BANCO BPM S.P.A.

(a bank 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

BP COVERED BOND S.r.l.

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

The € 10,000,000,000 Covered Bond Programme (the "**Programme**") described in this base prospectus (the "**Base Prospectus**") has been established by Banco BPM S.p.A. ("**Banco BPM**" or the "**Issuer**") for the issuance of covered bonds (the "**Covered Bonds**", which term includes, for the avoidance of doubt and as the context requires, Registered Covered Bonds, as defined below) guaranteed by BP Covered Bond S.r.l. (the "**Guarantor**") pursuant to Article 7-*bis* of law of 30 April 1999, No. 130, as amended and supplemented (the "**Law 130**") and the relevant implementing measures set out in the Decree of the Ministry of Economy and Finance of 14 December 2006, No. 310, as amended and supplemented (the "**MEF Decree**") and the supervisory guidelines of the Bank of Italy set out in Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (*Circolare* No. 285 of 17 December 2013), as amended and supplemented from time to time (the "**BoI Regulations**" and, together with the Law 130 and the MEF Decree, jointly the "**OBG Regulations**"). The aggregate nominal amount of the Covered Bonds outstanding under the Programme will not at any time exceed € 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, guaranteed by the Guarantor and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Covered Bondholders will be collected, received or recovered by the Guarantor on their behalf in accordance with the OBG Regulations.

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg which includes the amendments set out under Directive 2010/73/EU (the "**2010 PD Amending Directive**"), as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of giving information with regard to the issue of Covered Bonds under the Programme during the period of 12 months after the date hereof. Approval by the CSSF relates only to the Covered Bonds and does not include the Registered Covered Bonds.

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

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

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

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds (other than the Registered Covered Bonds) will not have a denomination of less than € 100,000 (or, where the Covered Bonds are issued in a currency other than Euro, the equivalent amount in such other currency).

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

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

The Covered Bonds (other than Registered Covered Bonds) will be issued in bearer form and dematerialised form (*emesse in forma dematerializzata*) and will be held in such form on behalf of their ultimate owners, until redemption or cancellation thereof, by Monte Titoli S.p.A. whose registered office is in Milan, at Piazza degli Affari, No. 6, Italy, ("**Monte Titoli**") for the account of the relevant Monte Titoli Account Holders. The expression "**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli (and includes any Relevant Clearing System which holds account with Monte Titoli or any depository banks appointed by the Relevant Clearing System). The expression "**Relevant Clearing Systems**" means any of Clearstream Banking, *société anonyme* ("**Clearstream** ") and Euroclear Bank S.A./N.V. ("**Euroclear**"). Each Covered Bond issued in dematerialised form will be deposited with Monte Titoli on the relevant Issue Date (as defined in the section headed "*Terms and Conditions of the Covered Bonds*" below). The Covered Bonds (other than Registered Covered Bonds) will at all times be held in book entry form and title to the Covered Bonds will be evidenced by book entries in accordance with article 83-*bis* of Italian legislative decree No. 58 of 24 February 1998, as amended and supplemented (the "**Financial Law**") and implementing regulations and with the joint regulation of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented. No physical document of title is and will be issued in respect of the Covered Bonds (other than the Registered Covered Bonds).

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

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

Each Series of Covered Bonds may be assigned on issue a rating as specified in the relevant Final Terms by one or more of DBRS Ratings Limited ("**DBRS**") or Moody's Investors Service ("**Moody's**" and, together with DBRS to the extent that at the relevant time they provide ratings in respect of the then outstanding Covered Bonds, the "**Rating Agencies**"). Covered Bonds to be issued under the Programme, if rated, are expected to be rated "A1" by Moody's and/or "A" by DBRS, to the extent each such agency is one of the Rating Agencies. Where a Tranche or Series of Covered Bonds is to be rated, such rating will not necessarily be the same as the rating assigned to the Covered Bonds already issued. Whether or not a rating in relation to any Tranche or Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies as amended (the "**CRA Regulation**") will be disclosed in the relevant Final Terms or in the Registered CB Conditions (as applicable). The credit ratings included or referred to in this Base Prospectus have been issued by DBRS or Moody's, each of which is established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority ("ESMA") pursuant to the CRA Regulation (for more information please visit the ESMA webpage http://www.esma.europa.eu/page/List-registered-and-certified-CRAs). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended).

A security rating is not a recommendation to buy, sell or hold Covered Bonds and may be subject to suspension, revision or withdrawal by the assigning Rating Agency and each rating shall be evaluated independently of any other.

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

Important – EEA Retail Investors. If the Final Terms in respect of any Covered Bond include a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Covered Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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 ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No. 1286/2014 (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.

UBS Investment Bank

RESPONSIBILITY STATEMENTS

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

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

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

The Issuer and the Guarantor are collectively referred to as the "**Responsible Persons**".

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

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

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

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

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Seller, the Guarantor, the Arranger or any of the Dealers, the Representative of the Covered Bondholders or any party to the Transaction Documents (as defined in the Conditions).

Neither the delivery of this Base Prospectus nor any sale made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently

supplemented or that there has been no adverse change in the financial position of the Issuer, the Seller or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

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

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

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

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

The distribution of this Base Prospectus, any document incorporated herein by reference and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions.

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

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

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

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

In this Base Prospectus, references to "**€**" or "**euro**" or "**Euro**" or **EUR**" are to the single currency introduced at the start of the Third Stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to "**U.S.$**" or "**U.S. Dollar**" are to the currency of the United States of America; references to "**CHF**". are to the currency of Switzerland; references to "**Yen**" are to the currency of Japan; references to "**£**" or "**UK Sterling**" are to the currency of the United Kingdom; references to "**Italy**" are to the Republic of Italy; references to laws and regulations are, unless otherwise specified, to the laws and regulations of Italy; and references to "billions" are to thousands of millions.

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

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

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

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

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RISK FACTORS

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

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

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

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

Risks related to the Merger

Risks related to the Merger between BPM and Banco Popolare

The merger between Banca Popolare di Milano S.c. a r.l. ("**BPM**" and, together with its subsidiaries, the "**BPM Group**") and Banco Popolare Società Cooperativa ("**Banco Popolare**" and, together with its subsidiaries, the "**Banco Popolare Group**") to create Banco BPM Società per Azioni ("**Banco BPM**" or the "**Issuer**", and, together with its subsidiaries, the "**Banco BPM Group**") came into effect on 1 January 2017 (the "**Merger**").

Merger transactions in general involve risks that include, *inter alia*: loss of customers; legal risks; risks related to the integration of IT systems, which can be implemented in times and manners different from those envisaged; and risks related to the integration of the existing structures and services of the banks. These risks could have adverse effects on the operations and synergies in the production, distribution, and commercial expectations of the Banco BPM Group. There may also be consequent negative effects on the business, financial condition and results of the operations of the entity resulting from the Merger.

Risks related to the Merger and failure to generate synergies

The Merger involves the risks which are inherent in any merger of a corporate group, *i.e*: risks relating to the management and personnel coordination, integration of businesses and services offered, information systems, structures, as well as the possible loss of customers and key personnel by the companies participating in the Merger. The Merger involves, *inter alia*, the need for the convergence of information systems and the operating models into a single model of reference. This process presents risks related to the aggregation of companies.

