balance in an amount (the **Adjusted Required Outstanding Principal Balance Amount**) which is as close as possible to:

(a) following the service of an Breach of Test Notice (but prior to service of an Issuer Default Notice), such amount that would ensure that, if the Selected Assets were sold at their Outstanding Principal Balance plus the interest in arrears and Accrued Interest thereon, the relevant Test would be satisfied on the next Calculation Date taking into account the payment obligations of the Guarantor on the Guarantor Payment Date following that Calculation Date (assuming for this purpose that the Breach of Test Notice is not revoked on the next Calculation Date);

(b) following the service of an Issuer Default Notice:

  (a) the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by 1+ Negative Carry Factor x (days to maturity of the relevant Series of Covered Bonds/365) (the **Required Redemption Amount**); *minus*

  (b) amounts standing to the credit of the Accounts; *minus*

  (c) the EUR Equivalent of the principal amount of any Substitution Assets and Eligible Investments, *plus or minus*

  (d) as applicable, any swap termination amounts payable under the Swap Agreements to or by the Guarantor in respect of the relevant Series of Covered Bonds,

excluding, with respect to items (b) and (c) above all amounts estimated to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the applicable

Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which become due prior to or on the same date as the Earliest Maturing Covered Bonds.

The Guarantor will offer the Selected Assets for sale for the best price reasonably available but in any event for an amount not less than the Adjusted Required Outstanding Principal Balance Amount. If the Selected Assets have not been sold in an amount equal to the Adjusted Required Outstanding Principal Balance Amount by the date which is six months prior to, as applicable, the Maturity Date (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or the Extended Maturity Date (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date) of the Earliest Maturing Covered Bonds, and the Guarantor does not have sufficient other funds standing to the credit of the Accounts available to repay the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the Guarantor will offer the Selected Assets for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Outstanding Principal Balance Amount.

In addition, after the delivery of an Issuer Default Notice, the Guarantor may, upon the evaluation carried out by the Portfolio Manager taking into account the then relevant market conditions, sell Selected Assets for an amount equal to the Adjusted Required Outstanding Principal Balance Amount calculated in respect of any other Series of Covered Bonds then outstanding, rather than in respect of the Earliest Maturing Covered Bonds only.

The Guarantor may offer for sale part of any portfolio of Selected Assets (a **Partial Portfolio**). Except in certain circumstances, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Outstanding Principal Balance Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Assets.

With respect to any sale to be carried out in accordance with the Cover Pool Management Agreement, the Guarantor shall instruct a recognised portfolio manager (which shall be appointed through a tender process) (the **Portfolio Manager**) to endeavour - to the extent possible taking into account the time left before the Maturity Date or Extended Maturity Date (if applicable) of the Earliest Maturing Covered Bonds - to sell or liquidate the Selected Assets included in the Cover Pool. To incentivise the Portfolio Manager to achieve the best price for the sale of Eligible Assets and Substitution Assets the fees of the Portfolio Manager will be determined on the basis of its performance.

Following the delivery of a Breach of Tests Notice, but prior to the delivery of an Issuer Default Notice, the right of the Guarantor to sell Selected Assets and Eligible Assets, as described above, shall cease to apply if on any Calculation Date prior to the expiry of the Test Remedy Period the Tests are subsequently met, unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to deliver a subsequent Breach of Tests Notice at any time thereafter to the extent a further Segregation Event occurs. If the relevant Test(s) is/are met within the Test Remedy Period, the Representative of the Bondholders will promptly deliver to the Issuer, the Guarantor and the Asset Monitor a notice informing such parties that the Breach of Tests Notice then outstanding has been revoked.

Under the Cover Pool Management Agreement, following the delivery by the Representative of the Bondholders of a Guarantor Default Notice, the Guarantor shall immediately sell all Eligible Assets and Substitution Assets included in the Cover Pool in accordance with the procedures described above and set out in the Cover Pool Management Agreement, provided

that the Guarantor will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

Pursuant to the Cover Pool Management Agreement, prior to the occurrence of a Segregation Event, or if earlier, an Issuer Event of Default, the Seller have the right to repurchase any Excess Assets transferred to the Guarantor provided that, (a) any such purchase will cause any Test to be breached, (b) the Seller shall repurchase any Substitution Assets before any other Excess Assets and (c) any such purchase may occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310.

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

Governing law

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

DEED OF PLEDGE

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Deed of Pledge under which, without prejudice and in addition to any security, guarantee and other right provided by the Securitisation and Covered Bonds Law and the Deed of Charge securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor has pledged in favour of the Bondholders and the Other Guarantor Creditors all monetary claims and rights and all the amount arising (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Guarantor is or will be entitled to from time to time pursuant to certain Transaction Documents, with the exclusion of the Cover Pool and the Collections. The security created pursuant to the Deed of Pledge will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Pledge and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DEED OF CHARGE

On or about the First Issue Date, the Guarantor will enter into the Deed of Charge with the Representative of the Bondholders pursuant to which, without prejudice and in addition to any security, guarantees and other rights provided by the Securitisation and Covered Bonds Law and the Deed of Pledge securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor will assign in favour of the Representative of the Bondholders as trustee for the Bondholders and the Other Guarantor Creditors all of its rights, benefits and interest under the Interest Rate Swap Agreement. The security created pursuant to the Deed of Charge will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Charge any non-contractual obligations arising out of or in connection with it are governed by English law.

ASSET MONITOR AGREEMENT

Please see Section "*The Asset Monitor*" below.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts under the Guarantee until the occurrence of an Issuer Event of Default, service by the Representative of the Bondholders on the Issuer and on the Guarantor of an Issuer Default Notice or, if earlier, following the occurrence of a Guarantor Event of Default, service by the Representative of the Bondholders of a Guarantor Default Notice on the Guarantor. The Issuer will not be relying on payments by the Guarantor in respect of the Term Loans or receipt of Interest Available Funds or Principal Available Funds from the Cover Pool in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Bondholders, as follows:

- the Guarantee provides credit support for the benefit of the Beneficiaries;
- the Mandatory Tests and the Amortisation Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;
- the Asset Coverage Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds following the service of an Issuer Default Notice, applying for the purpose of such coverage an Asset Percentage factor determined in order to provide a degree of over-collateralization with respect to the Cover Pool;
- the Swap Agreements are intended to mitigate certain interest rate, current or other risks in respect of amounts received and amounts payable by the guarantor.
- a Reserve Account will be established which will build up over time using excess cash flow from Interest Available Funds and will be maintained only as long as the Issuer's rating is below “P-1” by Moody's; and
- under the terms of the Cash Allocation, Management and Payment Agreement, the Investment Manager has agreed to invest the moneys standing to the credit of the Transaction Accounts and the Reserve Account in purchasing Eligible Investments.

Certain of these factors are considered more fully in the remainder of this section.

Guarantee

The Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment pursuant to Condition 11.2 (*Issuer Event of Default*) following the delivery of an Issuer Default Notice. In this circumstance (and until a Guarantor Event of Default occurs and a Guarantor Default Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment. Payments to be made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

See further "*Description of the Transaction Documents - Guarantee*", as regards the terms of the Guarantee. See "*Cashflows - Guarantee Priority of Payments*", as regards the payment of amounts payable by the Guarantor to Bondholders and other creditors following the occurrence of an Issuer Event of Default.

Tests

Under the terms of the Cover Pool Management Agreement, the Issuer (and any Additional Seller(s), if any) must ensure that on each Calculation Date the Cover Pool is in compliance with the Tests described below. If on any Calculation Date the Cover Pool is not in compliance with the Tests, then the Guarantor may require the Issuer (and the Seller (on a joint and several basis)) to grant further Term Loans for the purposes of funding the purchase of Subsequent Portfolios or investments in Substitution Assets representing an amount sufficient to allow the Tests to be met on the next following Calculation Date, in accordance with, as appropriate, the Master Receivables Purchase Agreement. If the Cover Pool is not in compliance with the Tests on the next following Calculation Date, the Representative of the Bondholders will serve a Breach of Tests Notice on the Issuer and the Guarantor. The Representative of the Bondholders shall revoke the Breach of Tests Notice if on any Calculation Date the Tests are subsequently satisfied unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to a subsequent Breach of Tests Notice. If following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the Calculation Date falling at the end of the Test Remedy Period, the Representative of the Bondholders will serve an Issuer Default Notice on the Issuer and the Guarantor.

Mandatory Tests

The Mandatory Tests are intended to ensure that the Guarantor can meet its obligations under the Guarantee. In order to ensure that the Mandatory Tests provided for under article 3 of Decree No. 310 (the **Mandatory Tests**) are satisfied and that the Cover Pool is at all times sufficient to repay the Covered Bonds, the Issuer (and any Additional Seller(s), if any) must always ensure that the three tests set out below are satisfied on each Calculation Date.

(A) ***Nominal Value Test***

The Issuer (and any Additional Seller(s), if any) must ensure that on each Calculation Date the aggregate Outstanding Principal Balance of the Cover Pool is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

(B) ***Net Present Value Test***

The Issuer (and any Additional Seller, if any) must ensure that on each Calculation Date, the net present value of the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected or due with respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions.

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

The Issuer (and any Additional Seller, if any) must ensure that on each Calculation Date the amount of interest and other revenues generated by the assets included in the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the costs borne by the Guarantor (including the payments of any nature expected or due to the Swap Providers with respect to any Swap Agreement), shall be at least equal to the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions.

Asset Coverage Test

The Issuer (and any Additional Seller, if any) must ensure that on each Calculation Date the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds (or the Euro Equivalent, if applicable).

The Adjusted Aggregate Loan Amount will be calculated by applying the following formula:

A+B+C+D-Z-W

where,

"**A**" is equal to the lower of (i) and (ii), where:

"(i)" means the sum of the **LTV Adjusted Principal Balance** of each Mortgage Loan in the Cover Pool, which shall be the lower of (1) the actual Outstanding Principal Balance of the relevant Mortgage Loan in the Cover Pool as calculated on the last day of the immediately preceding Calculation Period, and (2) the Latest Valuation relating to that Mortgage Loan multiplied by M (where M is: (a) equal to 80 per cent. for all Residential Mortgage Loans that are less than three months in arrears or not in arrears; (b) equal to 60 per cent. for all Commercial Mortgage Loans that are less than three months in arrears or not in arrears; (c) equal to 40 per cent. for all the Mortgage Loans that are more than three months in arrears but not classified (treated) as Non Performing Receivables; and (d) equal to 0 per cent. for all Non Performing Receivables)

minus

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Cover Pool if any of the following occurred during the previous Calculation Period:

1) a Mortgage Loan or its Collateral Security was, in the immediately preceding Calculation Period, in breach of the representations and warranties contained in the relevant Warranty and Indemnity Agreement and the relevant Seller has not indemnified the Guarantor to the extent required by the terms of the relevant Warranty and Indemnity Agreement (any such Mortgage Loan an **Affected Loan**). In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the 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 Loan or Affected Loans (as calculated on the last day of the immediately preceding Calculation Period); and/or

2) the relevant Seller, in any preceding Calculation Period, was in breach of any other material warranty under the relevant Master Receivables Purchase Agreement and/or the Servicer or any Sub-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 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 and to be reduced by any amount paid - (in cash or in kind) - to the Guarantor by the relevant Seller to indemnify the Guarantor for such financial loss) (any such loss a **Breach Related Loss**);

AND

"(ii)" means the aggregate **Asset Percentage Adjusted Principal Balance** of the Mortgage Loans in the Cover Pool which in relation to each Mortgage Loan shall be 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 multiplied by N (where N is: (x) equal to 1 for all Mortgage Loans that are less than three months in arrears or not in arrears and/or (y) equal to 40 per cent. for all Mortgage Loans that are more than three months in arrears but not classified (treated) as Non Performing Receivables and/or (z) equal to 0 per cent. for all Non Performing Receivables)

minus

the aggregate sum of (1) the Asset Percentage Adjusted Principal Balance of the any Affected Loan(s) and/or (2) any Breach Related Losses occurred during the previous Calculation Period calculated as described under (i)(1) and (i)(2) above;

the result of which is multiplied by

the Asset Percentage (as defined below);

"**B**" is equal to

the aggregate amount of all cash standing on the Accounts;

"**C**" is equal to

the aggregate amount of any proceeds advanced under the Subordinated Loan Agreement which have not been applied as at the relevant Calculation Date to acquire further Eligible Assets and their Collateral Security or otherwise applied in accordance with the Transaction Documents;

"**D**" is equal to

the aggregate outstanding principal balance of any Eligible Assets (other than those under 3.2.1 above) and/or Substitution Assets and/or Eligible Investments, as applicable;

"**Z**" is equal to

(i) nil to the extent that the Notional Amount (as defined in the Cover Pool Swap Agreement) refers also to Substitution Assets and Eligible Assets and (ii) the WA Remaining Maturity multiplied by the aggregate (Euro Equivalent) Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor;

"**W**" is equal to

the Potential Commingling Amount.

Asset Percentage means:

93 per cent. or such lesser percentage figure as determined from time to time by the Calculation Agent (on behalf of the Guarantor) and notified to Moody's and the Representative of the Bondholders.

The Guarantor (or the Calculation Agent on its behalf) will, on the Calculation Date falling in April, July, October and January of each year, send notification to Moody's and the Representative of the Bondholders of the percentage figure selected by it, being the difference between 100 per cent. and the amount of credit enhancement required to maintain the then current ratings of the covered bonds.

Save where otherwise agreed with the Rating Agency, the Asset Percentage will be adjusted in accordance with the various methodologies prescribed by the Rating Agency to ensure that sufficient credit enhancement will be maintained, provided that the Asset Percentage may not, at any time, exceed 93 per cent.

If the Asset Percentage that would result from the above calculations for a particular Calculation Date as determined by the various methodologies of the Rating Agency are not the same, the lowest such figure will be applied as the Asset Percentage on such Calculation Date.

Set-off

Under the Cover Pool Management Agreement, the Issuer has undertaken, if its ratings falls below "A3" by Moody's, to provide to the Rating Agency additional information in respect of certain Debtors' account balances held with the Issuer only if requested by the Rating Agency.

Amortisation Test

The Calculation Agent shall verify on each Calculation Date following the delivery of an Issuer Default Notice that the Amortisation Test is met with respect to the Cover Pool. The Calculation Agent shall verify that the Euro Equivalent of the outstanding principal balance of the Cover Pool, considered, for the purpose of such test, as an amount equal to the Amortisation Test Aggregate Loan Amount, which will be calculated on each Calculation Date by applying the following formula:

A+B+C-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 multiplied by M,

where M is: (i) equal to 100 per cent. for all the Mortgage Loans that are less than three months in arrears or not in arrears (or such higher percentage as may be agreed with respect to insured Mortgage Loans); (ii) equal to 80 per cent. for all the Mortgage Loans that are equal to or more than three months in arrears but not classified (treated) as Non Performing Receivables; and (iii) equal to 65 per cent. for all the Non Performing Receivables;

"**B**" the aggregate amount of all cash standing on the Accounts;

"**C**" is the aggregate outstanding principal balance of any Eligible Assets (other than those under letter "**A**" above) and/or Substitution Assets and/or Eligible Investments, as applicable, as calculated on the latest Calculation Date; and

"**Z**" is equal to (i) nil to the extent that the Notional Amount (as defined in the Cover Pool Swap Agreement) refers also to Substitution Assets and Eligible Assets and (ii) the WA Remaining Maturity multiplied by the aggregate (EUR Equivalent) Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor.

is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Breach of Tests

If the Calculation Agent determines that any of the Mandatory Tests and/or the Amortisation Test and/or the Asset Coverage Test is not met according to the respective formulas, then such event shall constitute a breach of the Mandatory Tests and/or of the Amortisation Test and/or of the Asset Coverage Test.