Banco BPM believes that, as the entity resulting from the Merger between BPM and Banco Popolare, it will benefit from the synergies arising from, *inter alia*, lower costs and higher revenues. The achievement of such synergies will depend, among others, on the ability to integrate various companies, to reduce the existing agency network, whilst preserving the customer portfolio, and increasing productivity whilst reducing costs.

There is a risk that failure to implement, in whole or in part, the aforementioned synergies could have negative effects in terms of, *inter alia*, higher cost and lower revenue growth. The Merger may also give rise to unforeseen negative events, unexpected costs or liabilities, or reductions in revenues deriving, among others, from negative synergies, and as a result could require an extraordinary management attention from Banco BPM which could have material negative effects on the business, financial condition and/or results of operations of the Banco BPM Group.

Risks related to the effects of the Merger

In accordance with the provisions of applicable law, and, in particular, Article 2504-bis of the Italian Civil Code, as a result of the Merger, Banco BPM succeeded BPM and Banco Popolare in all their rights and obligations that arose or accrued to the two banks participating in the Merger prior to its completion.

Therefore, as of 1 January 2017 (the date on which the Merger became fully effective) Banco BPM has taken over all the rights, obligations, assets, liabilities and risks of both BPM and Banco Popolare.

Risks arising from pending legal proceedings of the BPM Group and Banco Popolare Group

Following the Merger, the legal proceedings in which the BPM Group and Banco Popolare Group were involved have been transferred to the Banco BPM Group.

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

Risks associated with the withdrawal of the shareholders and members who have not agreed to the Merger resolution

The transaction consisting in the merger by incorporation of the Issuer resulted in the conversion of Banco Popolare and BPM from cooperative companies into a joint-stock company.

For this reason, the shareholders and members of Banco Popolare and BPM that have not agreed to the shareholders' resolution approving the Merger could exercise the right of withdrawal referred to in Article 2437, paragraph 1 of the Italian Civil Code. Following the Merger approval by the shareholders' meetings of Banco Popolare and BPM on 15 October 2016, the right of withdrawal was exercised, in accordance with the terms indicated by the Italian Civil Code: (i) as to Banco Popolare, for a total of 37,757,849 shares (equal to about 4.56% of its share capital), for a total value (considering the unit value of liquidation, equal to Euro 3.156 per share) of Euro 119,163,771.44; (ii) as to BPM, for a total of 179,153,607 shares (equal to about 4.08% of the share capital), for a total value (considering the unit value of liquidation, equal to Euro 0.4918 per share) of Euro 88,107,743.92.

On 25 November 2016, pursuant to Article 2437-*quater*, paragraph 1 of the Italian Civil Code, Banco Popolare and BPM launched their respective option offers for the shares in respect of which the withdrawal right has been exercised (and to the benefit of their respective shareholders and members that have not exercised the withdrawal right); both option offers ended on 27 December 2016. The option offer concerning the Banco Popolare shares closed with the exercise of the option rights for 178,859 shares (with the remaining no. 37,578,990 Banco Popolare shares still to be cashed and liquidated). The option offer concerning the BPM shares closed with the exercise of the option rights for 2,195,630 shares with the remaining 176,957,977 BPM shares still to be cashed and liquidated).

The 65,289,263 shares in respect of which the shareholders and members option rights have not been exercised during the option offers (and resulting from the exchange, on 1 January 2017 − date on which the Merger was effective − of the no. 37,578,990 Banco Popolare shares and the no. 176,957,977 BPM

shares, for which the option rights have not been exercised, with Banco BPM shares) were subsequently offered under Article 2437-*quater*, fourth paragraph of the Italian Civil Code on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. (the "**MTA**"), between 27 February 2017 and 3 March 2017. None of the shares of Banco BPM offered on the MTA has been purchased (the remaining 65,289,263 Bank's ordinary shares, the "**Residual Shares**").

On 11 May 2017, the Board of Directors of Banco BPM resolved to limit partially the reimbursement of the shares for which the right of withdrawal has been exercised following the Merger. In particular, the Board of Directors has resolved to limit the reimbursement of the Residual Shares to the total amount of Euro 14,571,850.27 to be used in order to purchase a part of the abovementioned Residual Shares pursuant to Article 2437-*quarter*, paragraph 5 of the Italian Civil Code.

The decision to limit partially the reimbursement of the Residual Shares has been taken by comparing the fully loaded CET1 ratio of Banco BPM on 31 March 2017 (calculated including first quarter 2017 net income, subject to the provisions of Article 26, paragraph 2, of the Regulation (EU) No. 575/2013 of 26 June 2013), as adjusted in order to take into account further non-recurring charges estimated in the exercise to pursue the 2016-2019 Strategic Plan objectives and a minimum floor, equal to 10.88%, determined taking into consideration the average between the fully loaded CET1 ratio values of a representative sample of the major European banks (source EBA) and the CET1 ratio for the 2017 required by the ECB within the SREP process concerning Banco BPM.

The partial reimbursement of the Residual Shares may be performed only upon condition of obtaining, from the ECB, the required authorisation for the reduction of own funds, pursuant to Articles 77 and 78 of Regulation (EU) No. 575/2013 of 26 June 2013 ("**CRR**") and to the applicable provisions set in Chapter IV, Section 2, of the Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014.

Therefore the Bank, subject to the required ECB's authorisation, will reimburse, 4,627,461 Residual Shares for a consideration of Euro 14,571,850.27 while the 60,661,802 Residual Shares of which the reimbursement has been limited, already returned to the former Banco Popolare and BPM's shareholders.

With respect to the above, investors should note that: (i) pursuant to paragraph 2-ter of Article 28 of the Italian Banking Act, the right of repayment in respect of the shares in the event of withdrawal, including where following a conversion, is subject to conditions set by the Bank of Italy, which may derogate from law, where it is necessary to include the shares in the regulatory Common Equity Tier 1 (CET1) ratio of the bank; (ii) the implementing regulations issued by the Bank of Italy (BoI Regulations, Part Three, Chapter 4, introduced with the 9th update of 9 June 2015), by virtue of the powers conferred upon it by law, clarified that the bodies vested with strategic supervisory duties typical of a bank, having heard the supervisory body, have the power to restrict or defer, in whole or in part and without time limits, the redemption of shares and other equity instruments of the outgoing withdrawing shareholder, including in the case of transformation, as required by the applicable prudential rules and subject to the legal authorisation for the reduction of the bank's own funds; (iii) by order published on 2 December 2016, the Italian Council of State(*Consiglio di Stato*) among other things, ordered the precautionary suspension (*sospensione in via cautelare*) of the effectiveness of the provisions of the Bank of Italy which set out the terms and conditions of the right to limit, in whole or in part, the redemption of the shares in respect of which the right of withdrawal has been exercised (in particular, the Italian Council of State has suspended Section III of Chapter 4, Part Three of Bank of the BoI Regulations) ; and (iv) on 15 December 2016, the Italian Council of State referred the matter on constitutional legitimacy, among other things, of Article 28, paragraph 2-*ter* of the Italian Banking Act (which sets forth the right to limit the reimbursement of the shares in case of withdrawal) to the Constitutional Court (*Corte*

Costituzionale). As at the date of the Base Prospectus, the case before the Council of State will remain pending until the Supreme Court (*Corte di Cassazione*) takes a decision on the abovementioned matter..

Risks related to the impact of the global financial crisis, the Euro Area sovereign debt crisis and the national and international political climate on the performance of the Issuer and of the Banco BPM Group

Risks related to the impact of the global financial crisis

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 rates 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 borrowings 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.

A number of uncertainties remain in the current macroeconomic environment, namely: (a) trends in the economy and the prospects of recovery and consolidation of the economies of countries like the US and China, which have shown consistent growth in recent years; (b) future development of the European Central Bank's ("**ECB**") monetary policy in the Euro area, the Federal Reserve System, and in the Dollar area, and the policies implemented by other countries aimed at promoting competitive devaluations of their currencies; (c) the sustainability of the sovereign debt of certain countries and related recurring tensions on the financial markets; and (d) the consequences and potential lingering uncertainties caused by the Brexit vote.

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 borrowings 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 United Kingdom leaving the European Union may affect the Issuer's and/or the Banco BPM Group's results

On 23 June 2016, the UK held a referendum on the country's membership of the European Union ("**Brexit**"). The results of Brexit showed that the UK voted to leave the European Union. The referendum does not directly bind the government to specific actions.

On 29 March 2017 the United Kingdom notified the European Council of its intention to withdraw from the European Union within the meaning and for the purposes of Article 50(2) of the Treaty on European Union. Article 50(2) requires that, in the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal from the European Union, taking account of the framework for its future relationship with the Union. Article 50 requires that such agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union and concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament. Under Article 50(3) of the Treaty, the EU Treaties shall cease to apply to United Kingdom from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred

to in Article 50(2), unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period. Absent such extension, and subject to the terms of any withdrawal agreement, the United Kingdom shall withdraw from the European Union no later than 29 March 2019.

The consequences of Brexit are uncertain, with respect to the European Union integration process, the relationship between the United Kingdom and the European Union, and the impact on economies and European businesses. Accordingly, there can be no assurance that the Banco BPM Group's results of operations, business and financial condition will not be affected by market developments such as the increased exchange rate of the British Pound versus the Euro, and higher financial market volatility in general due to increased uncertainty.

Risks related to the crisis of the Euro Area sovereign debt

The global financial crisis contributed to and accelerated the worsening of public debt in European Union countries, causing the most damage to banks that had greater exposure to sovereign debt consequently causing a revaluation of sovereigns' credit risk. During the period from 2011 to 2013 in particular: discussions between the IMF, the European Union and the ECB on EU aid to Greece; new tensions over Spain's sovereign debt level; and the extraordinary "capital and exchange control" measures adopted in Cyprus (which led to forced withdrawals from current accounts) contributed to fears surrounding exposure to sovereign debt.

Although there are limited signs of a slight recovery, there are continued concerns about the possible dissolution of the European Monetary Union, represented by the "Euro" currency, or the exit of individual countries from the monetary union (with a possible return to local currencies). Each scenario would generate unpredictable consequences. From autumn 2011, the ECB implemented important measures to support the European economy, including: the SMP (Securities Market Programme) for the purchase of government securities by the ECB itself; the provision of liquidity to banks through the purchase of covered bonds, and provisions of loans to banks.

In September 2012, the ECB Council approved the plan for secondary market purchases by the ECB of Eurozone sovereign debt securities with a maturity of between one and three years and without setting any quantitative limit (so-called Outright Monetary Transactions). The plan was to be complemented by the ESM's (European Stability Mechanism) measures on the primary market upon the imposition of conditions (in the form of macroeconomic adjustments or preventive financial assistance, being the so-called Enhanced Conditions Credit Line or ECCL).

On 5 June 2014, the ECB announced its decision to conduct a series of targeted longer-term refinancing operations ("**TLTROs**") over a period of two years, aimed at improving and supporting bank lending to the Euro area non-financial private sector. On 22 January 2015, the ECB launched its Expanded Asset Purchase Programme (more commonly known as Quantitative Easing), under which the ECB has, starting in March 2015, begun purchasing euro-denominated, investment-grade securities issued by Euro area governments and European institutions up to Euro 60 billion each month. The programme is intended to be carried out until September 2016, and in any case until there are signs of a sustained adjustment in the path of inflation or deflation that is consistent with the aim of achieving inflation rates approaching 2%. There will be a risk-sharing mechanism in place under which 80% of any losses incurred by the Euro system on bond purchases will be borne by national central banks, with the remaining 20% of any losses borne by the ECB.

On 10 March 2016, with a view to further facilitating access to funding in the EU and achieving inflation rates of 2%, the ECB announced an increase of the monthly average amount of security

purchases under Quantitative Easing from Euro 60 billion to Euro 80 billion, expanding the asset purchase programme to the bonds issued by non-financial entities with high credit ratings ("**TLTRO-II**"), which was reduced back to Euro 60 billion from April 2017. As part of the liquidity support action under TLTRO-II, counterparties have access to financing for up to 30 per cent. of the stock of loans eligible as at 31 January 2016. The interest rates applicable to the transactions will be those that apply to the Eurosystem's main refinancing transactions at the time of each such transaction and for its entire duration.

It should be noted that in recent years Italy has witnessed various downgrades of its sovereign rating and a fluctuating trend in the 10-year BTP/Bund spread. In 2012, the negative estimates for growth in Italy had an adverse impact on Italian public debt with a downgrade of the rating assigned to Italy and an increase in the 10-year BTP/Bund spread. This crisis continued into 2013.

As a result of moderate improvements in political and economic conditions in Italy there has been a gradual improvement of its sovereign debt quality in the period between 2014 and 2016. However, the lingering uncertainties arising from 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 deterioration of the sovereign debt crisis.

All the factors described above, and particularly any further deterioration of the sovereign debt crisis, could result in potential losses to the Issuer, 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 the Banco BPM Group.

Risks related to national and international political instability

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

Risks related to competition in the banking and finance sector

The Issuer and the other companies of the Banco BPM Group operate in a highly competitive market, with particular reference to the geographical areas where the activity is mainly concentrated (in particular, Northern Italy).

Competitive pressure may be generated by consumer demand for new services as well as technological demands with the consequent necessity to make investments, or as a result of competitors' specific actions.

In the event that the Banco BPM Group is not able to respond to increasing competitive pressure by, for example, offering profitable and innovative services, or products that meet client demands, the Banco BPM Group could lose its market share in a number of business sectors and/or fail to increase or maintain the volumes of business and/or profit margins that it has achieved in the past (with reference to the banks participating in the Merger). This loss may have possible 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

Credit risk

The business, economic and financial solidity of the Banco BPM Group, as well as its profits, depend, among other things, on the credit rating of its customers.

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.

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.

Asset quality is measured by means of various indicators, including historic data of bad loans as a percentage of loans to customers. At a macroeconomic level, good asset quality is an important prerequisite for the due performance of the financial sector in general and permits individual banks to operate with a high level of efficiency.

Risk management methodologies, assessments and processes used by the Banco BPM Group to identify, measure, evaluate, monitor, prevent and mitigate any risks to which the Banco BPM Group is or might be exposed, guarantee adequate capital resources and an adequate liquidity profile of the Banco BPM Group.

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 persistent crisis in the financial markets and the global economic slowdown have reduced and may further reduce 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 BPM Group as at 31 December 2016 is equal to 41.9%. The coverage of the bad loans of the BPM Group as at 31 December 2016 is equal to 54.7%.