During the period starting on the date on which the breach is notified by the Calculation Agent and the following Calculation Date (the **Test Grace Period**) the Guarantor will:

(a) purchase Subsequent Portfolios from the Seller which assigned the Receivables in relation to which the shortfall has occurred or, upon certain circumstances set out in the Cover Pool Management Agreement, from any Seller, in accordance with the relevant Master Receivables Purchase Agreement (or the relevant transfer agreement); and/or

(b) purchase, or invest in, Substitution Assets or other Eligible Assets,

in each case in an amount sufficient to ensure, also taking into account the information provided by the Calculation Agent in its notification of the breach, that as of the subsequent Calculation Date, all Tests are satisfied with respect to the Cover Pool.

Failure to remedy Tests

If the relevant breach has not been remedied prior to the end of the applicable Test Grace Period, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders, shall deliver:

(a) a Breach of Tests Notice to the Issuer and the Guarantor; or

(b) a Guarantor Default Notice, if an Issuer Default Notice has already been served.

Upon receipt of a Breach of Tests Notice or a Guarantor Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool, in accordance with the Cover Pool Management Agreement.

Revocation of a Breach of Tests Notice

Following the delivery of a Breach of Tests Notice, but prior to the delivery of an Issuer Event of Default, the right of the Guarantor to sell Selected Assets in accordance to the terms of the Cover Pool Management Agreement shall cease to apply if on any Calculation Date prior to the expiry of the Test Remedy Period the Tests are subsequently met, unless any other Segregation Event has occurred and is outstanding and the Representative of the Bondholders will promptly deliver to the Issuer (any Additional Seller(s), if any), the Guarantor and the Asset Monitor a notice (the **Cure Notice**) informing such parties that the Breach of Tests Notice then outstanding has been revoked provided that nothing shall prejudice to the obligation of the Representative of the Bondholders to deliver a subsequent Breach of Tests Notice at any time thereafter to the extent a further Segregation Event occurs.

Swap Agreements

Interest Rate Swap Agreements

The Guarantor is also expected to enter into one or more Interest Rate Swap Agreements with one or more Interest Rate Swap Providers to mitigate certain interest rate, current and other risks in respect of (a) amounts received by the Guarantor under the Cover Pool Agreement and (b) amounts payable by the Guarantor under the Term Loan prior to the service of an Issuer Default Notice and under the Covered Bonds following an Issuer Default Notice. The Interest Rate Swap Provider(s) will be required to obtain a guarantee of its/their obligations from an appropriately rated guarantor, find an appropriately rated replacement or put in place other appropriate credit support arrangements in the event that its/their ratings fall below a specified ratings level.

For further details, see Section "*Description of the Transaction Documents - Interest Rate Swap Agreement*" above.

Reserve Account

The Reserve Account is held in the name of the Guarantor and will be established and built up over time using available cash flow from the Guarantor Interest Available Funds and will be maintained as long as the Issuer's rating is below "P-2" by Moody's.

CASHFLOWS

As described above under "*Credit Structure*", until an Issuer Default Notice is served on the Guarantor, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the Guarantor.

This section summarises the cashflows of the Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Accounts and their order of priority (all such orders of priority, the **Priority of Payments**) (a) prior to an Issuer Event of Default and a Guarantor Event of Default, (b) following an Issuer Event of Default (but prior to a Guarantor Event of Default) and (c) following a Guarantor Event of Default.

Definitions

For the purposes hereof the Guarantor Available Funds are constituted by the Interest Available Funds and the Principal Available Funds, which will be calculated by Banco BPM on each Calculation Date.

Interest Available Funds means in respect of any Guarantor Payment Date, the aggregate of:

(i) any interest amounts collected by the Servicer and/or any Sub-Servicers in respect of the Cover Pool and credited into the relevant Collection Account during the immediately preceding Collection Period;

(ii) all recoveries in the nature of interest received by the Servicer and/or any Sub-Servicers and credited to the relevant Collection Account during the immediately preceding Collection Period;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts during the immediately preceding Collection Period;

(iv) any amounts standing to the credit of the Reserve Account in excess of the Reserve Required Amount, and following the service of an Issuer Default Notice, on the Guarantor, any amounts standing to the credit of the Reserve Account;

(v) any interest amounts standing to the credit of the Transaction Account;

(vi) all interest amounts received from the Eligible Investments;

(vii) subject to item (i) below, any amounts received under the Cover Pool Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Calculation Date, (i) to make payments in respect of interest due and payable, pro rata and *pari passu* in respect of each relevant Interest Rate Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and pro rata in respect of each relevant Series of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the

Calculation Agent may reasonably determine, or otherwise (iv) to make payments to a Subordinated Lender under the relevant Subordinated Loan Agreement as described in item Fifth (b) of the Pre-Issuer Default Interest Priority of Payments;

and provided further that, prior to the occurrence of a Guarantor Event of Default, any such amounts received or to be received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(viii) subject to item (i) below, any amounts received under the Interest Rate Swap Agreements other than any Swap Collateral Excluded Amounts,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of interest due and payable under the Subordinated Loan Agreements or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of interest on the Covered Bonds under the Guarantee, pro rata and *pari passu* in respect of each relevant Series of Covered Bonds;

and provided further that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(ix) any swap termination payments received from a Swap Provider under a Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will first be used to pay a replacement swap provider to enter into a replacement swap agreement, unless a replacement swap agreement has already been entered into by or on behalf of the Guarantor;

(x) all interest amounts received from any Seller by the Guarantor pursuant to the relevant Master Receivables Purchase Agreement during the immediately preceding Collection Period;

(xi) any amounts paid as Interest Shortfall Amount out of item (i) of the Pre-Issuer Default Principal Priority of Payments; and

(xii) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period.

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

(i) all principal amounts collected by the Servicer and/or the Sub-Servicers in respect of the Cover Pool and credited to the relevant Collection Account of the Guarantor during the immediately preceding Collection Period;

(ii) all other recoveries in respect of principal received by the Servicer and/or the Sub-Servicers and credited to the relevant Collection Account of the Guarantor during the immediately preceding Collection Period;

(iii) all principal amounts received from any Sellers by the Guarantor pursuant to the relevant Master Receivables Purchase Agreement during the immediately preceding Collection Period;

(iv) the proceeds of any disposal of Receivables and other Eligible Assets and any disinvestment of Substitution Assets or Eligible Investments;

(v) any amounts granted by any Seller under the relevant Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Substitution Asset;

(vi) all amounts in respect of principal (if any) received under any Swap Agreements other than any Swap Collateral Excluded Amounts,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of principal due and payable under any Term Loan A (provided that all principal amounts outstanding under a relevant Series of Covered Bonds which have fallen due for repayment on such Guarantor Payment Date have been repaid in full by the Issuer), or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of principal on the Covered Bonds under the Guarantee, *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds, and *provided further that*, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date but prior to the next following Guarantor Payment Date which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Principal Available Funds on such Guarantor Payment Date;

(vii) any amounts paid out of item Eight of the Pre-Issuer Default Interest Priority of Payments; and

(viii) any principal amounts standing to the credit of the Transaction Account, other than the Potential Commingling Amount and/or the Moody's Potential Commingling Amount (to the extent they are not entitled to be released).

Pre-Issuer Default Interest Priority of Payments

The Interest Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first*, (a) to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. *second*, to pay any amount due and payable to the Representative of the Bondholders;

3. *third*, to pay, *pro rata* and *pari passu*, any amount due and payable to the Servicer, the Back-up Servicer (if any), the Account Bank, the Investment Manager, the Calculation Agent and the Guarantor Corporate Servicer;

4. *fourth*, to pay any amounts due to the Cover Pool Swap Provider (including any termination payments due and payable by the Guarantor except where the swap counterparty is the Defaulting Party or the sole Affected Party (the **"**Excluded Swap Termination Amounts**"**));

5. *fifth*, *pro rata* and *pari passu* (a) on any relevant Guarantor Payment Date, to pay, or make a provision for payment of such proportion of, any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts to be received from the Cover Pool Swap Provider under the Cover Pool Rate Swap Agreement and, if applicable, any amounts (other than principal) to be received from an Interest Rate Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine), of interest amounts due to the Interest Rate Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Interest Rate Swap Agreement (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (b) on each Guarantor Payment Date that falls on an Interest Payment Date, to pay any Base Interest due and payable on such Guarantor Payment Date to the Subordinated Lender pursuant to the terms of the Subordinated Loan Agreement, provided that (i) no Segregation Event has occurred and is continuing on such Guarantor Payment Date; and (ii) if a Segregation Event has occurred and is continuing, any amount of interest on the Covered Bonds has been duly and timely paid by the Issuer;

6. *sixth*, to credit to the Reserve Account an amount required to ensure that the Reserve Amount is funded up to the Reserve Required Amount, as calculated on the immediately preceding Calculation Date;

7. *seventh*, 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 Bondholders or a new servicer is appointed;

8. *eighth*, to pay *pro rata* and *pari passu* in accordance with the respective amounts thereof any Excluded Swap Termination Amounts;

9. *ninth*, to transfer to the Principal Available Funds an amount equal to the Interest Shortfall Amount, if any, allocated on the immediately preceding Guarantor Payment

Date under item *First* of the Pre-Issuer Default Principal Priority of Payments and on any preceding Guarantor Payment Dates and not already repaid;

10. *tenth*, to pay to BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Pre-Issuer Default Interest Priority of Payments;

11. *eleventh*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any Premium on the Term Loans, provided that no Segregation Event has occurred and is continuing.

Pre-Issuer Default Principal Priority of Payments

The Principal Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first*, to pay any amount payable as Interest Shortfall Amount;

2. *second*, to acquire Subsequent Portfolios and/or Substitution Assets and/or other Eligible Assets (other than those funded through the proceeds of a Term Loan) to ensure the Asset Coverage Test and the Mandatory Tests are met;

3. *third*, to pay, *pari passu* and *pro rata* in accordance with the respective amounts thereof: (a) any principal amounts due or to become due and payable to the relevant Swap Providers *pro rata and pari passu* in respect of each relevant Swap Agreement; and (b) (where appropriate, after taking into account any amounts in respect of principal to be received from a Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine) (i) on each Guarantor Payment Date the amounts (in respect of principal) due or to become due and payable under a Term Loan A in accordance with the provisions of the relevant Subordinated Loan Agreement, and (ii) on each Guarantor Payment Date, the amounts (in respect of principal) due or to become due and payable under a Term Loan B, provided that in both cases under (i) and (ii) above no Segregation Event has occurred and is continuing and/or, where applicable, provided that no amounts shall be applied to make a repayment in full in respect of a Term Loan A if the principal amounts outstanding under the relevant Series of Covered Bonds which have fallen due for payment on such relevant Guarantor Payment Date have not been repaid in full by the Issuer.

Guarantee Priority of Payments

Following the delivery of an Issuer Default Notice, the Guarantor Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first*, (a) to pay, *pari passu* and *pro rata*, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. *second*, to pay any amount due and payable to the Representative of the Bondholders;

3. *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable to the Servicer, the Back-up Servicer (if any), the Account Bank, the Calculation Agent, the Investment Manager, the Back-up Account Bank (if any), the Guarantor Corporate Servicer, the Asset Monitor, the Principal Paying Agent, the Paying Agent(s) (if any) and the Portfolio Manager (if any);

4. *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, (i) to pay any amount due to the Cover Pool Swap Provider (including any termination payment due and payable by the Guarantor other than any Excluded Swap Termination Amounts); (ii) to pay, on such Guarantor Payment Date or to make a provision for payment of such proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts to be received from the Cover Pool Swap Provider under the Cover Pool Swap Agreement and, if applicable, any amounts (other than principal) to be received from an Interest Rate Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine), of interest amounts due to the Interest Rate Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Interest Rate Swap Agreement (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (iii) to pay, on any Guarantor Payment Date, any interest due and payable on such Guarantor Payment Date (or that will become due and payable on the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds *pari passu* and *pro rata* in respect of each Series of Covered Bonds;

5. *fifth*, *pari passu* and pro rata:

   (a) in or towards payment on the Guarantor Payment Date or to make a provision for payment of such proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine, of, the amounts in respect of principal due or to become due and payable to the relevant Swap Provider *pro rata* and *pari passu* in respect of each relevant Swap Agreement (including any termination payment due and payable by the Guarantor under the relevant Swap Agreement, other than any Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; and

   (b) in or towards payment, on each Guarantor Payment Date (where appropriate, after taking into account any amounts in respect of principal to be received from an Interest Rate Swap Provider) of principal amounts that are due and payable on such Guarantor Payment Date (or that will become due and payable during the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds, *pro rata* and *pari passu* in respect of each Series of Covered Bonds;

6. *sixth*, until each Series of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount

has been accumulated in respect of each outstanding Series of Covered Bonds), to credit any remaining amounts to the Transaction Account;

7. *seventh*, to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

8. *eighth*, to pay to BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Guarantee Priority of Payments;

9. *ninth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any Premium on the Term Loans.

Post-enforcement Priority of Payment

Following a Guarantor Event of Default, the making of a demand under the Guarantee and the delivery of a Guarantor Default Notice by the Representative of the Bondholders, the Guarantor Available Funds shall be applied, on each Guarantor Payment Date, in making the following payments in the following order of priority:

1. *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);

2. *second*, to pay any amount due and payable to the Representative of the Bondholders;

3. *third*, to pay, *pro rata* and *pari passu*, (i) any amount due and payable to the Servicer, the Back-up Servicer (if any), the Account Bank, the Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the Investment Manager, the Back-up Account Bank (if any), the Principal Paying Agent, the Paying Agent(s) (if any) and the Portfolio Manager (if any); (ii) amounts due to the Interest Rate Swap Provider(s) and the Cover Pool Swap Provider and any other Swap Provider(s) (if any); and (iii) amounts due under the Guarantee in respect of each Series of Covered Bonds;

4. *fourth*, to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

5. *fifth*, to pay to BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Post-enforcement Priority of Payments;

6. *sixth*, to pay or repay any amounts outstanding under the Subordinated Loan Agreement.

DESCRIPTION OF THE COVER POOL

The Cover Pool is and will be comprised of (i) Receivables transferred pursuant to the Master Receivables Purchase Agreements, (ii) other Eligible Assets, in accordance with the Securitisation and Covered Bonds Law, the Decree No. 310 and the Bank of Italy Regulations; and (iii) any other Substitution Assets.

As at the date of this Prospectus, the Initial Portfolio and each Subsequent Portfolios (the **Portfolio**) consists of Mortgage Loans transferred by the Sellers to the Guarantor in accordance with the terms of the Master Receivables Purchase Agreements, as more fully described under "*Description of the Transaction Documents - Master Receivables Purchase Agreements*".

Save for the real estate assets revaluation procedure ruled by the regulations of the Bank of Italy, no revaluation of the relevant properties has been made by Banco BPM for the purpose of any issue under the Programme. Any valuation has been performed only as at the date of the origination of any Mortgage Loan.

For the purposes hereof:

BPM Initial Portfolio means the initial portfolio of Receivables purchased by the Guarantor from BPM, on 9 June 2008, pursuant to the terms and subject to the conditions of the relevant Master Receivables Purchase Agreement.

BPM Second Portfolio means the Subsequent Portfolio of Receivables purchased by the Guarantor from BPM, on 15 June 2009, pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement.

BPM Third Portfolio means the Subsequent Portfolio of Receivables purchased by the Guarantor from BPM, on 15 October 2010, pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement.

BPM Fourth Portfolio means the Subsequent Portfolio of Receivables purchased by the Guarantor from BPM, on 17 June 2011, pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement.

BPM Fifth Portfolio means the Subsequent Portfolio of Receivables purchased by the Guarantor from BPM, on 8 November 2013, pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement.

BPM Sixth Portfolio means the Subsequent Portfolio of Receivables purchased by the Guarantor from BPM, on 20 March 2013, pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement.

BPM Seventh Portfolio means the Subsequent Portfolio of Receivables purchased by the Guarantor from BPM S.p.A., on 10 December 2014, pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement.

BPM Eight Portfolio means the Subsequent Portfolio of Receivables purchased by the Guarantor from BPM S.p.A., on 19 April 2018, pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement.

Subsequent Portfolio means any portfolio other than the Initial Portfolios which may be purchased by the Guarantor from the Sellers pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreements.

Eligibility Criteria

The sale of Mortgage Loans and their related Security Interest and the transfer of any other Eligible Assets and Substitution Asset to the Guarantor will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the relevant Transfer Date (except as otherwise indicated). The Eligibility Criteria with respect to each asset type will vary from time to time but will at all times include criteria so that both Italian law and Rating Agency requirements are met. In addition, under the Master Receivables Purchase Agreement it is provided that to the extent that notwithstanding the application of the Criteria as described below a Seller intends to sell Subsequent Portfolios which have characteristics and/or features that differ materially from the characteristics and/or features of the relevant Initial Portfolio, such Seller shall give prior written notice to the Representative of the Bondholders and the Rating Agency as a condition to the transfer of such Subsequent Portfolios to the Guarantor.

BPM S.p.A.

The Receivables transferred from time to time from BPM S.p.A. to the Guarantor pursuant to the BPM Master Receivables Purchase Agreement met the following criteria (the **BPM Common Criteria**) on each relevant Valuation Date:

Receivables arising from Mortgage Loans:

(1) which have been granted from BPM S.p.A. to individuals (*persone fisiche*), legal persons (*persone giuridiche*) or employees of the Banco BPM Group;

(2) which are granted in compliance with the requirements of the 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: Part Three, Title II, Chapter 2, section 2, articles 124, 125, 126 and Part Three, Title II, Chapter 4, section 3, sub-section 1, article 208;

(3) which are mortgage loans, in respect of which, as at the Valuation Date, the relevant amount outstanding added to the principal amount outstanding of any higher-ranking mortgage loans secured by the same property, does not exceed 80 per cent. for the residential mortgage loans or 60 per cent. for the commercial mortgage loans, as the case may be, of the value of the property;

(4) that did not provide under any law (including regional and/or provincial) or regulation at the time of disbursement for any subsidy or other benefit in relation to principal or interest (*mutui agevolati*);

(5) that have not been granted to public entities (*enti pubblici*) or clerical entities (*enti ecclesiastici*);

(6) that are not consumer loans (*crediti al consumo*);

(7) that are secured by a mortgage created over real estate assets located in the Republic of Italy;

(8) whose debtors are resident in the Republic of Italy;

(9) which are residential mortgage loans the payment of which is secured by a first ranking mortgage (*ipoteca di primo grado economico*), such term meaning (i) a voluntary first ranking mortgage or (ii) a voluntary second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (iii) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is BPM S.p.A. or other banks who, or whose obligations, are secured by such second or subsequent ranking priority mortgages, have subsequently converged into BPM S.p.A. either by way of merger (*fusione*), de-merger (*scissione*), contribution of going concern (*conferimento di ramo d'azienda*) or transfer of going concern (*cessione di ramo d'azienda*);

(10) which are commercial mortgage loans which are expressly created over real estate assets and the payment of which is secured by a first ranking mortgage (*ipoteca di primo grado economico*) or subsequent ranking priority mortgages;

(11) in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to article 67 of the Bankruptcy Law and, if applicable, of Art. 39, fourth paragraph of the Banking Act;

(12) that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

(13) for which at least an Instalment inclusive of principal has been paid before the relevant Valuation Date (i.e. loans that are not in the pre-amortising phase);

(14) that, as of the relevant Valuation Date, did not have one or more Instalments that have not been fully paid;

(15) that are governed by Italian law;

(16) that are not mortgage loans disbursed in pool;

(17) that are denominated in Euro;

(18) that are not mortgage loans classified as a non performing loan (*sofferenza*) pursuant to Bank of Italy Regulation No 229 of 21 April 1999.

The Receivables included in each Portfolio to be transferred under the BPM Master Receivables Purchase Agreement shall, in addition to the BPM Common Criteria, meet further criteria (the **BPM Additional Criteria**).

Banco BPM

The Receivables transferred from Banco BPM to the Guarantor pursuant to the Banco BPM Master Receivables Purchase Agreement shall meet the following criteria (the **Banco BPM Common Criteria**) on the relevant Valuation Date:

Receivables arising from Mortgage Loans:

(1) which have been granted from Banco BPM to individuals (persone fisiche), legal persons (persone giuridiche) or employees of the Banco BPM Group;

(2) which are not "Non Performing Receivables" in compliance with the EU Regulation No. 575/2013 and 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 from time to time;

(3) which are mortgage loans, in respect of which, as at the Valuation Date, the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent. for the residential mortgage loans or 60 per cent. for the commercial mortgage loans, as the case may be, of the value of the property;

(4) that did not provide under any law (including regional and/or provincial) or regulation at the time of disbursement for any subsidy or other benefit in relation to principal or interest (mutui agevolati);

(5) that have not been granted to public entities (enti pubblici) or clerical entities (enti ecclesiastici);

(6) that are not consumer loans (crediti al consumo);

(7) that are secured by a mortgage created over real estate assets located in the Republic of Italy;

(8) whose debtors are resident in the Republic of Italy;

(9) which are residential mortgage loans the payment of which is secured by a first ranking mortgage (ipoteca di primo grado economico), such term meaning (i) a voluntary first ranking mortgage or (ii) a voluntary second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (iii) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is Banco BPM or other banks belonging to the Banco BPM Group (for the avoidance of doubt also by way of merger (fusione), de-merger (scissione), contribution of going concern (conferimento di ramo d'azienda) or transfer of going concern (cessione di ramo d'azienda));

(10) which are commercial mortgage loans which are expressly created over real estate assets and the payment of which is secured by a first ranking mortgage (ipoteca di primo grado economico) or subsequent ranking priority mortgages;

(11) in respect of which the hardening period (periodo di consolidamento) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of Art. 39, fourth paragraph of the Banking Act;

(12) that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

(13) for which at least an Instalment inclusive of principal has been paid before the relevant Valuation Date (i.e. loans that are not in the pre-amortising phase);

(14) that, as of the relevant Valuation Date, did not have one or more Instalments that have not been fully paid;

(15) that are governed by Italian law;

(16) that are not mortgage loans disbursed in pool;

(17) that are denominated in Euro.

The Receivables included in each Portfolio to be transferred under the Banco BPM Master Receivables Purchase Agreement shall, in addition to the BPM Common Criteria, meet further criteria (the **Banco BPM Additional Criteria**).

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In accordance with the provisions of the Master Receivables Purchase Agreements, the Sellers and the Guarantor shall, to the extent necessary, identify further criteria in order to supplement the Common Criteria and the Additional Criteria (the **Further Criteria**).

Under each Warranty and Indemnity Agreement, the Seller has represented, *inter alia*, that, as of the date of execution of the relevant Warranty and Indemnity Agreement, the Mortgage Loans comprised in the relevant Portfolios (i) were valid, in existence and in compliance with the Criteria, and (ii) related to Mortgage Loan Agreements which have been entered into, executed and performed by the relevant Seller in compliance with all applicable laws, rules and regulations (including the Usury Law).

THE ASSET MONITOR

The Bank of Italy Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Guarantee.

Pursuant to the Bank of Italy Regulations, the asset monitor must be an independent auditor, enrolled with the special register of accounting firms held by the CONSOB pursuant to article 161 of the Financial Laws Consolidation Act and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer and the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual report, to be addressed also to the Statutory Auditors of the Issuer.

Pursuant to an engagement letter entered into on 6 April 2016, the Issuer has appointed BDO Italia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi, 94 - 20131 Milan, Italy, share capital of Euro 1,000,000, of which paid Euro 1,000,000, fiscal code and enrolment with the companies' register (*registro delle imprese*) of Milan No. 07722780967, R.E.A. 1977842 and enrolled under No. 167911 with the special register of accounting firms held by the *Commissione Nazionale per le Società e la Borsa* pursuant to article 161 of the Financial Laws Consolidation Act, as asset monitor (the **Asset Monitor**) in order to perform, with reference to the period prior to the occurrence of an Issuer Event of Default and subject to receipt of the relevant information from the Issuer, specific agreed upon procedures concerning, *inter alia*, (i) the compliance with the issuing criteria set out in the Bank of Italy Regulations in respect of the issuance of covered bonds; (ii) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Substitution Assets included in the Cover Pool; (iii) the arithmetical accuracy of the calculations performed by the Issuer in respect of the Mandatory Tests and the compliance with the limits set out in Decree No. 310 with respect to covered bonds issued and the Eligible Assets and Substitution Assets included in the Cover Pool as determined in the Mandatory Test; (iv) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310 and the Bank of Italy Regulations; (v) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme and (vi) the completeness, truthfulness and timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013.

The engagement letter is in line with the provisions of the Bank of Italy Regulations in relation to the reports to be prepared and submitted by the Asset Monitor also to the Statutory Auditors Board of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

ASSET MONITOR AGREEMENT

The Asset Monitor, will, pursuant to an asset monitor agreement entered into on or about the first Issue Date (the **Asset Monitor Agreement**) between the Issuer, the Guarantor, the Asset Monitor and the Representative of the Bondholders and subject to due receipt of the information to be provided by the Calculation Agent to the Asset Monitor, (i) prior to the delivery of an Issuer Default Notice, verify the arithmetic accuracy of the calculations performed by the Calculation Agent pursuant to the Cover Pool Management Agreement with respect to the Asset Coverage Test; and (ii) following the delivery of an Issuer Default Notice, verify the arithmetic accuracy of the calculations performed by the Calculation Agent pursuant to the Cover Pool Management Agreement with respect to the Mandatory Tests and the Amortisation Test.

In addition, on or prior to each Asset Monitor Report Date, the Asset Monitor shall deliver to the Guarantor, the 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.

The Asset Monitor Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

Introduction

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- Article 7-*bis* and article 7-*ter* of the Law No. 130 of 30 April 1999 (as amended, the **Italian Securitisation and Covered Bonds Law**);
- the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under Decree No. 310 (the **MEF Regulation**);
- the C.I.C.R. Decree dated 12 April 2007; and
- Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (Circular No. 285, as defined below), as amended and supplemented from time to time (the **Bank of Italy Regulations**).

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the Italian Securitisation and Covered Bonds Law by adding two new articles, Articles 7-*bis* and 7-*ter*, which enable banks to issue covered bonds. Articles 7-*bis* and 7-*ter*, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

The Securitisation and Covered Bonds Law was further amended by law decree No. 145 of 23 December 2013, called "*Decreto Destinazione Italia*" (the ***Destinazione Italia* Decree**) converted into law No. 9 of 21 February 2014, by law decree No. 91, called "*Decreto Competitività*" (the **Law Decree *Competitività***, converted into Law No. 116 of 11 August 2014, by Law Decree No. 18 of 15 February 2016 converted into Law No. 49 of 8 April 2016, by law decree No. 50 of 24 April 2017, converted into Law no. 96 of 21 June 2017 (**Law 96/2017**), by Law No. 145 of 30 December 2018 and by Law Decree No. 34 of 30 April 2019.

Following the issue of the MEF Regulation, the Bank of Italy Regulations were published on 17 May 2007, as subsequently amended on 24 March 2010, completing the relevant legal and regulatory framework and allowing for the implementation on the Italian market of this funding instrument, which had previously only been available under special legislation to specific companies (such as *Cassa Depositi e Prestiti S.p.A.*).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285) which came into force on 1 January 2014, implementing CRD IV and setting out additional local prudential rules concerning matters not harmonised on EU level. Following the publication on 24 June 2014 of the 5th update to Circular of the Bank of Italy No. 285 of 17 December 2013 (the **Circular No. 285**), which added a new Chapter 3 ("*Obbligazioni bancarie garantite*") in Part III contained therein, the provisions set forth under Title V, Chapter 3 of Circular No. 263 of 27 December 2006 have been abrogated.

The Bank of Italy Regulations introduced provisions, among other things, regulating:

- the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;

- limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;
- criteria to be adopted in the integration of the assets constituting the cover pools;
- the identification of the cases in which the integration is permitted and its limits; and
- monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

Basic structure of a covered bond issue

The structure provided under Article 7-*bis* with respect to the issue of covered bonds may be summarised as follows:

- a bank transfers a pool of eligible assets (i.e. the cover pool) to an Article 7-*bis* special purpose vehicle (the **Guarantor**);
- the bank (or a different bank) grants the Guarantor a subordinated loan in order to fund the payment by the Guarantor of the purchase price due for the cover pool;
- the bank (or a different bank) issues the covered bonds which are supported by a first demand, unconditional and irrevocable guarantee issued by the Guarantor for the exclusive benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction. The Guarantee is backed by the entire cover pool held by the Guarantor.

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

The Guarantor

The Italian legislator chose to implement the new legislation on covered bonds by supplementing the Italian Securitisation and Covered Bonds Law, thus basing the new structure on a well established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the Guarantor is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchase of assets eligible for cover pools and the person giving guarantees in the context of covered bond transactions.

The guarantee

The MEF Regulation provides that the guarantee issued by the Guarantor for the benefit of the bondholders must be irrevocable, first-demand, unconditional and independent from the obligations of the issuer of the covered bonds. Furthermore, upon the occurrence of a default by the issuer in respect of its payment obligations under the covered bonds, the Guarantor must provide for the payment of the amounts due under the covered bonds, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool. The acceleration of the issuer's payment obligations under the covered bonds will

not therefore result in a corresponding acceleration of the Guarantor's payment obligations under the guarantee (thereby preserving the maturity profile of the covered bonds).

Upon an insolvency of the issuer, solely the Guarantor will be responsible for the payment obligations of the issuer owed to the Bondholders, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool.