Banco Popolare Group's net non-performing loans, as of 31 December 2016, amounted to Euro 12,568 million, with a decrease of Euro 1,489 million or -10.6%, as compared to 31 December 2015, and represented 16.57% of Banco Popolare Group's total net loans, thus remaining stable as compared to the figure of 31 December 2015.

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 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.

Risks related to the disposal of bad loans

In light of the Merger and the envisaged business combination between Banco Popolare and BPM, and the fact that the entity resulting from the Merger would have been the third largest bank in Italy, the ECB highlighted the need for the Banco BPM Group to accelerate the reduction of bad loans, and requested the preparation of a clear action plan for reducing bad loans and increasing the average coverage ratios of the bad loans as compared to the current aggregate ratios of the two banks. In compliance with the requirements of the ECB, the Strategic Plan included the details of a plan to reduce the holding of bad loans during the course of 2016, 2017 and 2018 by way of disposals for an approximate aggregate amount of Euro 8 billion, of which approximately Euro 2.5 billion have been sold as at 30 June 2017. The Issuer can give no assurance that the above disposals will take place, or that they will take place within the time-frame and on the terms indicated. Further, in accordance with the terms and results of the disposals undertaken to reduce the number of impaired loans, 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 impaired loans (and, in particular, bad loans) 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.

Liquidity risk

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.

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 company 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.

The Banco BPM Group constantly monitors its own liquidity risk and has begun adopting measures for this purpose as part of its Business Plan. 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 position to Basel III 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 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 companies 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), including risks that the Banco BPM Group fails to identify or anticipate.

Market risk

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 a trend in market factors, such as share prices, the rate of inflation, interest rates, exchange rates and their volatilities, as well as changes in the credit rating 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 credit or market risk could not be 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 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 credit 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 *Treasury & 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 results of operations of the Issuer and/or of the Banco BPM Group.

(c) *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 to 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 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.

Risks related to the Strategic Plan

On 16 May 2016, the Management Board of BPM and the board of directors of Banco Popolare approved the Strategic Plan of the Banco BPM Group, containing the strategic guidelines and economic, financial and capital objectives of the group resulting from the Merger for the period of 2016-2019.

The Strategic Plan contains objectives of Banco BPM through to 2019 prepared on the basis of macroeconomic projections 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 controlled by 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 of 2016-2019, 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 values or other factors that affect their development over which the directors and management of Banco BPM do not have, or have limited, control. The Strategic Plan further assumes the achievement of expected synergies and the absence of unexpected costs and liabilities arising from the Merger. These assumptions may or may not occur to an extent and may occur at times different from those projected. Furthermore, events may occur which are unpredictable at the time of approval of the Strategic Plan.

Given that the assumptions underlying the Strategic Plan are inherently affected by subjective assessments, hypotheses and discretionary judgments, should one or more of the underlying assumptions fail to materialise (or materialise only in part) or should the actions taken and choices made by management in the implementation of the Strategic Plan produce effects different from those expected, the targets set forth in the Strategic Plan may not be met (or may be met only partially) and the actual results of the Banco BPM Group may differ, possibly significantly, from the estimated results of the Banco BPM Group envisaged in the Strategic Plan with a consequential negative impact on the business, financial conditions and/or results of operations of Banco BPM and/or the Banco BPM Group.

Risks related to inspections by the Supervisory Authority

The Banco BPM Group is subject to enquiries and inspections by the Supervisory Authority in the ordinary course of its business. 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. The Supervisory Authority may also take a range of disciplinary actions against the representatives of the Issuer with administrative, management or control functions.

Inspections relating to BPM

On 24 August 2015, BPM received a report from the Bank of Italy on the outcome of a transparency investigation conducted by the Bank of Italy at a number of BPM's branches in the fourth quarter of 2014. The investigation revealed certain limited critical shortcomings related to credit contracts, fees, overdraft facilities and notices to the customers. Upon the request of the Bank of Italy, BPM provided the Bank of Italy with a plan of actions taken to address the emerged failings. In May and July 2016, in compliance with the requirement of the Bank of Italy to provide updates on the measures aimed at resolving the failings that arose during the inspection, BPM provided to the authority an update on the status of ongoing activities aimed at resolving detected failings, some of which relate to areas under ongoing investigation by the Bank of Italy.

As part of ongoing supervision of the major European banking groups, the ECB announced, on 17 September 2015, its intention to start routine inspection of BPM (so-called, on-site inspection or "**OSI**") related to the BPM Group and market risk, liquidity and interest rate risk in its banking book ("**IRRBB**"). This inspection was concluded in January 2016. On 19 July 2016, the ECB communicated to BPM the result of inspection and recommendations on the areas of improvement, and in particular: (i) strengthening of coordination mechanisms at a Group level; (ii) adoption of a pricing models validation plan; (iii) adoption of a formal IRRBB policy; (iv) strengthening of the current fair value policy; (v) improvement of methods and tools of monitoring and measuring risks; and (vi) strengthening of dedicated resources (human and information technology). The related improvement measures were phased in taking into account the Merger as well as the IT integration plan; the ECB has been quarterly updated upon progresses and the most of envisaged remedial activities have been already completed.

On 18 January 2016, the ECB commenced an assessment of the non-performing loans strategy, governance, processes and methodology of former BPM as a part of the ongoing supervision process which involves, among other Italian and European banks, BPM; in the meantime, ECB published a draft Guidance to banks on non-performing loans, promoting a consultation upon it; former BPM, among others banks, participated in such consultation. On 20 March 2017 the final Guidance following the consultation has been published, while on 21 July 2017 Banco BPM received the follow up letter related to the assessments conducted on the former BPM and the former Banco Popolare at the beginning of 2016. As the ECB prepared just one report in order to address outcomes stemming from two different inspections (one for former BPM and one for former Banco Popolare) the corresponding results are described in "*Business Description of Banco BPM Società per Azioni – Recent Events of Banco BPM and the Banco BPM Group*". On 30 May 2016, the ECB started an inspection related to the credit risks of the BPM Group, and in particular the inspection focused on the management of credit and counterparty risk and the risk control system of BPM. In this case, the phase on-site of this inspection was completed at the end of September 2016, and on 29 September 2016 preliminary and provisional results have been discussed with top management. On 18 May 2017, Banco BPM received the final follow-up letter containing the recommendations from the ECB. As the ECB prepared just one report in order to address outcomes stemming from three different inspections (two for former BPM and one for former Banco Popolare) the corresponding results are described in "*Business Description of Banco BPM Società per Azioni – Recent Events of Banco BPM and the Banco BPM Group*".

Again on 30 May 2016, the Bank of Italy commenced an inspection aimed at evaluating the procedures and processes of fee charging for credit lines and overdrafts in former BPM. The on-site phase of the inspection was concluded on 1 July 2016. On 29 November 2016, the Bank of Italy presented the results of the inspection report in which, despite various improvements to transparency, there were certain critical elements in the operational processes and controls, particularly in relation to (i) the process for the definition of overdraft fees ("CIV – Commissione Istruttoria Veloce") and timely resolution of issues raised by the above-mentioned communication on 24 August 2015 and (ii) the strengthening of compliance controls. The related remedial activities are now substantially completed.

Moreover, on 4 July 2016, the ECB started an inspection into the accuracy of the calculation of the BPM Group's financial position. In this case, the on-site phase of this inspection was completed in early October 2016, and on 10 October 2016 the preliminary and provisional results have been discussed with top management; on 18 May 2017, Banco BPM received the final follow-up letter containing the recommendations from the ECB. Again, as the ECB prepared just one report in order to address outcomes stemming from three different inspections (two for former BPM and one for former Banco Popolare), the corresponding results are described in "*Business Description of Banco BPM Società per Azioni – Recent Events of Banco BPM and the Banco BPM Group*".