If a resolution pursuant to Article 74 of the Consolidated Banking Act is passed in respect of the Issuer, the Guarantor, in accordance with Decree 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the entire period in which the suspension continues at their relevant due date, provided that it shall be entitled to claim any such amounts from the Issuer.

For further details see Section "*Description of the Transaction Documents – Guarantee*".

Finally, if a moratorium is imposed on the issuer's payments, the Guarantor will fulfil the issuer's payment obligations, with respect to amounts which are due and payable and with limited recourse to the cover pool. The Guarantor will then have recourse against the issuer for any such payments.

Segregation and subordination

Article 7-*bis* provides that the assets comprised in the cover pool and the amounts paid by the debtors with respect to the receivables and/or debt securities included in the cover pool are exclusively designated and segregated by law for the benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction.

In addition, Article 7-*bis* expressly provides that the claim for reimbursement of the loan granted to the Guarantor to fund the purchase of assets in the cover pool is subordinated to the rights of the Bondholders and of the hedging counterparties involved in the transaction.

Exemption from claw-back

Assignments executed under the Securitisation and Covered Bonds Law are subject to revocation on bankruptcy under article 67 of the Bankruptcy Law but only in the event that the declaration of bankruptcy of the Seller is made within three months of the covered bonds transaction (or of the purchase of the Cover Pool) or, in cases where paragraph 1 of article 67 applies (e.g. if the payments made or the obligations assumed by the bankrupt party exceed by more than one-fourth the consideration received or promised), within six months of the covered bonds transaction (or of the purchase of the Cover Pool). Article 7-*bis* provides that the guarantee and the subordinated loan granted to fund the payment by the Guarantor of the purchase price due for the cover pool are exempt from the bankruptcy claw-back provisions set out in article 67 of the Bankruptcy Law (Royal Decree No. 267 of 16 March 1942).

In addition to the above, any payments made by an assigned debtor to the Guarantor may not be subject to any declaration of ineffectiveness according to article 65 of the Bankruptcy Law.

The Issuing Bank

The Bank of Italy Regulations provide that covered bonds may only be issued by banks which individually satisfy, or which belong to banking groups which, on a consolidated basis:

- have own funds (*fondi propri*) of at least €250,000,000; and
- have a minimum total capital ratio of 9%.

The above mentioned requirements must be complied with, as at the date of the assignment, also by the banks selling the assets, where the latter are different from the bank issuing the covered bonds and do not fall within the same banking group.

The Bank of Italy Regulations specify that the requirements above also apply to the bank acting as cover pool provider (in the case of structures in which separate entities act respectively as issuing bank and as cover pool provider).

Banks not complying with the above mentioned requirements may set up covered bond programmes only prior notice to the Bank of Italy, which may start an administrative process to assess the compliance with the required requirements.

The Bank of Italy Regulations furthermore provide that the total amount of eligible assets that a bank may transfer to cover pools in the context of covered bond transactions is subject to limitations linked to the tier 1 ratio and common equity tier 1 ratio of the individual bank (or of the relevant banking group, if applicable) as follows:

	Ratios	**Transfer Limitations**
"**A**" range	- Tier 1 ratio ≥ 9%; and – Common Equity Tier 1 ratio ≥ 8%	No limitation
"**B**" range	- Tier 1 ratio ≥ 8%; and – Common Equity Tier 1 ratio ≥ 7%	Up to 60% of eligible assets may be transferred
"**C**" range	- Tier 1 ratio ≥ 7%; and – Common Equity Tier 1 ratio ≥ 6%	Up to 25% of eligible assets may be transferred

The Bank of Italy Regulations clarify that the ratios provided with respect to each range above must be satisfied jointly: if a bank does not satisfy both ratios with respect to a specific range, the range applicable to it will be the following, more restrictive, range. Accordingly, if a bank (or the relevant banking group) satisfies the "**b**" range total capital ratio but falls within the "**c**" range with respect to its tier 1 ratio, the relevant bank will be subject to the transfer limitations applicable to the "**c**" range.

The Cover Pool

For a description of the assets which are considered eligible for inclusion in a cover pool under Article 7-*bis*, see "*Description of the Cover Pool - Eligibility Criteria*".

Ratio between cover pool value and covered bond outstanding amount

The MEF Regulation provides that the cover pool provider and the issuer must continually ensure that, throughout the transaction:

- the aggregate nominal value of the cover pool is at least equal to the nominal amount of the relevant outstanding covered bonds;

- the net present value of the cover pool (net of all the transaction costs borne by the Guarantor, including in relation to hedging arrangements) is at least equal to the net present value of the relevant outstanding covered bonds;

- the interest and other revenues deriving from the cover pool (net of all the transaction costs borne by the Guarantor) are sufficient to cover interest and costs due by the issuer with respect to the relevant outstanding covered bonds, taking into account any hedging agreements entered into in connection with the transaction.

In respect of the above, under the Bank of Italy Regulations, strict monitoring procedures are imposed on banks for the monitoring of the transaction and of the adequacy of the guarantee on the cover pool. Such activities must be carried out both by the relevant bank and by an asset monitor, to be appointed by the bank, which is an independent accounting firm. The asset monitor must prepare and deliver to the issuing bank's s board of auditors, on an annual basis, a report detailing its monitoring activity and the relevant findings.

The Bank of Italy Regulations require banks to carry out the monitoring activities described above at least every 6 months with respect to each covered bond transaction. Furthermore, the internal auditors of banks must comprehensively review every 12 months the monitoring activity carried out with respect to each covered bond transaction, basing such review, among other things, on the evaluations supplied by the asset monitor.

In addition to the above, pursuant to the Bank of Italy Regulations provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013 (CRR).

In order to ensure that the monitoring activities above may be appropriately implemented, the Bank of Italy Regulations require that the entities participating in covered bond transactions be bound by appropriate contractual undertakings to communicate to the issuing bank, the cover pool provider and the entity acting as servicer in relation to the cover pool assets all the necessary information with respect to the cover pool assets and their performance.

Substitution of assets

The MEF Regulation and the Bank of Italy Regulations provide that, following the initial transfer to the cover pool, the eligible assets comprised in the cover pool may only be substituted or supplemented in order to ensure that the requirements described under "Ratio between cover pool value and covered bond outstanding amount", or the higher over-collateralization provided for under the relevant covered bond transaction documents, are satisfied at all times during the transaction.

The eligible assets comprised in the cover pool may only be substituted or supplemented by means of:

- the transfer of further assets (eligible to be included in the cover pool in accordance with the criteria described above);

- the establishment of deposits held with banks (**Qualified Banks**) which have their registered office in a member state of the European Economic Area or in Switzerland or in a state for which a 0% risk weight is applicable in accordance with the prudential regulations' standardised approach; and

- the transfer of debt securities, having a residual life of less than one year, issued by the Qualified Banks.

The Bank of Italy has clarified that the eligible assets included in the cover pool may be substituted with other eligible assets originated by the Seller, provided that such substitution is expressly provided for and regulated under the relevant programme documentation and appropriate disclosure is given to the investors in the prospectus.

The Decree No. 310 and the Bank of Italy Regulations, however, provide that the assets described in the last two paragraphs above (together with the liquidity deriving from the management of the cash-flows of the cover pool), cannot exceed 15% of the aggregate nominal value of the cover pool. This 15% limitation must be satisfied throughout the transaction and, accordingly, the substitution of cover pool assets may also be carried out in order to ensure that the composition of the assets comprised in the cover pool continues to comply with the relevant threshold. However the Bank of Italy has clarified that such 15% limitation may be exceeded upon occurrence of an Insolvency Event in respect of the Issuer, whereby supplementing the cover pool is no longer possible and the accumulation of liquidity over the 15% limit may be conducive to the benefit of the Bondholders.

The Bank of Italy Regulations clarify that the limitations to the overall amount of eligible assets that may be transferred to cover pools described under "*The Issuing Bank*" above do not apply to the subsequent transfer of supplemental assets for the purposes described under this paragraph.

Set-off

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

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 (as amended from time to time, 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 27 June 2018). 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. In certain judgements issued during 2000, the Italian Supreme Court (*Corte di Cassazione*) ruled that the Usury Law applied both to loans advanced prior to and after the entry into force of the Usury Law.

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.

According to recent court precedents, 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 might 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* 11 January 2013 No. 603). However, it is worth mentioning that, by more recent decisions, the Italian Supreme Court has clearly stated that, in order to establish if the interest rate exceeds the Usury Rate, it has to be considered the interest rate agreed between the parties at the time of the signing of the financing agreement, regardless of the time of the payment of such interest (see, for instance, *Cassazione* 27 September 2013, No. 22204; *Cassazione* 25 September 2013, No. 21885; *Cassazione* 19 October 2017, No. 24675).

Recently, the Italian Supreme Court (*Corte di Cassazione*), under decision No. 350/2013, as recently confirmed by decision number 23192/17, has clarified, for the first time, that the default interest is relevant for the purposes of determining if an interest rate is usurious. That interpretation is in contradiction with the current methodology for determining the Usury Rates, considering that the relevant surveys aimed at calculating the applicable average rate never took into account the default interest rates. In addition, the Italian Supreme Court, under decision No. 602/2013, has held that, with regard to loans granted before the entry into force of Usury Law, an automatic reduction of the applicable interest rate to the Usury Rates applicable from time to time shall apply.

Compounding of interest (Anatocismo)

Pursuant to article 1283 of the Italian Civil Code, 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*. In this respect, it should be noted that Article 25, paragraph 3, of legislative decree No. 342 of 4 August 1999 (**Decree No. 342**), enacted by the Italian Government under a delegation granted pursuant to law No. 142 of 19 February 1992, has considered the capitalisation of accrued interest (*anatocismo*) made by banks prior to the date on which it came into force (19 October 1999) to be valid. After such date, the capitalisation of accrued interest is no longer possible upon the terms established by a resolution of the Interministerial Credit & Saving Committee (**CICR** or ***Comitato Interministeriale per il Credito e il Risparmio***) issued on 22 February 2000. Decree 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 Decree No. 342 regarding the validity of the capitalisation of accrued interest made by banks prior to the date on which Decree No. 342 came into force.

Recently, article 31 of Law Decree *Competitività* (as defined below), has amended article 120, paragraph 2, of the Consolidated Banking Act by providing that interest shall not accrue on capitalised interests. In addition, on 8 August 2016, the decree no. 343 of 3 August 2016 issued by the Minister of Economy and Finance, in his quality of President of the CICR, implementing article 120, paragraph 2, of the Banking Law, has been published.

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.

Taxation

Article 7-*bis*, sub-paragraph 7, provides that any tax is due as if the granting of the subordinated loan and the transfer of the cover pool had not taken place and as if the assets constituting the cover pool were registered as on-balance sheet assets of the cover pool provider, provided that:

- the purchase price paid for the transfer of the cover pool is equal to the most recent book value of the assets constituting the cover pool; and

- the subordinated loan is granted by the same bank acting as cover pool provider.

It is likely that the provision described above would imply, as a main consequence, that banks issuing covered bonds will be entitled to include the receivables transferred to the cover pool as on-balance receivables for the purpose of tax deductions applicable to reserves for the depreciation on receivables in accordance with Article 106 of Presidential Decree No. 917 of 22 December 1986.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this 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. Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Republic of Italy

Tax treatment of Covered Bonds issued by the Issuer

Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented (**Decree No. 239**) sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) issued, *inter alia*, by Italian resident banks. The provisions of Decree No. 239 only apply to Covered Bonds issued by the Issuer which qualify as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni)* pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (**Decree No. 917**).

For these purposes, debentures similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

The tax regime set forth by Decree No. 239 also applies to Interest from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian resident Bondholders

Pursuant to Decree No. 239, where an Italian resident Bondholder, who is the beneficial owner of the Covered Bonds, is:

(a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless the investor has entrusted the management of his financial assets, including the Covered Bonds, to an authorised intermediary and has opted for the so called "*regime del risparmio gestito"* (the Asset Management Regime) – see under *"Capital gains tax*" below for an analysis of such regime), or

(b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations, or

(c) a private or public entity other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, with the exclusion of collective investment funds; or

(d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent., either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Covered Bonds. All the above categories are qualified as "net recipients".

Where the resident holders of the Covered Bonds described under (a) and (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of Covered Bonds received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. imposta sostitutiva, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Italian law. Pursuant to Article 1, paragraphs 219-225 of Law No. 178 of 30 December 2020 (**Law No. 178**), it is further provided that Italian resident individuals investing, by 31 December 2021, in long-term individual savings account compliant with Article 13-bis, paragraph 2-bis of Law Decree No. 124 of 26 October 2019 (**Decree No. 124**) may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realized in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (e.g. including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

Where an Italian resident Bondholder is a company or similar commercial entity (including limited partnership qualified as *società in nome collettivo* or *società in accomandita semplice* and private and public institutions carrying out commercial activities and holding the Covered Bonds in connection with this kind of activities), or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected, and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Bondholder's income tax return and are therefore subject to Italian corporate income taxation. In certain circumstances, depending on the "status" of the Bondholder, Interest from the Covered Bonds would be subject to IRAP (the regional tax on productive activities). Interest on the Covered Bonds that are not deposited with an authorised intermediary, received by the above persons is subject to a 26 per cent. substitute tax levied as provisional tax.

Where a Bondholder is an Italian resident real estate investment fund or a real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001 (**Decree No. 351**), Article 32 of Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, Interest accrued on the Covered Bonds will be subject neither to *imposta sostitutiva* nor to any other income tax in the

hands of the real estate investment fund or the real estate SICAF. The income of the real estate fund or the real estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAV (an investment company with variable share capital) or a SICAF (an Italian investment company with fixed share capital) (together, the Fund) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority and the relevant Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund accrued at the end of each tax period. The Fund will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Substitute Tax**).

Where an Italian resident Bondholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005 (**Decree No. 252**)) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the **Pension Fund Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds). Subject to certain conditions (including minimum holding period requirement) and limitations, Interest in respect of the Covered Bonds may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) under Italian law.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (**SIMs**), fiduciary companies, *società di gestione del risparmio* (**SGRs**), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an **Intermediary**), as subsequently amended and integrated.

An Intermediary (a) must (i) be resident in Italy, or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary, or (iii) an entity or company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239, and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the imposta sostitutiva, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.Where the Covered Bonds and the relevant coupons are not deposited with an authorised Italian Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the imposta *sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Covered Bonds or, absent that by the Issuer.