Finally, between November 2016 and January 2017 the Bank of Italy conducted, upon 10 agencies of BPM S.c.a r.l and eventually BPM S.p.A., an inspection aimed at evaluating the compliance with Anti Money Laundering regulation. On 26 May 2017 the Bank of Italy sent to Banco BPM the feedback letter, highlighting few weaknesses regarding Know Your Client procedures, personal data registration, evaluation of suspect operations and employees training. A comprehensive remedial plan was sent on 26 July 2017 and the related activities, following the recent IT integration, are substantially completed and will be tested in the next weeks.

Inspections relating to Banco Popolare

On 21 December 2015, the ECB commenced an assessment of the bank's strategy, corporate governance, processes and methodologies relating to non-performing loans which as part of its general review of Italian and European banks, also involved Banco Popolare. Following this review no specific observations were made by the ECB in relation to Banco Popolare. The ECB published a draft Guidance to banks on non-performing loans, promoting a consultation on it. On 20 March 2017, the final Guidance following the consultation has been published while on 21 July 2017 Banco BPM received the follow up letter related to the assessments conducted on the former BPM and the former Banco Popolare at the beginning of 2016. As the ECB prepared just one report in order to address outcomes stemming from two different inspections (one for former BPM and one for former Banco Popolare) the corresponding results are described in "*Business Description of Banco BPM Società per Azioni – Recent Events of Banco BPM and the Banco BPM Group*".

On 16 May 2016, the ECB commenced an inspection of Banco Popolare's credit risk management, risk control procedures and the accuracy of the asset calculation methodologies of the Banco Popolare Group. The on-site phase of the inspection has been completed and the preliminary results of the same were discussed with Banco Popolare on 4 November 2016: on 18 May 2017, Banco BPM received the final follow-up letter containing the draft recommendations from the ECB. Again, as the ECB prepared just one report in order to address outcomes stemming from three different inspections (two for former BPM and one from former Banco Popolare), the corresponding results are described in "*Business Description of Banco BPM Società per Azioni – Recent Events of Banco BPM and the Banco BPM Group*".

Inspections relating to Banco BPM

As regards the non-performing loans, Banco BPM, in the context of the grant of the banking licence by the ECB, has been requested to send the ECB, within the term of 31 January 2017, a plan relating to the reduction of such loan positions and to update the Authority on the progress of the implementation of the plan on a quarterly basis. In compliance with the requirements of the ECB, the plan included the details of a program to reduce the holding of bad loans during the course of 2016, 2017 and 2018 by way of disposals for an approximate aggregate amount of Euro 8 billion, of which Euro 2.5 billion were sold over the course of 2016 and until the date of this Base Prospectus. Taking into account the outcomes of the NPL taskforce assessment which was undertaken by the ECB in relation to the former banks, the ECB in the letter sent on 21 July 2017 recognised that the bank made improvements with respect to enhancing its operational capabilities, yet needs to continue to improve both work out and restructuring given the large volume of NPLs; shortcoming and weaknesses identified were mainly addressed in the outcomes of the OSIs related to credit risk (see below); further residual actions will be completed, according to supervisory expectations, within 2017.

The outcome of the annual Supervisory Review and Evaluation Process ("**SREP**") which was undertaken by the ECB in relation to Banco BPM was notified by the ECB on 24 February 2017. Based on the individual assessments of the two predecessors of Banco BPM (Banco Popolare and BPM) and

on all the relevant information on the two predecessors of Banco BPM received since then (notably information related to the authorisation processes as well as any other information relevant for the supervisory review and evaluation process gathered in the course of 2016) the ECB requires Banco BPM to maintain on a consolidated basis, for the year 2017: (i) an 8.15% Common Equity Tier 1 ratio, pursuant to the transitional criteria in place for the year 2017; (ii) a 10.40% Total SREP Capital requirement, pursuant to the transitional criteria in place for the year 2017; and (iii) an 11.65% Total Capital ratio (inclusive of a 1.25% Capital Conservation Buffer).

The Banco BPM Group satisfied these prudential requirements, with a Common Equity Tier 1 ratios at 30 June 2017 of 11.07% at phase-in level (10.40% fully-phased) and a Total Capital ratio equal to 13.43% at phase-in level. It is also noted that the Banco BPM Group's ratios not yet benefit from the extension of the Advanced Internal Rating-Based models to the former BPM Group.

On 18 May 2017, the ECB sent Banco BPM a letter containing recommendations on the actions that the Supervisory Body expects to be made by Banco BPM in relation to the findings made on the outcome of the inspections concerning the two former banks during 2016, i.e.: *Credit and counterparty risk management and risk control system-Capital position calculation adequacy* for former Banco Popolare, and *Capital position calculation adequacy as well as Credit and Counterparty Credit Risk* for former BPM.

As per the Credit related matters, the recommendations regarded several weaknesses and areas of improvement found about governance, internal control system, management processes, credit monitoring, classification and rating of the two previous banks.

The various assessments made by the ECB's inspection teams in relation to exposures subject to "quantitative findings" have been closely scrutinised since the preparation of the financial statements at 31 December 2016 of Banco Popolare and BPM. These exposures have been carefully monitored during the first half of the year. All new information and events occurring during the first half of the year have been duly taken into account in updating the valuations made for the preparation of the half-yearly financial report.

The ECB also expressed qualitative recommendations on the processes adopted by previous banks in the classification and valuation of loans. In response to these recommendations, Banco BPM has set up a specific action plan aimed to achieve the corrective actions required by the Supervisory Body that has already been submitted to ECB and is currently being implemented. The completion and operational implementation of such actions are well on track, and are expected by the current year.

In the light of the foregoing, it is worth mentioning that the implementation of the corrective actions recommended and at the date not yet realised, may involve changes in procedures and policies regarding loan classification and measurement, including any new monitoring criteria or different methods, parameters or assumptions in the process of estimating the recoverable value of credit exposures as best explained in the paragraph "*Uncertainties with regard to the use of estimates for drawing up the consolidated condensed interim financial statements*" of the unaudited consolidated condensed interim financial statement of Banco BPM as of 30 June 2017.

As per the Capital position calculation adequacy, the recommendations regarded some residual improvements related to policies and procedures upon monitoring on reciprocal holdings and controls on purchase of capital instruments.

On 16 June 2017 the ECB, following the Bank's application, communicated the start of an internal model investigation, regarding Banco BPM and BPM S.p.A., aimed to assess the approval of internal models roll-out plan related to credit risk and connected extension to the subsidiary; on 23 June 2017,

the related investigation commenced, and at the date of this Base Prospectus the investigation phase is still on course.

Risks related to legal proceedings

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. 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 shall make 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.

Although the Issuer believes that the provisions have been made after consideration of the risks related to all disputes and also in compliance with IAS/IFRS, 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.

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. Continuing stagnation of the Italian economy in those geographic areas where the Banco BPM Group operates, an increase in unemployment and reduced earnings of customers in the real estate sector 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. 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 relating to certain financial lease agreements entered into by Banca Italease

Following the merger by incorporation of Banca Italease into Banco Popolare on 9 March 2015, Banco Popolare established a leasing division. After the Merger, the leasing division is now included in the activities of Banco BPM.