Non Italian resident Bondholders

Pursuant to Decree No. 239, payments of Interest in respect of Covered Bonds issued by the Issuer will not be subject to *imposta sostitutiva* at the rate of 26 per cent. if made to beneficial owners who are non Italian resident beneficial owners of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected provided that:

(a) such beneficial owners are resident, for tax purposes, in a State or territory included in the list of States or territories allowing an adequate exchange of information with Italy and listed in Ministerial Decree dated 4 September 1996, as amended and supplemented by Ministerial Decree of 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree No. 239 (the **White List**) For the sake of clarity, Brexit has not resulted in the exclusion of the United Kingdom from the White List. Accordingly, Brexit did not result in a change on the tax treatment of Bondholders being resident or established in the UK; and

(a) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

The 26 per cent. *imposta sostitutiva*, if applicable, may be reduced (generally to 10 per cent.) under certain double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation provided by Measure of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Covered Bonds made to (i) international bodies or entities established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors, whether or not subject to tax, which are established in countries included in the White List; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

In order to ensure payment of Interest in respect of the Covered Bonds without the application of 26 per cent. *imposta sostitutiva*, non- Italian resident Bondholders indicated above must be the beneficial owners of the payments of Interest and must:

(a) deposit in due time, directly or indirectly, the Covered Bonds with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(a) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a self-statement, which remains valid until withdrawn or revoked, in which the Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities established in accordance with international agreements ratified in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001. Additional supporting documentation may sometimes be requested by the relevant depository, which depends on the status of the Bondholder and the policies of the relevant depository.

Failure of a non-resident Bondholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments.

Non-resident holders of the Covered Bonds who are subject to substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant holder of the Covered Bonds.***Payments made by an Italian resident guarantor***

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

In accordance with another interpretation, any such payment made by the Italian resident guarantor may be subject to a withholding tax at a rate of 26 per cent. levied as a final tax or provisional tax depending on the residential "status" of the Bondholder, pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Bondholders, a final withholding tax may be applied at 26 per cent. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Covered Bonds multiplied by the number of years of the duration of the Covered Bonds.

Atypical securities

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Covered Bonds issued by an Italian resident issuer, where the Bondholder is:

(a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected;

(a) an Italian company or a similar Italian commercial entity;

(b) a permanent establishment in Italy of a foreign entity to which the Covered Bonds are connected;

(c) an Italian commercial partnership; or

(d) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of Covered Bonds received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the withholding tax on Interest relating to "*titoli atipici*", if those Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) under Italian law. Pursuant to Article 1, paragraphs 219-225 of Law No. 178, it is further provided that Italian resident individuals investing, by 31 December 2021, in long-term individual savings account compliant with Article 13-bis, paragraph 2-bis of Decree No. 124 may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realized in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (e.g. including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

In all other cases, including when the Bondholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Bondholders, the 26 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Italian resident Bondholders

Pursuant to Legislative Decree of 21 November 1997, No. 461 (**Decree No. 461**), a 26 per cent. capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by:

(a) an Italian resident individual not engaged in entrepreneurial activities to which the Covered Bonds are connected;

(a) an Italian resident partnership not carrying out commercial activities;

(b) an Italian private or public institution not carrying out mainly or exclusively commercial activities; or

on any sale or transfer for consideration of the Covered Bonds or redemption thereof.

In respect of the application of imposta sostitutiva on capital gains, taxpayers may opt for one of the three regimes described below:

(a) under the tax declaration regime ("*regime della dichiarazione*"), which is the default regime for Italian Bondholders under (a) to (c) above, the *imposta sostitutiva* on capital

gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised pursuant to all sales or redemptions of the Covered Bonds carried out during any given fiscal year. The capital gains realised in any fiscal year, net of any relevant incurred capital loss, must be detailed in the annual tax return to be filed with Italian tax authorities and the *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for such fiscal year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

(b) Alternatively to the tax declaration regime, Italian Bondholders under (a) to (c) above may elect for the administrative savings regime ("*regime del risparmio amministrato*") to pay the *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Covered Bonds. Such separate taxation of capital gains is allowed subject to (i) the Covered Bonds being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the administrative savings regime being made in writing in due time by the relevant Bondholder. The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the holder of the Covered Bonds, deducting a corresponding amount from the proceeds to be credited to the holder of the Covered Bonds or using funds provided by the holder of the Covered Bonds. Where a sale or transfer or redemption of the Covered Bonds results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Covered Bonds within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the administrative savings regime, the realised capital gain is not required to be included in the annual income tax return of the Bondholder and the Bondholder remains anonymous.

(c) Alternatively to the above described regimes, the aforementioned Bondholders may elect for "asset management" regime (the "*risparmio gestito*" regime), under which any capital gains realised upon sale, transfer or redemption by Italian Bondholders under (a) to (c) above who have entrusted the management of their financial assets (including the Covered Bonds) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Also under the asset management regime the realised capital gain is not required to be included in the annual income tax return of the Bondholder and the Bondholder remains anonymous.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Covered Bonds realised upon sale, transfer or redemption by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) under Italian law. Pursuant to Article

1, paragraphs 219-225 of Law No. 178, it is further provided that Italian resident individuals investing, by 31 December 2021, in long-term individual savings account compliant with Article 13-bis, paragraph 2-bis of Decree No. 124 may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realized in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (e.g. including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

In the case of Covered Bonds held by Funds capital gains on Covered Bonds contribute to determinate the increase in value of the managed assets of the Funds accrued at the end of each tax year. The Funds will not be subject to taxation on such increase, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where a Bondholder is an Italian resident real estate investment fund or a real estate SICAF, to which the provisions of Decree No. 351 apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. The income of the real estate fund or the real estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where an Italian resident Bondholder is a pension fund (subject to the regime provided for by article 17 of Decree No. 252) and the Covered Bonds are deposited with an Italian resident intermediary, any capital gains realised upon sale, transfer or redemption of the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include capital gains accrued on the Covered Bonds). Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Covered Bonds may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) under Italian law.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non Italian resident corporations to which the Covered Bonds are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Non-Italian resident Bondholders

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Covered Bonds by non Italian resident individuals and corporations without a permanent establishment in Italy to which the Covered Bonds are effectively connected, if the Covered Bonds are held in Italy.

However, pursuant to Article 23 of Decree No. 917, 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 to the extent that the Covered Bonds are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Covered Bonds are deposited, even if the Covered Bonds are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Capital gains realised by non-Italian resident Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale, transfer or redemption of Covered Bonds issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the beneficial owner of the Covered Bonds is:

(a) resident in a State or territory included in the White List as defined above; and

(b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

The same exemption applies where the non-Italian resident beneficial owners of the Covered Bonds are (i) international entities or organizations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors, whether or not subject to tax, established in countries included in the White List; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

If none of the conditions above is met, capital gains realised by non-Italian resident Bondholders from the sale, transfer or redemption of Covered Bonds issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, non-Italian resident Bondholders may benefit from any applicable tax treaty with Italy providing that capital gains realised upon the sale, transfer or redemption of the Covered Bonds are to be taxed only in the country of tax residence of the recipient.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected elect for the asset management regime or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply provided that they timely file with the Italian authorised financial intermediary a self-declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3rd October, 2006, converted with amendments by Law No. 286 of 24th November, 2006 effective from 29th November, 2006, and Law No. 296 of 27th December, 2006, the transfers of any valuable assets (including the Covered Bonds) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(i) 4 per cent. to transfers in favour of spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);

(ii) 6 per cent. to transfers in favour of brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);

(iii) 6 per cent. to transfers in favour of relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and

(iv) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

The transfer of financial instruments as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Italian law.

With respect to Covered Bonds listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Covered Bonds, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Moreover, an anti-avoidance rule is provided for by Law No. 383 of 18 October 2001 for any gift of assets (such as the Covered Bonds) which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Covered Bonds for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

Transfer tax

Contracts relating to the transfer of securities are subject to a € 200 registration tax as follows:

(i) public deeds and notarised deeds are subject to mandatory registration;

(ii) private deeds are subject to registration only in the case of use ("*caso d'uso*") or upon occurrence of an explicit reference ("*enunciazione*") or voluntary registration ("*registrazione volontaria*").

Stamp Duty

Pursuant to Article 13 par. 2-*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as amended by Article 1 par. 581 of Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed € 14,000 per year for taxpayers other than individuals, pursuant to Article 134 of Law Decree No. 34 of 19 May 2020. This stamp duty is determined on the market value or – in the absence of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Covered Bonds). Stamp duty applies both to Italian resident Bondholders and to non-Italian

resident Bondholders, to the extent that the Covered Bonds are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Law No. 147 of 27 December 2013, resident individuals, non-business entities and non-business partnerships that are resident in Italy holding financial assets – including the Covered Bonds – outside of the Italian territory are required to pay in their own annual tax declaration a wealth tax at the rate of 0.2 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, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. Pursuant to Article 134 of Law Decree No. 34 of 19 May 2020, the wealth tax cannot exceed € 14,000.00 per year for Bondholders other than individuals. The Italian tax authority clarified (Circular No. 28/E of 2 July 2012) that financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries.

Tax Monitoring Obligations

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended by Law No. 97 of 6 August 2013 and subsequently amended by Law No. 50 of 28 March 2014 and Law No. 186 of 15 December 2014, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad or are the actual owners, under the Italian money-laundering law, provided by Italian Legislative Decree No. 231 of 21 November 2007, of investments abroad or foreign financial assets must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return).

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Covered Bonds deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through Italian financial intermediaries intervention, upon condition that the items of income derived from the Covered Bonds have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

U.S. Foreign Account Tax Compliance Withholding (FATCA)

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold

on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (IGAs), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Covered Bonds (as described under "Terms and Conditions—Further Issues") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.]

LUXEMBOURG TAXATION

The following is an overview of certain Luxembourg tax considerations relating to the Covered Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Covered Bonds, whether in Luxembourg or elsewhere. Prospective purchasers of the Covered Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds and the consequences of such actions under the tax laws of Luxembourg. This overview is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding tax issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Covered Bonds.

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 withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

A Bondholder may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Covered Bonds, or the execution, performance, delivery and/or enforcement of the Covered Bonds.

Withholding Tax

All payments of interest (including accrued but unpaid interest) and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Covered Bonds, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005, as amended (the **2005 Law**), which provides for a 20% withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the 2005 Law) paid by a paying agent within the meaning of the 2005 Law established in Luxembourg.

Responsibility for the withholding of the 20% withholding tax will be assumed by the Luxembourg paying agent and not by the Issuer.

Pursuant to the 2005 Law, Luxembourg resident individuals can opt to self declare and pay a 20% levy on savings income paid or ascribed by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

The 20% withholding tax as described above or the 20% levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

SUBSCRIPTION AND SALE

Covered Bonds may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Programme Agreement dated 11 July 2008 (as amended and restated from time to time, the **Programme Agreement**) and made between the Issuer, the Guarantor, the Representative of the Bondholders and the Dealers. Any such agreement will, *inter alia*, make provision for the terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series or Tranche of Covered Bonds. For the purposes of this section, references in this section to "Dealer" and "Dealers" also refers to any Dealer or Dealers appointed subsequently.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Covered Bonds have not been and will not be registered under the Securities Act or with any securities regulatory of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury 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 has not offered, sold or delivered and will not offer, sell or deliver Covered Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified to the Issuer by the relevant Dealer or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer further agrees, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of Covered Bonds comprising any Series or Tranche, offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act

if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds specifies the "*Prohibition of Sales to EEA Retail Investors*" as "*Not Applicable*", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Covered Bonds does not include a legend entitled "*Prohibition of Sales to EEA Retail Investors*", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Member State except that it may make an offer of such Covered Bonds in that Member State:

(a) **Qualified investors**: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) **Fewer than 150 offerees**: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) **Other exempt offers**: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, (i) the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds in any 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 for the Covered Bonds and (ii) the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds specifies "*Prohibition of Sales to UK Retail Investors*" as "*Not Applicable*", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the **EUWA**); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Covered Bonds does not include the legend "*Prohibition of Sales to UK Retail Investors*", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in the United Kingdom except that it may make an offer of such Covered Bonds to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement

a prospectus pursuant to Article 23 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA.
For the purposes of this provision, (i) the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds and (ii) the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.Each Dealer has represented and agreed, and each further Dealer appointed under the programme will be required to represent and agree, that:

(a) ***no deposit-taking***: in relation to any Covered Bonds which have a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

(ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons:

- whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses;
- where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) ***financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***general compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Covered Bonds has not been registered with the Consob pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the sale of the Covered Bonds in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Without prejudice to the paragraph entitled "Prohibition of Sales to EEA Retail Investors" above, each Dealer has represented and agreed that, save as set out below, no Covered Bonds may be offered, sold or delivered, nor may copies of this Prospectus or of any other document

relating to the Covered Bonds be distributed in the Republic of Italy, except in circumstances falling within Article 1(4) of the Prospectus Regulation or Article 3(2) of the Prospectus Regulation and Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time. Any such offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must:

(a) be 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. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**);

(b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015, as amended; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB any other Italian authority.

France

Each Dealer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in the Republic of France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the **FIEA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Covered Bonds in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses, distributes or publishes this Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the Dealers. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Covered Bonds) or in a supplement to this Prospectus.

GENERAL INFORMATION

Name and Legal Form of the Issuer

The Issuer is incorporated as a joint stock company (*società per azioni*) in the Republic of Italy, is registered with number 09722490969 in the companies' register (*registro delle imprese*) of Milan and operates in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended) (the **Italian Banking Act**).

Corporate Purpose

The purpose of the Issuer, pursuant to Article 4 of the By-laws, is to collect savings and provide loans in various forms, both directly and through subsidiaries. In compliance with applicable regulations and after obtaining the necessary authorisations, the Issuer may carry out, directly or through its subsidiaries, all banking, financial and insurance transactions and services, including the establishment and management of open or closed end pension schemes, and other activities that may be performed by lending institutions, including the issuance of bonds, the exercise of financing activities regulated by special laws and the sale and purchase of company receivables.

The Issuer may carry out any other transaction that is instrumental or in any way related to the achievement of its corporate purpose. To pursue its objectives, the Issuer may adhere to associations and consortia of the banking system, both in Italy and abroad.

In its capacity as parent company of the Group, pursuant to the laws from time to time in force, including Article 61, paragraph 4, of the Italian Banking Act, in exercising the activity of direction and coordination the Issuer issues guidelines to the Group's members, also for the purpose of executing instructions issued by the regulatory authorities and in the interest of the stability of the Group.

Share Capital of the Issuer

Pursuant to Article 6 of the By laws, the subscribed and paid up share capital of the Issuer is Euro 7,100,000,000 and is represented by 1,515,182,126 ordinary shares without nominal value.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of Banco BPM is 815600E4E6DCD2D25E30.

Website and Telephone

The website of the Issuer is https://gruppo.bancobpm.it/en/ and its telephone numbers are +39 02 77 001 and +39 045 8675 111. The information on https://gruppo.bancobpm.it/en/ does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus. Other than the information incorporated by reference, the content of the Issuer's website has not been scrutinised or approved by the competent authority.

Approval, Listing and Admission to Trading

This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Regulation by the *Commission de Surveillance du Secteur Financier* (**CSSF**) in its

capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Regulation. Application has been made for Covered Bonds issued under the Programme to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

However, Covered Bonds may be issued pursuant to the Programme which will be unlisted or be admitted to listing, trading and/or quotation by such other competent authority, stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Prospectus; (ii) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Regulation; and (iii) if so required by the competent authority of such Member State, a translation into the official language(s) of such Member State of a summary of this Prospectus.

The Bank of New York Mellon SA/NV – Luxembourg Branch is acting as listing agent in connection with the Programme and the Covered Bonds. The Bank of New York Mellon SA/NV – Luxembourg Branch, being part of a financial group providing clients services with a worldwide network covering different time zones, may entrust parts of its operational processes to other BNY Group entities and/or third parties, whilst keeping ultimate accountability and responsibility in Luxembourg.

Minimum Denomination

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, such Covered Bonds will not have a denomination of less than €100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

Authorisations

The Programme and the issue of Covered Bonds has been duly authorised by a resolution of the Management Board (*Consiglio di Gestione*) of the Issuer (formerly Banca Popolare di Milano S.c. a.r.l.) dated 13 November 2007 and 8 July 2008 and the giving of the Guarantee has been duly authorised by a resolution of the Quotaholders of the Guarantor dated 6 June 2008. The annual updates of the Programme have been authorised by the resolution of the board of directors of the Issuer dated 18 December 2018.

Clearing of the Covered Bonds

The Covered Bonds issued in dematerialised form have been accepted for clearance through Monte Titoli, Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms. The relevant Conditions and/or Final Terms shall specify (i) any other clearing system for the Covered Bonds issued in dematerialised form as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information or (ii) with respect to Covered Bonds issued in any of the other form which may

be indicated in the relevant Conditions and/or Final Terms, the indication of the agent or registrar through which payments to the Bondholders will be performed.

Litigations

Save as disclosed in this Prospectus in Sections headed "*Business Description of the Issuer and the group - Legal Proceedings of the Group – Ongoing Legal and Administrative Proceeding*" neither the Issuer nor any other member of the Group nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group or the Guarantor.

Trend Information/ No Significant change

The COVID-19 pandemic, which resulted in a global recession, has significantly increased the uncertainties in the economy and the financial markets, as discussed in "*Risks related to the impact of global macro-economic factors*" on pages 27 and following of this Prospectus; therefore, its direct and indirect impact on the Group's results and financial condition cannot yet be finally assessed at the date of this Prospectus. Except for the potential direct and indirect impact of the COVID-19 pandemic indicated in the previous paragraph:

(i) there has been no material adverse change in the prospects of the Issuer since 31 December 2020;

(ii) there has been no significant change in the financial performance of the Group since 31 March 2021; and

(iii) there has been no significant change in the financial position of the Issuer and the Group since 31 March 2021;

Since 31 December 2020, (i) there has been no material adverse change in the prospects of the Guarantor, (ii) there has been no significant change in the financial position of the Guarantor and (iii) there has been no significant change in the financial performance of the Guarantor.

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.

Independent Auditors

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors (*Albo speciale delle società di revisione*), in compliance with the provisions of Legislative Decree No. 39/2010, as implemented by MEF (Decree n. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is at Piazza Tre Torri, 2, 20145 Milan, Italy.

PricewaterhouseCoopers S.p.A. was appointed by the shareholders' meetings of Banca Popolare di Milano S.c. a r.l. and Banco Popolare – Società Cooperativa held on 15 October 2016 in the context of the Merger as independent auditor of the Issuer for its consolidated and non-consolidated annual financial statements as well as for its interim consolidated financial statements. The engagement of PricewaterhouseCoopers S.p.A. will expire upon approval of the Issuer's financial statements as at and for the year ending 31 December 2025.

PricewaterhouseCoopers S.p.A. audited the consolidated and non-consolidated annual financial statements of Banco BPM S.p.A. as at and for the years ended 31 December 2020 and 31 December 2019.

PricewaterhouseCoopers S.p.A.has also audited the 2020 financial statements and the 2019 financial statements of the Guarantor.

Documents Available

So long as Covered Bonds are capable of being issued under the Programme and without prejudice to paragraph "Publication on the Internet", copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer:

(a) the memorandum of association (*atto costitutivo*) and the by-laws (with an English translation thereof) of the Issuer and the Guarantor (which are also available on, in respect of the Issuer https://gruppo.bancobpm.it/media/dlm_uploads/Statuto-BBPM-ENG_04.04.2020.pdf, and, in respect of the Guarantor, https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-S.r.l.-Articles-of-Association.pdf and https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-S.r.l.-Company-Statute.pdf);

(b) the audited consolidated annual financial statements of Banco BPM as at and for the years ended 31 December 2019 and 31 December 2020 (which are also available on https://gruppo.bancobpm.it/media/dlm_uploads/Consolidated-2019-Annual-Report-tipografia-per-sito.pdf and https://gruppo.bancobpm.it/media/dlm_uploads/Consolidated-2020-Annual-Report-file-definitivo.pdf , respectively)); https://gruppo.bancobpm.it/media/dlm_uploads/Consolidated-2019-Annual-Report-tipografia-per-sito.pdf

(c) the non consolidated financial statements of the Guarantor as at and for the years ended as at 31 December 2019 and 31 December 2020, which are available at https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-S.r.l.-Financial-Statements-2019.pdf and https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-Financial-Statements-2020.pdf,;

(d) the auditor's reports in respect of the Guarantor's annual financial statements for the years ended as at 31 December 2019 and 31 December 2020, which are available at:https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-S.r.l.-Financial-Statements-2019.pdf and https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-bond-Indipendent-Auditors-Report-%E2%80%93-Financial-Statements-2020.pdf ;

(e) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer;

(f) a copy of this Prospectus;

(g) any future offering circulars, prospectuses, information memoranda and supplements to this Prospectus including Final Terms and any other documents incorporated herein or therein by reference;

(h) the 9 February 2021Press Release;

(i) the 6 May 2021 Press Release;

(j) the 22 June Press Release;

(k) the 25 June Press Release;

(l) each of the following transaction documents (the **Transaction Documents**), namely:

- Guarantee (which is also available on https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-S.r.l.-Guarantee.pdf);
- Subordinated Loan Agreements;
- Master Receivables Purchase Agreements;
- Cover Pool Management Agreement;
- Warranty and Indemnity Agreements;
- Servicing Agreement;
- Asset Monitor Agreement;
- Quotaholders' Agreement;
- Cash Allocation, Management and Payment Agreement;
- Interest Rate Swap Agreements;
- Mandate Agreement;
- Deed of Pledge;
- Deed of Charge;
- Intercreditor Agreement;
- Corporate Services Agreement;
- Programme Agreement;
- any Subscription Agreement for Covered Bonds issued on a syndicated basis that are listed; and
- Master Definitions Agreement.

In addition, copies of this Prospectus, any supplements to this Prospectus, each Final Terms relating to the Covered Bonds which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (https://www.bourse.lu). In addition, copies of the by-laws of the Issuer (with an English translation thereof) will be available on the Issuer's website (*https://gruppo.bancobpm.it/en/*).

Publication on the Internet

This Prospectus, any supplement thereto and the Final Terms will be available on the internet site of the Luxembourg Stock Exchange, at https://www.bourse.lu.

In any case, copy of this Prospectus together with any supplement thereto and documents incorporated by reference, if any, or further Prospectus, will remain publicly available in electronic form for at least 10 years on https://gruppo.bancobpm.it/en/investor-relations/debt-instruments/international-issues/.

Material Contracts

The Issuer nor the Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Bondholders.

The Guarantor has entered into any contracts since 26 March 2015 outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Bondholders.

Financial Statements

The Guarantor produces non-consolidated financial statements on an annual basis, at the end of each calendar year.

The Issuer produces consolidated and non-consolidated financial statements at the end of each calendar year and, thereafter, on a quarterly basis, consolidated interim report.

Dealers

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GLOSSARY

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

Account means each of the Collection Accounts, the Transaction Account, the Investment Account, the Securities Account, the Reserve Account, the Expenses Account and the Quota Capital Account and any other account which may be opened in the name of the Guarantor, pursuant to the terms of the Transaction Documents.

Account Bank means Banco BPM or any other entity acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement.

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

Additional Criteria means, with respect to each Initial Portfolio, the criteria listed in schedule 2 to the relevant Master Receivables Purchase Agreement and with respect to any Subsequent Portfolios, the criteria listed in schedule 3 to the relevant Master Receivables Purchase Agreement.

Additional Seller means any additional seller which may from time to time enter into the Programme.

Adjusted Aggregate Loan Amount means the amount calculated pursuant to the formula set out in clause 3.2 of the Cover Pool Management Agreement.

ACT or **Asset Coverage Test** means the tests which will be carried out pursuant to the terms of the Cover Pool Management Agreement in order to ensure that, on the relevant Calculation Date, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds.

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

Affected Receivable has the meaning specified in clause 8.1 of the Warranty and Indemnity Agreements.

Amortisation Test means the test intended to ensure that on each Calculation Date, following the delivery of an Issuer Default Notice, the outstanding principal balance of the Cover Pool which for such purpose is considered as an amount equal to the Amortisation Test Aggregate Loan Amount is higher than or equal to the Euro Equivalent of the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

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

Amortising Covered Bonds means a Covered Bond specified as such in the relevant Final Terms.

Asset Monitor means BDO Italia S.p.A. or any other entity appointed from time to time to act as such in accordance with the Asset Monitor Agreement.

Asset Monitor Agreement means the asset monitor agreement entered into on 11 July 2008 between, *inter alios*, the Asset Monitor and the Issuer.

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

Availability Period means the period from the date of execution of each Subordinated Loan Agreement to the Maturity Date (or the Extended Maturity Date, as the case may be).

Back-up Account Bank means The Bank of New York Mellon SA/NV – Milan Branch, Italian branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payment Agreement.

Back-up Servicer means the entity which may be appointed by the Guarantor, together with the Representative of the Bondholders, pursuant to clause 7 of the Servicing Agreement and Clause 5.3 of the Intercreditor Agreement.

Banco BPM S.p.A. or **Banco BPM** means a bank incorporated in Italy as a *società per azioni*, having its registered office at Piazza F. Meda, 4, Milan, Italy, and registered with the Companies' Register of Milan under number 09722490969, and with the register of banking groups held by the Bank of Italy "*Codice meccanografico*" 5034 under number 8065, authorised to carry out business and operate in Italy pursuant to article 13 of the Consolidated Banking Act (which, *inter alia*, incorporated Banca Popolare di Milano S.p.A., **BPM S.p.A.**).

Banco BPM Group means, together, the banks and other companies belonging from time to time to BPM banking group, enrolled with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

Bank of Italy Regulations means Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (Circolare No. 285 of 17 December 2013), as subsequently amended and supplemented.

Bank of Italy Regulations for Financial Intermediaries means the "*Istruzioni di Vigilanza per gli Intermediari Finanziari*" (Circolare No. 288 of 3 April 2015), as subsequently amended and supplemented

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

Beneficiaries means the Bondholders and the Other Guarantor Creditors and any other person or entity entitled to receive a payment from the Issuer and/or the Guarantor under the Programme, in accordance with article 7-bis of the Securitisation and Covered Bonds Law.

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

BPM Collection Account means the euro denominated account established in the name of the Guarantor with the Account Bank as specified in the Master Definitions Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

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

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

Calculation Agent means Banco BPM or any other entity acting as calculation agent pursuant to the Cash Allocation, Management and Payment Agreement.

Calculation Date means the date falling three Business Days prior to each Guarantor Payment Date.

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

Cash Allocation, Management and Payment Agreement means the Cash Allocation, Management and Payment Agreement entered into on 11 July 2008 between the Issuer, the Guarantor, the Servicer, the initial Seller, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders.

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

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

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

Collection Account means the BPM S.p.A. Collection Account and any other account which may be opened in accordance with clause 3.3 of the Cash Allocation Management and Payments Agreement and "Collection Accounts" means all of them.

Collection Period means each quarterly period, commencing on (and including) the first calendar day of each of January, April, July and October and ending on (and including) the last calendar day of March, June, September and December

Collections means all amounts received or recovered by the Servicer and/or any Sub-Servicer in respect of the Receivables.

Commercial Mortgage Loan means, pursuant to article 2, sub-paragraph 1, of Decree No. 310 a commercial mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher-ranking mortgage loans secured by the same

property does not exceed 60% and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

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

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

Compensation Threshold means €100,000.

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

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

Corporate Services Agreement means the agreement entered into on 11 July 2008 between the Guarantor and the Guarantor Corporate Servicer pursuant to which the Guarantor Corporate Servicer will provide certain administration services to the Guarantor.

Corresponding Series of Covered Bonds means, in respect of a Term Loan, the Series of Covered Bonds issued or to be issued.

Cover Pool means the cover pool constituted by (i) Receivables; (ii) any other Eligible Assets; and (iii) any Substitution Assets.

Cover Pool Management Agreement means the agreement entered into on 11 July 2008 between the Issuer, the Guarantor, the Representative of the Bondholders and the Calculation Agent.

Cover Pool Swap Agreement means any interest swap agreement from time to time entered into in respect of the Cover Pool.

Cover Pool Swap Provider means Banco BPM or any other entity acting as such pursuant to the Cover Pool Swap Agreement (if any).

Covered Bonds means each series of covered bonds (*obbligazioni bancarie garantite*) issued or to be issued by the Issuer pursuant to the terms and subject to the conditions of the Programme Agreement.

Credit and Collection Policy means the procedures for the management, collection and recovery of Receivables attached as schedule 1 to the Servicing Agreement.

Criteria means, collectively, the Common Criteria, the Additional Criteria (as listed, respectively, in schedules 1, 2 and 3 to the Master Receivables Purchase Agreement) and any Further Criteria determined pursuant to the terms of the Master Receivables Purchase Agreements.

Dealer means each of UBS Europe SE, Banca Akros S.p.A. – Gruppo Banco BPM, Barclays Bank Ireland PLC and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 5 (Form of

Dealer Accession Letter) of the Programme Agreement on any other terms acceptable to the Issuer and such entity.

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

Decree No. 213 means Italian Legislative Decree number 213 of 24 June 1998, as amended and supplemented from time to time.

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

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

Deed of Charge means the English law deed of charge entered into on or about the First Issue Date between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors) and each supplemental deed entered into pursuant thereto.

Deed of Pledge means the Italian law deed of pledge entered into on 11 July 2008 between the Guarantor and the Representative of the Bondholders (acting on behalf of the Bondholders and of the Other Guarantor Creditors).

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

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

Drawdown Date means the date on which a Term Loan is advanced under the Subordinated Loan Agreements during the Availability Period and that corresponds to:

(a) in respect of each Initial Portfolio and any Subsequent Portfolio, the date on which the relevant purchase price has to be paid to Banco BPM S.p.A., as the case may be, by the Guarantor pursuant to the terms of the relevant Master Receivables Purchase Agreement; and

(b) in respect of the Substitution Assets, the date on which the purchase price for the Substitution Assets has to be paid to the relevant Seller by the Guarantor pursuant to the terms of the Cover Pool Management Agreement.

Due for Payment means the requirement for the Guarantor to pay any Guaranteed Amounts following the delivery of an Issuer Default Notice after the occurrence of a Issuer Event of Default, such requirement arising:

(i) prior to the occurrence of a Guarantor Event of Default, on the date on which the Guaranteed Amounts are due and payable in accordance with the Terms and Conditions and the Final Terms of the relevant Series of Covered Bonds; and

(ii) following the occurrence of a Guarantor Event of Default, the date on which the Guarantor Default Notice is served on the Guarantor.