The main tasks of the leasing divisions were the following: (i) overseeing the credit risk underlying the portfolio of loan transaction originated by Banca Italease, (ii) implementing governance, policy-making and control activities on such portfolio, (iii) coordinating the companies formerly controlled by Banca Italease, and (iv) providing the outsourced services previously provided by Banca Italease to Release and Alba Leasing S.p.A.

In addition, the leasing division is responsible for managing and administering the financial lease agreements entered into by Banca Italease. There can be no assurance that Banco BPM's leasing division will be able to collect all the expected cash flows with respect to such lease agreements. Should it be unable to collect all such cash flows, Banco BPM will suffer unexpected losses, with consequent adverse effects on Banco BPM Group's results of operations, business and financial condition.

Banca Italease's loan portfolio and performance have had, and may continue to have, an adverse effect on Banco BPM Group's results of operations, business and financial condition

Banca Italease's securitisation transactions relate to loans and other assets that were all being performed at the time when these transactions were completed. Banca Italease entered into these transactions in order to meet the financial needs of its group's operations. The assets subject to these securitisation transactions consist of the rights of Banca Italease and its subsidiaries pursuant to the leasing contracts which they entered into with their customers. Since Banca Italease and its subsidiaries, which always underwrote at least the junior tranche of these securitisation transactions, have maintained the risks related to these transactions insofar as they relate to non-bank assets, these assets continue to be reflected in the consolidated balance sheet of Banca Italease Group and, as a result, Banco BPM Group.

The gradual deterioration of the asset portfolio of Banca Italease and its subsidiaries in recent years has had an adverse impact on the performance of the securitised assets underlying Banca Italease's securitisation transactions. As a result of this deterioration, Banca Italease has taken certain measures to support its securitisation transactions whose form, timing and amounts have led to a prudential assessment of whether such support constitutes an instance of implied support under the applicable supervision regulations of the Bank of Italy. Further measures to support the securitisation transactions of Banca Italease and its subsidiaries would increase the contractual risk related to the securities being held, up to the total amount of the support that is provided.

The adverse economic environment, which has had a material adverse effect on the performance of the asset portfolio of Banca Italease and, as a result, the securitisation transactions of Banca Italease and its subsidiaries, has not yet improved and it is difficult to predict how long it will last for or its future effects. The persistence of adverse economic conditions may have a material adverse effect on the securitisation transactions which are still outstanding and therefore on the financial condition of Banco BPM Group.

Catastrophic events, terrorist attacks and similar events

Catastrophic events, terrorist attacks and other similar events, as well as the responses thereto, may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which the Issuer operates and, more specifically, on the business and results of the Issuer in ways that cannot be predicted.

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 the 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.

The applicable laws and regulations as well as supervisory activities are subject to continuous evolution. In particular, following the crisis of the financial markets in the last several years, the Basel Committee on Banking Supervision approved a considerable strengthening of capital adequacy requirements and amendments to the regulation of banks' liquidity ("**Basel III**"). The legislative proposal of the European Commission for the implementation of the Basel III rules at a European level comprised two separate legislative instruments: a Directive ("**CRD IV**") and a Regulation ("**CRR**" and, together with the CRD IV, the "**CRD IV Package**") whose provision will be directly binding and applicable in each member state. CRD IV and 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) 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 ("**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) 2016/445 published on 24 March 2016.

In addition, it should be noted that, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities ("**NCAs**") concerning the exercise of options and national discretions available in European Union law that affect banks which are directly supervised by NCAs (i.e. less significant institutions). Both documents are intended to further harmonise the way banks are supervised by NCAs in the 19 countries to which the SSM (as defined below) applies. The aim is to ensure a level playing field and the smooth functioning of the Euro area banking system as a whole.

With respect to the increase in capital requirements, the Basel III agreements provided for a transition phase with minimum capital requirements which would progressively increase. Once the system is fully operational, a Common Equity Tier 1 Ratio for the banks of at least 7% of the risk-weighted assets, a Tier 1 Capital of at least 8.5% of the risk-weighted assets and a Total Capital Ratio of at least 10.5% of the risk-weighted assets are envisaged. These minimum levels include the Capital Conservation Buffer.

The Basel III agreements provide for the introduction of a Liquidity Coverage Ratio or ("**LCR**"), 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, and a Net Stable Funding Ratio or NSFR, with a time period of more than one year, introduced to ensure that the assets and liabilities have a sustainable expiry structure. In the case of LCR, within the CRR framework, the LCR Delegated Act (Commission Delegated Regulation (EU) 2015/61 technically specifies the calculation rules of the LCR and provides that it is to be phased in gradually, from 60% commencing on 1 October 2015 to 100% from 1 January 2018. In the case of NSFR, although the proposal of the Basel Committee foresaw that the 100% level is to be met as of 1 January 2018 without any phase in, the CRR does not provide for the regulatory limit on structural liquidity. On 17 December 2015, the European Banking Authority published its report recommending the introduction of the NSFR in the EU in order to ensure stable funding structures and outlining its impact assessment and proposed calibration.

In November 2016, the European Commission announced the EU Banking Reform which proposed 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, under the proposal, the binding 3% Leverage Ratio is added to the own funds requirements in the CRR which institutions must meet in addition to/in parallel with their risk-based requirements, and will apply to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments.

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 laws or regulations that will 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. 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 capital conservation buffer, potentially limiting the Banco BPM Group's ability to distribute dividends.

The regulatory framework to which the Banco BPM Group is subject is open to ongoing changes. In particular, on 23 November 2016, the European Commission presented a comprehensive package of

reforms designed to further strengthen the resilience of EU banks (the "**EU Banking Reform**"). The proposals contained in the EU Banking Reform amend many of the existing provisions set forth in CRD IV, the BRRD (as defined below) and the SRM Regulation. These proposals are now being submitted for consideration by the European Parliament and Council. Until such time as the proposals are formally approved by the European Parliament and Council, there can be no assurance as to whether, or when, the proposed amendments will be adopted and whether they will be adopted in the manner as currently proposed in the EU Banking Reform package.

In addition, supervisory authorities have the power to bring administrative or judicial proceedings against the Banco BPM Group, which could result, among other things, in suspension or revocation of the licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action. Such proceedings could have adverse effects on the Issuer's and the Banco BPM Group's business, financial condition or results of operations.

EU reform of "benchmarks" (including LIBOR, EURIBOR and other interest rate index and equity, commodity and foreign exchange rate indices)

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" ("**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 Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmarks Regulation**").

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

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation will apply from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the "**Market Abuse Regulation**") have applied from 3 July 2016. The Benchmarks Regulation would apply to "contributors", "administrators" and "users of" Benchmarks in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of Benchmarks and (ii) ban the use of

Benchmarks of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to applying to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Covered Bonds), financial contracts and investment funds.

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

(i) an index which is a Benchmark may not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular Benchmark and the applicable terms of the Covered Bonds, the Covered Bonds could be delisted (if listed), adjusted, redeemed or otherwise impacted;

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

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of Benchmarks could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have 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. The disappearance of a Benchmark or changes in the manner of administration of a Benchmark could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Calculation Agent, delisting (if listed) or other consequence in relation to Covered Bonds linked to such Benchmark. Any such consequence could have a material adverse effect on the value of and return on any such Covered Bonds.

The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Covered Bond

The directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force on 2 July 2014.

The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so 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 impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims 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 exploited 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.

The BRRD provides that Member States should apply the new "crisis management" measures from 1 January 2015, except for the general bail-in tool applicable from 1 January 2016. In the context of these resolution tools, the resolution authorities 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. Legislative Decree No. 180/2015 of 16 November 2015 is a stand-alone law

which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 of 16 November 2015 amends the existing Italian Banking Act and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of its publication in the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the bail-in tool is applicable from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1 January 2019.

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 Italian 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) 2016/860 of 4 February 2016 (the "**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) 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, pledge, lien or collateral against which it is secured.

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 Directive 2014/49/EU (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. 181/2015 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 SME's will 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 Noteholders 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. 181/2015 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 or any application of the general bail-in tool, which may result in Covered Bondholders losing some or all of their investment. In these limited circumstances, the exercise of any power under the BRRD or any suggestion of such exercise could materially adversely affect the rights of Covered Bondholders, the price or value of their investment in any relevant Covered Bonds and/or the ability of the Issuer to satisfy its obligations under any relevant Covered Bonds.

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 comma 3, let. A), which will come into force on 1 July 2018. Amongst other things, the Decree amends 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.

The BRRD also requires institutions to maintain at all times a sufficient aggregate amount of own funds and "eligible liabilities", expressed as a percentage of the total liabilities and own funds of the institution (known as the "minimum requirement for own funds and eligible liabilities" or "**MREL**"), with a view to facilitating effective resolution of institutions and minimising to the greatest extent possible the need for interventions by taxpayers. "Eligible liabilities" (or bail-inable liabilities) are those liabilities and other instruments that are not excluded by the BRRD from the scope of the bail-in tool. The resolution authority of an institution, after consultation with the relevant competent authority, will set the MREL for the institution based on the criteria to be identified by the EBA in its regulatory technical standards. In particular, the resolution authority may determine that part of the MREL is to be met through "contractual bail-in instruments". The BRRD does not foresee an absolute minimum, but gives the power to national resolution authorities to set a minimum amount for each bank which is not part of the Banking Union, or to the Single Resolution Board (the "**SRB**") for banks being part of the European Banking Union. As mandated by the BRRD, the EBA has published the final draft regulatory technical standards on MREL which further defined the way in which resolution authorities and the SRB shall calculate MREL. These regulatory technical standards were adopted by the European Commission in

slightly amended form on 23 May 2016, as the Commission Delegated Regulation (EU) 2016/1450. Article 8 of the aforementioned regulation provides that resolution authorities may determine an appropriate transitional period for the purposes of meeting the full MREL requirement. On 19 July, 2016 the EBA launched a public consultation on its interim report regarding the implementation and design of the MREL, ahead of the final report to be published by EBA. The final report was published on 14 December 2016.

On 23 November 2016, the European Commission presented the EU Banking Reform which introduced a number of proposed amendments to the BRRD. In particular, it proposed that the MREL – which should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution – should be determined by the resolution authorities at an amount to allow banks to absorb losses expected in resolution and recapitalise the bank post-resolution. In addition, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution that are higher than those expected under a standard resolution scenario and to ensure a sufficient market confidence in the entity post-resolution. The EU Banking Reform also introduces an external MREL requirement and an internal MREL requirement to apply to entities belonging to a banking group, in line with the approach underlying the TLAC standard.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors, including holders of Covered Bonds issued under the Programme.

Risks related to forthcoming regulatory changes

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and CRD IV, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive 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. The Basel Committee on Banking Supervision ("**BCBS**") has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

Moreover, the BCBS has embarked on a very significant risk-weighted assets ("**RWA**") variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, market, operational risk) and a consultation paper on a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new setup will have a revolutionary impact on risk modelling: directly on the exposures assessed via standardised approach, but also indirectly on internal ratings based approach ("**IRB**"), due to the introduction of capital floors that, according to the new framework, will be calculated basing on the revised standardised approach. In addition, as mentioned, the European Commission intends to develop the net stable funding ratio with the aim of introducing it from 1 January 2018.

As regards accounting rules relevant for the Issuer, on 24 July 2014 the International Accounting Standards Board published IFRS 9 relating to "Financial Instruments", which is set to replace IAS 39 from 1 January 2018, except that for a selective early adoption. IFRS 9 has been approved by Commission Regulation (EC) No. 2067/2016 published in the Official Gazette of the EU on 29 November 2016. IFRS 9 amends and complements the rules on the classification and measurement of financial instruments; introduces a new impairment model based on "expected credit losses" (the current

model is based on provisions for "incurred losses"); and introduces new rules on general hedge accounting.

Considering the significance of the amendments introduced by IFRS 9, the Issuer has launched a Group implementation project of the new IFRS 9. The overall project as well as the decisions taken and the initiatives launched by the Issuer were subject to specific analysis and assessment by the ECB which, in the first half of 2017, conducted an analysis on the progress status of the Banco BPM Group's project and the Issuer is waiting to receive the final feedback from this assessment.

The application of IFRS 9 and the new approach based on "expected credit losses" could result in substantial additional impairment charges for the Issuer and add volatility to its regulatory capital ratios, and will result in additional costs to the Issuer relating to the implementation of such rules. The economic, financial and capital adequacy related effects of the implementation of IFRS 9 are not quantifiable, and investors should be aware that implementation of the IFRS 9 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.

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.

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 results of operations of the Issuer and/or of the Banco BPM Group.

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

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

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

(a) following the occurrence of an Issuer Event of Default, of a Notice to Pay; and

(b) following the occurrence of a Guarantor Event of Default, of an Acceleration Notice.

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

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

Pursuant to the Covered Bond Guarantee, following the occurrence of an Issuer Event of Default and service of a Notice to Pay, but prior to the occurrence of any Guarantor Event of Default, the Guarantor shall substitute the Issuer in every and all obligations of the Issuer towards the Covered Bondholders, so

that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer and any amount received, collected or recovered from the Issuer will form part of the Available Funds.

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

Extendable obligations under the Covered Bond Guarantee

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

No gross-up for taxes

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

Limited resources available to the Guarantor

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

The Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on the realisable value of the Cover Pool, the amount of principal and interest generated by the Cover Pool and

the timing thereof, the proceeds of any Eligible Investments and amounts received from the Swap Counterparties and the Account Banks. The Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

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

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

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

Reliance of the Guarantor on third parties

The Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Guarantor. In particular, but without limitation, the Servicer has been (and any Successor Servicer may be) appointed to service the Cover Pool and the Asset Monitor has been appointed to monitor compliance with the Tests. In the event that any of those parties fails to perform its respective obligations under the relevant agreement to which it is a party, the realisable value of the Cover Pool or any part thereof may be affected, or, pending such realisation (if the Cover Pool or any part thereof cannot be sold), the ability of the Guarantor to make payments under the Covered Bond Guarantee may be affected. For instance, if the Servicer has failed to adequately administer the Cover Pool, this may lead to higher incidences of non-payment or default by Debtors. The Guarantor is also reliant on the Swap Counterparties to provide it with the funds matching its obligations under the Covered Bond Guarantee.