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

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

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

(i) the Residential Mortgage Loans;

(ii) the Commercial Mortgage Loans;

(iii) the Public Entities Receivables; and

(iv) the Public Entities Securities.

Eligible Cover Pool means the aggregate amount of Eligible Assets and Substitution Assets (including (i) any sum standing to the credit of the Accounts and (ii) the Eligible Investments) provided that (i) any Non Performing Receivables and those Eligible Assets or Substitution Assets for which a breach of the representations and warranties granted under Clause 3.3.1 (*Mortgage Loans, Receivables, Mortgages and Collateral Security*) of the Warranty and Indemnity Agreement has occurred and has not been remedied will not be considered for the purpose of the calculation, (ii) any Mortgage Loan in respect of which the relevant loan to value ratio exceeds the percentage limit set forth under article 2, paragraph 1, of the Decree 310, will be calculated up to an amount of principal which – taking into account the market value of the Real Estate Assets related to that Mortgage Loan allows the compliance with such percentage limit, (iii) the aggregate of the Substitution Assets in excess of the 15% Limit will not be considered for the purposes of the calculation.

Eligible Institution means (i) any depository institution (other than Banco BPM acting as Account Bank) organised under the laws of any state which is a member of the European Union, United Kingdom, Switzerland or of the United States, the short-term banks deposits are rated at least "P-1" by Moody's and the long term banks deposits are rated at least "A2" by Moody's, or which is guaranteed by an entity whose short-term banks deposits are rated at least "P-1" by Moody's, and the long-term banks deposits are rated at least "A1" by Moody's or any other rating level from time to time provided for in the Rating Agency's criteria and (ii) with respect to Banco BPM acting as Account Bank, Banco BPM for so long as its long term bank deposits, are rated at least "Ba3" by Moody's.

Eligible Investment means (i) any Euro denominated security rated at least "Baa3" and/or "P-3" by Moody's, where they have a maturity of up to 30 calendar days or, if greater than 30 calendar days, which may be liquidated without loss within 30 days of a downgrade below "P-3" by Moody's, and/or (ii) any Euro denominated security rated at least "Baa2" and/or "P-2" by Moody's, where they have a maturity of greater than 30 and up to 90 calendar days or, if

greater than 90 calendar days, which may be liquidated without loss within 90 days of a downgrade below "P-3" by Moody's, and/or (iii) any Euro denominated security rated at least "A3" and/or "P-1" by Moody's, where they have a maturity of greater than 90 and up to 180 calendar days or, if greater than 180 calendar days, which may be liquidated without loss within 180 days of a downgrade below "P-3" by Moody's, and/or (iv) reserve accounts, deposit accounts, and other similar accounts that provide direct liquidity and/or credit enhancement held at a financial institution rated at least "Baa3" and/or "P-3" by Moody's, and/or (v) securities lending transactions with the counterparty acting as borrower regulated under the Global Master Securities Lending Agreements governed by English law provided that (a) the underlying securities comply with the requirements set out in paragraph (i), (ii) and (iii) above, (b) the counterparty acting as borrower of the Guarantor acting as lender under the securities lending transaction is a credit institution (including, without limitation, the Account Bank, to the extent they qualify as Eligible Institutions) qualifying as an Eligible Institution, (c) such securities lending transactions are immediately repayable on demand subject to a notice period, disposable without penalty or loss or have a maturity date falling no later than the immediately following Eligible Investment Maturity Date, (d) the counterparty acting as borrower of the Guarantor has acceded to the Intercreditor Agreement and has agreed to be bound by the provisions thereof and (e) in case of downgrade of the relevant counterparty below the minimum ratings by Moody's, the Guarantor shall terminate in advance the securities lending transaction within 35 calendar days from the downgrade, provided in all cases that (A) any such investments mature on or before the next following Guarantor Payment Date or are disposable at no loss and provided in all cases that the relevant exposure qualifies for the "credit quality step 1" pursuant to article 129, let. (c) of the CRR or, in case of exposure vis-à-vis an entity in the European Union which has a maturity not exceeding 100 (one-hundred) days, it may qualify for "credit quality step 2" pursuant to article 129, let. (c) of the CRR and (B) none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in any such instruments at any time; (C) no amount available to the Guarantor in the context of the Programme may be otherwise invested in asset backed securities, irrespective of their subordination, status, or ranking at any time.

Eligible Investment Date means the second, tenth, seventeenth and twentyfifth Business Day of each month or, in any event, the date on which the balance standing to the credit of each of the Transaction Account and the Reserve Account exceeds Euro 2,500,000 respectively.

Eligible Investment Maturity Date means two Business Days before each Guarantor Payment Date.

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

EU Stabilisation Regulation means Council Regulation (EC) No. 2273/2003 of 22 December 2003.

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

EURIBOR shall have the meaning ascribed to it 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, in case of an issuance of Covered Bonds denominated in currency other than the Euro, an equivalent amount expressed in Euro calculated at the prevailing exchange rate.

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

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

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

Excess Receivables means any Receivables forming part of the Cover Pool which arise from Mortgage Loans that are in excess of the value of the Mortgage Loans required to satisfy the Asset Coverage Tests.

Excluded Group means the Issuer, any affiliate of the Issuer, the Guarantor, any controlled affiliate of the Guarantor and references to a "member of the Excluded Group" shall mean any one of them.

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

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

Expiry Date means the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their terms and conditions.

Extended Programme Maturity Date means the date falling one year after the Programme Maturity Date.

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

Extension Determination Date means, with respect to each Series of Covered Bonds, the date falling 5 days after the Maturity Date of the relevant Series.

Extraordinary Resolution has the meaning set out in the Rules.

Facility means the facility to be granted by each Subordinated Lender pursuant to the terms of Clause 2 of the relevant Subordinated Loan Agreement.

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

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

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

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

First Series of Covered Bonds means the first Series of Covered Bonds issued by the Issuer in the context of the Programme on 15 July 2008.

FSMA means the Financial Services and Markets Act 2000.

Further Criteria means the criteria identified in accordance with Clause 2.4.3. of the Master Receivables Purchase Agreements.

Guarantee means the guarantee issued on 11 July 2008 by the Guarantor for the benefit of the Beneficiaries.

Guaranteed Amounts means any amounts due from time to time to the Beneficiaries and, in particular:

(a) prior to the service of a Guarantor Default Notice, the amounts due and payable on each Guarantor Payment Date in accordance with the Guarantee Priority of Payments; and

(b) after the service of a Guarantor Default Notice, the amounts described in letter (a) above, plus any additional amounts relating to premiums, default interest, prepayments, early redemption or broken funding indemnities payable in accordance with the Post-enforcement Priority of Payments.

Guaranteed Obligations means the payment obligations with respect to the Guaranteed Amounts.

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

Guarantor means BPM Covered Bond S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy pursuant to the Securitisation and Covered Bonds Law, having its registered office at Via Curtatone, 3, Rome, Italy, fiscal code and enrolment with the companies' register (*registro delle imprese*) of Rome No. 09646111006.

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

Guarantor Corporate Servicer means KPMG Fides Servizi di Amministrazione S.p.A. or any other entity acting as such pursuant to the Corporate Services Agreement.

Guarantor Default Notice has the meaning given to it in Condition 11.3 (*Guarantor Events of Default*).

Guarantor Event of Default has the meaning given to it in Condition 11.3 (*Guarantor Events of Default*).

Guarantor Payment Date means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 15th day of January, April, July and October or, if such day is not a Business Day, the immediately following Business Day, and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

Individual Purchase Price means (i) the most recent book value (*ultimo valore di iscrizione in bilancio*) of the relevant Receivable, minus all principal Collections received by the relevant Seller (from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione in bilancio*) is calculated (included) to the relevant Valuation Date (excluded)) and increased of any Accrued Interest on such Receivables as at the relevant Transfer Date; or, at the option of the relevant Seller (ii) such other value, as indicated by the relevant Seller in the Transfer Notice, as will allow the Seller to consider each duty or tax due as if the relevant Receivables had not been transferred for the purpose of article 7-*bis*, sub-paragraph 7, of the Securitisation and Covered Bond Law and in relation to which an auditing firm has certified that from their verifications there is no reason to believe that the criteria applied to calculate the purchase price of the relevant Receivables are different from those applicable to the relevant Seller in the preparation of its financial statements.

Initial Portfolio Purchase Price means the consideration paid by the Guarantor to each Seller for the transfer of the relevant Initial Portfolio, calculated in accordance with clause 4.1 of the relevant Master Receivables Purchase Agreement.

Initial Portfolio means the initial portfolio of Receivables, comprising Eligible Assets, purchased by the Guarantor from each Seller pursuant to the relevant Master Receivables Purchase Agreement.

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

(i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*" and "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having

a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the 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 (other than, in respect of the Issuer, the issuance of a resolution pursuant to article 74 of the Consolidated Banking Act); or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2448 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or

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

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

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

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

Intercreditor Agreement means the agreement entered into on 11 July 2008 between the Guarantor and the Other Guarantor Creditors.

Interest Available Funds means in respect of any Guarantor Payment Date, the aggregate of:

(i) any interest amounts collected by the Servicer and/or any Sub-Servicers in respect of the Cover Pool and credited into the relevant Collection Account during the immediately preceding Collection Period;

(ii) all recoveries in the nature of interest received by the Servicer and/or any Sub-Servicers and credited to the relevant Collection Account during the immediately preceding Collection Period;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts during the immediately preceding Collection Period;

(iv) any amounts standing to the credit of the Reserve Account in excess of the Reserve Required Amount, and following the service of an Issuer Default Notice, on the Guarantor, any amounts standing to the credit of the Reserve Account;

(v) any interest amounts standing to the credit of the Transaction Account;

(vi) all interest amounts received from the Eligible Investments;

(vii) subject to item (ix) below, any amounts received under the Cover Pool Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Calculation Date, (i) to make payments in respect of interest due and payable, pro rata and *pari passu* in respect of each relevant Interest Rate Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and pro rata in respect of each relevant Series of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Calculation Agent may reasonably determine, or otherwise (iv) to make payments to a Subordinated Lender under the relevant Subordinated Loan Agreement as described in item Fifth (b) of the Pre-Issuer Default Interest Priority of Payments;

and provided further that, prior to the occurrence of a Guarantor Event of Default, any such amounts received or to be received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(viii) subject to item (ix) below, any amounts received under the Interest Rate Swap Agreements other than any Swap Collateral Excluded Amounts,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of interest due and payable under the Subordinated Loan Agreements or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of interest on the Covered Bonds under the Guarantee, pro rata and *pari passu* in respect of each relevant Series of Covered Bonds;

and provided further that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(ix) any swap termination payments received from a Swap Provider under a Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will first be used to pay a replacement swap provider to enter into a replacement swap agreement, unless a replacement swap agreement has already been entered into by or on behalf of the Guarantor;

(x) all interest amounts received from any Seller by the Guarantor pursuant to the relevant Master Receivables Purchase Agreement during the immediately preceding Collection Period;

(xi) any amounts paid as Interest Shortfall Amount out of item (i) of the Pre-Issuer Default Principal Priority of Payments; and

(xii) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period.

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

Interest Coverage Test means the test to be calculated pursuant to the terms of the Cover Pool Management Agreement so that the amount of interest and other revenues generated by the assets included in the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the costs borne by the Guarantor (including the payments of any nature expected to be received by the Guarantor or due to the Swap Providers with respect to any Swap Agreement), shall be at least equal to the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Interest Instalment means the interest component of each Instalment.

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

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar

Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

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

Interest Period means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

Interest Rate Swap Agreement means each interest rate swap agreement entered into on or about each Issue Date between the Guarantor and an interest rate swap provider in the context of the Programme.

Interest Rate Swap Provider means UBS Europe SE and Société Générale and any other entity acting as an interest rate swap provider pursuant to an Interest Rate Swap Agreement.

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

Investment Manager means Banco BPM or any other entity acting as such pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

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 the Covered Bonds.

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

Issuer means Banco BPM.

Issuer Event of Default has the meaning given to it in Condition 11.2 (*Issuer Events of Default*).

Issuer Default Notice has the meaning given to it in Condition 11.2 (*Issuer Events of Default*).

Joint-Arrangers means Barclays Bank Ireland PLC and UBS Europe SE.

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

Liabilities means in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgements, actions, proceedings or other liabilities whatsoever including

legal fees and any taxes and penalties incurred by that person, together with any VAT or similar tax charged or chargeable in respect of any sum referred to in this definition.

Limit Excess Amount means, on each Guarantor Payment Date, an amount equal to the lower of:

(a) the Principal Available Funds remaining following the payment of the amounts due under items (First) and (Second) of the Pre-Issuer Default Principal Priority of Payments; and

(b) the amount necessary to restore the 15% Limit, being an amount equal to the difference, if positive, between the aggregate principal of the Substitution Assets included in the Cover Pool and the 15% of the aggregate outstanding principal amount of the Cover Pool.

Luxembourg Listing and Paying Agent means The Bank of New York Mellon SA/NV – Luxembourg Branch, or any other entity from time to time acting in such capacity.

Mandate Agreement means the mandate agreement entered into on or about 11 July 2008 between the Representative of the Bondholders and the Guarantor.

Mandatory Tests means the tests provided for under article 3 of Decree No. 310.

Market Value means the arithmetic mean between the value at which the Covered Bonds are being traded on the relevant regulated market and the average value of trading of such Covered Bonds in the preceding calendar month.

Master Definitions Agreement means the master definitions agreement entered into on or about the First Issue Date by the parties of the Transaction Documents.

Master Receivables Purchase Agreement means each master receivables purchase agreement entered into between the Guarantor and a Seller.

Maturity Date means each date on which final redemption payments for a Series of Covered Bonds become due in accordance with the Final Terms but subject to it being extended to the Extended Maturity Date.

Meeting has the meaning set out in the Rules.

Monte Titoli means Monte Titoli S.p.A., a *società per azioni* having its registered office at Via Mantegna, 6, 20154 Milan, Italy.

Monte Titoli Account Holders means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with article 30 of Decree No. 213 and includes any depositary banks approved by Clearstream and Euroclear.

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

Monthly Servicer's Report means the report delivered by the Servicer on each Monthly Servicer's Report Date and containing details on the Collections of the Receivables during the relevant Collection Period prepared in accordance with the Servicing Agreement.

Monthly Servicer's Report Date means the tenth Business Days of each month.

Moody's means Moody's France SAS.

Moody's Potential Commingling Amount means (i) nil, if the Issuer's short term rating is at least "P-2" by Moody's or if any of the remedies provided for under Clauses 3.11.1, 3.11.2 or 3.11.3 of the Servicing Agreement has been implemented, or, in any other case, (ii) 1.6% of the aggregate outstanding principal balance of the Receivables included in the Cover Pool. The amounts under item (ii) above shall be deposited on the Transaction Account and are entitled to be released and become Principal Available Funds if any of the circumstances described under item (i) above occurs.

Moody's Potential Set-off Amount means 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 Tests are to be carried out pursuant to the provisions of the Cover Pool Management Agreement and any other Transaction Documents, as the case may be, except when the Issuer's short term rating is at least "P-1" by Moody's. The Moody's Potential Set-off Amount will be updated at least on a quarterly basis and after any assignment of Receivables to the Guarantor.

Negative Carry Factor is a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, be not less than 0.50 per cent.

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

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

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

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

Negative Carry Factor is a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, be not less than 0.50 per cent.

Net Present Value Test means the test to be calculated pursuant to the terms of the Cover Pool Management Agreement so that the net present value of the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Non Performing Receivables means any Receivable which qualifies as "non performing" in accordance with the EU Regulation No. 575/2013 and 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 from time to time.

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

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

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

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

Other Guarantor Creditors means the Sellers, the Servicer, the Sub-Servicers, the Subordinated Lenders, the Investment Manager, the Calculation Agent, the Representative of the Bondholders, the Asset Monitor, the Cover Pool Swap Provider, the Interest Rate Swap Providers, the Account Bank, the Principal Paying Agent, the Paying Agent, the Guarantor Corporate Servicer and the Portfolio Manager (if any).

Outstanding Principal Balance means any Principal Balance outstanding in respect of a Mortgage Loan.

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

Portfolio means each of the Initial Portfolio and any other Subsequent Portfolios which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Receivables Purchase Agreements.

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

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

Potential Commingling Amount means: (i) nil, if the Issuer's short term rating is at least "P-2" by Moody's or if any of the remedies provided for under Clauses 3.11.1, 3.11.2 or 3.11.3 of the Servicing Agreement has been implemented, or, in any other case, (ii) 1.6% of the aggregate outstanding principal balance of the Receivables included in the Cover Pool. The amounts under item (ii) above shall be deposited on the Transaction Account and are entitled to be released and become Principal Available Funds if any of the circumstances described under item (i) above occurs.

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

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

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

Premium means, on each Guarantor Payment Date, an amount payable by the Guarantor on each Term Loan in accordance with the relevant Priority of Payments and equal to the Guarantor Available Funds as at such date, after all amounts payable in priority thereto have been made in accordance with the relevant Priority of Payments.

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

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

(i) all principal amounts collected by the Servicer and/or the Sub-Servicers in respect of the Cover Pool and credited to the relevant Collection Account of the Guarantor during the immediately preceding Collection Period;

(ii) all other recoveries in respect of principal received by the Servicer and/or the Sub-Servicers and credited to the relevant Collection Account of the Guarantor during the immediately preceding Collection Period;

(iii) all principal amounts received from any Seller by the Guarantor pursuant to the relevant Master Receivables Purchase Agreement during the immediately preceding Collection Period;

(iv) the proceeds of any disposal of Receivables and other Eligible Assets and any disinvestment of Substitution Assets or Eligible Investments;

(v) any amounts granted by any Seller under the relevant Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Substitution Asset;

(vi) all amounts in respect of principal (if any) received under any Swap Agreements other than any Swap Collateral Excluded Amounts,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of principal due and payable under any Term Loan A (provided

that all principal amounts outstanding under a relevant Series of Covered Bonds which have fallen due for repayment on such Guarantor Payment Date have been repaid in full by the Issuer), or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of principal on the Covered Bonds under the Guarantee, pro rata and *pari passu* in respect of each relevant Series of Covered Bonds,

and provided further that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date but prior to the next following Guarantor Payment Date which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Principal Available Funds on such Guarantor Payment Date;

(vii) any amounts paid out of item Eight of the Pre-Issuer Default Interest Priority of Payments; and

(viii) any principal amounts standing to the credit of the Transaction Account, other than the Moody's Potential Commingling Amount (to the extent this is not entitled to be released).

Principal Balance means for any Mortgage Loan as at any given date, the aggregate of: (a) the original principal amount advanced to the relevant Debtor and any further amount advanced on or before the given date to the relevant Debtor secured or intended to be secured by the related Security Interest; and (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Loan or with the relevant Debtor's consent and added to the amounts secured or intended to be secured by that Mortgage Loan; and (c) any other amount (including, for the avoidance of doubt, Accrued Interest and interest in arrears) which is due or accrued (whether or not due) and which has not been paid by the relevant Debtor and has not been capitalised, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date.

Principal Instalment means the principal component of each Instalment.

Principal Paying Agent means The Bank of New York Mellon SA/NV – Milan branch; or any other entity acting as such in accordance with the Cash Allocation, Management and Payment Agreement.

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

Privacy Law means the Italian Law n. 675 of the 31 December 1996, subsequently amended, modified or supplemented from time to time, together with any relevant performing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*, with reference to the period starting on the entry into force of such law and ending on the repealing of such law by the entry into force of Legislative Decree number 196 of 30 June 2003, published on the Official Gazette number 174 of 29 July 2003, Ordinary Supplement number 123/L and after such repeal of Italian Law number 675 of 31 December 1996, the Personal

Data Protection Code (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*).

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

Programme Agreement means the programme agreement entered into on 11 July 2008 between the Guarantor, the Issuer, the Dealers and the Representative of the Bondholders.

Programme Limit means €10,000,000,000.

Programme Maturity Date means the date following 25 years after the date of the Prospectus.

Programme Resolution has the meaning set out in the Rules.

Prospectus means this Prospectus prepared in connection herewith.

Prospectus Regulation means Regulation (EU) No. 2017/1129 of 14 June 2017, as subsequently amended and supplemented.

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

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

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

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

provided that, the Public Entities Receivables described under item (ii) above may not amount to more than 10% of the aggregate nominal value of the Cover Pool.

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

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

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

provided that, the Public Entities Securities described under item (ii) above may not amount to more than 10% of the aggregate nominal value of the Cover Pool.

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

Quarterly Servicer's Report means the quarterly report delivered by the Servicer on each Quarterly Servicer's Report Date and containing details on the Collections of the Receivables during the relevant Collection Periods prepared in accordance with the Servicing Agreement.

Quarterly Servicer's Report Date means the Monthly Servicer's Report Date falling on March, June, September and December of each year.

Quota Capital Account means the euro denominated account established in the name of the Guarantor with the Account Bank as specified in the Master Definitions Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

Quotaholders means Banco BPM and Stichting Horizonburg and "**Quotaholder**" means each of them.

Quotaholders' Agreement means the agreement entered into on or about the First Issue Date between the Guarantor, the Quotaholders and the Representative of the Bondholders.

Rating Agency means Moody's.

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

Receivables means specifically each and every right arising under the Mortgage Loans pursuant to the Mortgage Loan Agreements, including but not limited to:

(i) all rights in relation to all Outstanding Principal of the Mortgage Loans as at the relevant Valuation Date;

(ii) any Accrued Interest as at the relevant Valuation Date and of interest (including default interest) becoming due and payable following the relevant Valuation Date;

(iii) all rights in relation to interest (including default interest) amounts which will accrue on the Mortgage Loans as from the relevant Valuation Date;

(iv) all rights in relation to the reimbursement of expenses and in relation to any losses, costs, indemnities and damages and any other amount due to each Seller in relation to

the Mortgage Loans, the Mortgage Loan Agreements, including penalties and any other amount due to each Seller in the case of prepayments of the Mortgage Loans, and to the warranties and insurance related thereto, including the rights in relation to the reimbursement of legal, judicial and other possible expenses incurred in connection with the collection and recovery of all amounts due in relation to the Mortgage Loans up to and as from the relevant Valuation Date;

(v) all rights in relation to any amount paid pursuant to any Insurance Policy or guarantee in respect of the Mortgage Loans of which each Seller is the beneficiary;

(vi) all of the above together with the Mortgages and any other Security Interests (*garanzie reali o personali*) assignable as a result of the assignment of the Receivables (except for the *fidejussioni omnibus* which have not been granted exclusively in relation to or in connection with the Mortgage Loans), including any other guarantee granted in favour of the relevant Seller in connection with the Mortgage Loans or the Mortgage Loan Agreements and the Receivables.

Recoveries means any amounts received or recovered by the Servicer and/or the Sub-Servicers in relation to any Non Performing Receivables.

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

Representative of the Bondholders means the entity that will act as representative of the holders of each series of Covered Bonds pursuant to the Transaction Documents.

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

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

Reserve Required Amount means an amount equal to the aggregate amount of:

(i) three twelfth of the aggregate amount payable on the immediately following Guarantor Payment Date in respect of items from (*First*) to (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and

(ii) (A) if no Cover Pool Swap Agreement has been entered into, or if a Cover Pool Swap Agreement has been entered into with an entity belonging to the Banco BPM Group, an amount equal to any interest amounts due in relation to any Series of Covered Bonds outstanding in the immediately following three months; or (B) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group, but (i) no Interest Rate Swap Agreement has been entered into in relation to a Series of Covered Bonds or (ii) an Interest Rate Swap Agreement has been entered into with an entity belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due in relation to such Series of Covered Bonds in the immediately following three months; or (C) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group and an Interest Rate Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group

in relation to a Series of Covered Bonds, any interest amounts due to the Interest Rate Swap Provider in respect of the relevant Interest Rate Swap Agreement in the immediately following three months, calculated applying the Floating Rate Option (as defined in the ISDA Definitions) for each relevant Interest Rate Swap Agreement determined on a forward basis.

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

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

Retention Amount means an amount equal to €10,000.

Rules means the Rules of the Organisation of the Bondholders attached as Exhibit 1 to the Terms and Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

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

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

Securitisation and Covered Bonds Law means Italian Law No. 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

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

Security Interest means:

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

(ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

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

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

Seller means Banco BPM S.p.A. and any Additional Seller pursuant to the relevant Master Receivables Purchase Agreement.

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

Servicer means Banco BPM in its capacity as such pursuant to the Servicing Agreement.

Servicer's Reports means, collectively, the Monthly Servicer's Report and the Quarterly Servicer's Report.

Servicer Termination Event means an event which allows the Guarantor to terminate the Servicer's appointment and appoint a Substitute Servicer, according to Clause 8.1 of the Servicing Agreement.

Servicing Agreement means the servicing agreement entered into on 8 July 2008 between the Guarantor and the Servicer.

Sofferenze means any Non Perfoming Receivable referred to a state of permanent distress and handled by the Servicer's Office Litigation.

SONIA Reference Rate has the meaning given to it in Condition 6(d).

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

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

Sub-Servicer means each of Banco BPM S.p.A. and each Additional Seller, in its capacity as sub-servicer pursuant to the Servicing Agreement.

Subordinated Lender means each of Banco BPM S.p.A. and each Additional Seller, in its capacity as subordinated lender pursuant to the relevant Subordinated Loan Agreement.

Subordinated Loan Agreement means any subordinated loan agreement entered into between a Subordinated Lender and the Guarantor.

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

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

Substitution Assets means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree No. 310, each of the following assets:

(i) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and

(ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

Substitute Servicer means the successor of the Servicer upon the occurrence of a Servicer Termination Event, which may be appointed by the Guarantor pursuant to clause 8.1.1 of the Servicing Agreement.

Swap Agreements means, collectively, the Interest Rate Swap Agreement(s) and the Cover Pool Swap Agreement and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

Swap Collateral means the collateral provided by a Swap Provider to the Guarantor under the relevant Swap Agreements.

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

Swap Providers means, as applicable, the Cover Pool Swap Provider(s), the Interest Rate Swap Providers and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

Tax means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein.

Term Loan means a loan made or to be made available to the Guarantor under the Facility or the principal amount outstanding for the time being of that loan, be it a Term Loan A and/or a Term Loan B.

Term Loan A means a Term Loan (i) advanced concurrently with an issue of a Series of Covered Bonds, (ii) identified by reference to the relevant Series of Covered Bonds so issued or to be issued and (iii) for an amount equal to the principal amount of the relevant Series of Covered Bonds so issued or to be issued.

Term Loan A Redemption Amount means, with respect to each Term Loan A, an amount equal to the principal amount of the relevant Corresponding Series of Covered Bonds which has been cancelled.

Term Loan A Redemption Request has the meaning ascribed to such term in each Subordinated Loan Agreement

Term Loan B means a Term Loan (i) advanced for the purpose of funding the purchase of Substitution Assets; and/or (ii) advanced for the purpose of purchasing other Eligible Assets to be sold in accordance with the Cover Pool Management Agreement; and/or (iii) advanced concurrently with the advance of a Term Loan A, for an amount equal to the difference between the Term Loan A and the aggregate amount advanced on such Drawdown Date; and/or (iv) being any principal amount still outstanding of a Term Loan A on the Maturity Date (or the Extended Maturity Date) of the Corresponding Series of Covered Bonds and not paid at such date; and/or (v) advanced for the purpose of purchasing Eligible Assets to serve as Cover Pool

for a future issuance of a Corresponding Series of Covered Bonds and to be subsequently converted in accordance with provisions of the Subordinated Loan Agreements.

Term Loan Notice means a notice sent by a Subordinated Lender to the Guarantor substantially in the form set out in Schedule 1 (Term Loan Notice) of the relevant Subordinated Loan Agreement.

Terms and Conditions means the Terms and Conditions of the Covered Bonds.

Test Performance Report means the report to be delivered, on each Calculation Date, by the Calculation Agent pursuant to the terms of the Cover Pool Management Agreement.

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

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

Tests means, collectively, the Mandatory Tests, the Asset Coverage Test and the Amortisation Test.

Total Commitment means (A) in respect of the Subordinated Loan Agreement executed by BPM S.p.A., the Euro Equivalent of the Programme Limit plus any other amount necessary to meet the Asset Coverage Tests, to the extent not cancelled, reduced or increased by the Parties under the Subordinated Loan Agreement and in accordance with the Programme Agreement and (B) in respect of the Subordinated Loan Agreement executed by Banco BPM an amount equal to the purchase price to be paid by the Guarantor for the purchase of the Banco BPM Initial Portfolio or thereafter (a) such other higher aggregate amount equal to any purchase price paid by the Guarantor in respect of the purchase of any Banco BPM Subsequent Portfolio which shall form part of the Cover Pool or (b) such other amount otherwise agreed between the Parties in order to meet the Asset Coverage Tests.

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

Transaction Documents means the Master Receivables Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, this Prospectus, the Deed of Pledge, the Deed of Charge, the Master Definitions Agreement and any other agreement entered into in connection with the Programme.

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

Transfer Date means: (a) with respect to Subsequent Portfolios to be purchased by the Guarantor using the Guarantor Available Funds in accordance with clause 4.2.2 of the Master

Receivables Purchase Agreement, the relevant Guarantor Payment Date; and (b) with respect to the Subsequent Portfolios to be purchased by the Guarantor using solely the proceeds of a Term Loan under the Subordinated Loan Agreement in accordance with clause 4.2.3 of the Master Receivables Purchase Agreement, the date designated by the Seller in the relevant Transfer Notice.

Transfer Notice means, in respect to each Subsequent Portfolio, such transfer notice which will be sent by a Seller and addressed to the Guarantor in the form set out in schedule 5 to the relevant Master Receivables Purchase Agreement.

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

Valuation Date means in respect of each Portfolio sold by the Seller and/or any Additional Seller to the Guarantor from time to time the date on which the economic effects of the transfer of the relevant Portfolio will commence.

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

WA Remaining Maturity means the greater of (i) the weighted average remaining maturity of all Covered Bonds then outstanding, and (ii) one (1) year.

Warranty and Indemnity Agreement means each warranty and indemnity agreement entered into between a Seller and the Guarantor.

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