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

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

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

Reliance on Swap Counterparties

Following the service of a Notice to Pay, the Guarantor expects to meet its obligations under the Covered Bonds and the Covered Bond Guarantee primarily from collections in respect of the Cover Pool. To protect the Guarantor from (a) the basis risk and (b) the interest rate risk on the Cover Pool, the Guarantor may from time to time enter into Mortgage Pool Swaps with one or more Mortgage Pool Swap Counterparties. In addition, to provide a hedge against interest rate, basis risk or (to the extent that Covered Bonds are denominated in a currency other than Euro) currency risks in respect of amounts received under the Mortgage Pool Swaps and amounts to be paid in respect of the Covered Bonds, the Guarantor may enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Counterparties.

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 Counterparty 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. If the relevant Swap Counterparty fails to provide the Guarantor with all amounts (denominated in the relevant currency) owing to the Guarantor (if any) on any payment date under the relevant Swap Agreement, or should the relevant swap transactions be otherwise terminated, then 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 confirmation by the Rating Agencies (if any), the Guarantor may hedge only part of the potential risk and, in such circumstances, may have insufficient funds to make payments under the Covered Bonds or the Covered Bond Guarantee.

If a Swap Agreement (if any) terminates, then the Guarantor may be obliged to make a termination payment to the relevant Swap Counterparty. 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.

If the Guarantor is obliged to pay a termination payment under any Swap Agreement, such termination payment may rank *pari passu* with (or, under certain circumstances, ahead of) certain amounts due on the Covered Bonds and with amounts due under the Covered Bond Guarantee. Accordingly, the obligation to pay a termination payment may adversely affect the ability of the Issuer and the Guarantor to meet their respective obligations under the Covered Bonds or the Covered Bond Guarantee.

Limited description of the Cover Pool

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

(a) the Seller and the Additional Sellers (if any) selling further Receivables (or Receivables which are of a type that have not previously been comprised in the Cover Pool) to the Guarantor;

(b) the Seller and the Additional Sellers (if any) repurchasing certain Receivables in accordance with the Master Transfer Agreement; and

(c) the Servicer being granted by the Guarantor certain power to renegotiate the terms and conditions of the loans comprised within the Cover Pool.

However, each receivables arising from mortgage loans will be required to meet the Criteria and to comply with the representations and warranties set out in the Warranty and Indemnity Agreement – see

the section headed "*Description of the Transaction Documents – Warranty and Indemnity Agreement*", below. In addition, the Mandatory Tests and the Asset Coverage Test are intended to ensure, *inter alia*, that the ratio of the Guarantor's assets to the Covered Bonds is maintained at a certain minimum level and the Calculation Agent will provide on each Calculation Date a report that will set out, *inter alia*, certain information in relation to the Mandatory Tests and the Asset Coverage Test.

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.

No due diligence on the Cover Pool

None of the Arranger, any Dealer, the Issuer, the Guarantor or the Representative of the Covered Bondholders has undertaken or will undertake any investigations, searches or other actions in respect of any of the Eligible Assets or other Receivables. Instead, the Guarantor will rely on the General Criteria and the Specific Criteria and the relevant representations/warranties given by Banco BPM as Seller in the Warranty and Indemnity Agreement. The remedy provided for in the Warranty and Indemnity Agreement for breach of representation or warranty is for Banco BPM as Seller to indemnify and hold harmless the Guarantor in respect of losses arising from such breach and for the Guarantor to exercise a repurchase option, pursuant to Article 1331 of the Italian Civil Code, to retransfer the relevant Receivables in respect of which a breach of the representation or warranty has occurred in accordance with the terms and conditions set out in the Warranty and Indemnity Agreement. Such obligations are not guaranteed by nor will they be the responsibility of any person other than Banco BPM as Seller and neither the Guarantor nor the Representative of the Covered Bondholders will have recourse to any other person in the event that Banco BPM as Seller, for whatever reason, fails to meet such obligations. However, pursuant to the Cover Pool Administration Agreement the assets which do not qualify as eligible assets under the OBG Regulations are not computed for the purposes of the Mandatory Tests and the Asset Coverage Test.

Maintenance of the Cover Pool

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

Under the terms of the Cover Pool Administration Agreement, Banco BPM as Issuer and Seller has undertaken to ensure that on each Calculation Date and/or Monthly Calculation Date and/or and on each other day on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Cover Pool is in compliance with the Tests. If on any Calculation Date and/or Monthly Calculation Date and on each other day on which the Test is to be carried out pursuant to the Transaction Documents, the Cover Pool is not in compliance with the Tests, then the Guarantor shall, prior to the occurrence of an Issuer Event of Default to any possible extent use the Available Funds to cure the relevant Test or, to the extent the Available Funds are not sufficient to cure the relevant Test, require the Seller to grant further advances under the Subordinated Loan Agreement for the purposes of funding the purchase of Integration Assets and/or other Eligible Assets, representing an amount sufficient to allow the Tests to be met on the next following Monthly Calculation Date. If the Cover Pool is not in compliance with the

Tests on the immediately following Monthly Calculation Date, the Representative of the Covered Bondholders will serve a Breach of Test Notice on the Issuer and the Guarantor. The Representative of the Covered Bondholders shall revoke the Breach of Test Notice if within the next Monthly Calculation Date the Tests are subsequently satisfied and without prejudice to the obligation of the Representative of the Covered Bondholders to serve a Breach of Test Notice in the future. If, following the delivery of a Breach of Test Notice, the Tests are not met within the next Monthly Calculation Date, the Representative of the Covered Bondholders will serve a Notice to Pay on the Issuer and the Guarantor.

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

Prior to the delivery of a Notice to Pay and subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer on or about the Initial Issue Date concerning, inter alia, (i) compliance with the eligibility criteria set out under the MEF Decree with respect to the Eligible Assets and Integration Assets included in the Cover Pool; (ii) the calculations performed by the Calculation Agent in respect of the Mandatory Tests; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under the MEF Decree; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme. In addition, the Asset Monitor will, pursuant to the terms of the Asset Monitor Agreement, (A) prior to the delivery of Notice to Pay, verify on behalf of the Issuer, on a semi-annual basis or more frequently upon breach of Tests and downgrading of the Issuer below "BB(low)" by DBRS and "Ba3" by Moody's, the calculations performed by the Calculation Agent in respect of the Asset Coverage Test; and (B) following the delivery of a Notice to Pay, verify, on behalf of the Guarantor, the calculations performed by the Calculation Agent in respect of the Mandatory Tests on a semi-annual basis and more frequently in certain circumstances. For further details, see the section headed "Description of the Transaction Documents – Asset Monitor Agreement", below.

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

Sale of Selected Assets following the occurrence of an Issuer Event of Default (prior to a Guarantor Event of Default)

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

There is no guarantee that a buyer will be found to acquire Selected Assets at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained for such Selected Assets, which may affect payments under the Covered Bond Guarantee. However, the Selected Assets may not be sold by the Guarantor for less than an amount equal to the Required Redemption

Amount for the relevant Series or Tranche of Covered Bonds until six months prior to the Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Maturity Date in respect of such Covered Bonds. In the six months prior to, as applicable, the Maturity Date or Extended Maturity Date, the Guarantor is obliged to sell the Selected Assets for the best price reasonably available notwithstanding that such price may be less than the Required Redemption Amount.

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

If a Guarantor Event of Default occurs and an Acceleration Notice is served on the Guarantor, then the Representative of the Covered Bondholders shall, in the name and on behalf of the Guarantor direct the Servicer to sell the Selected Assets as quickly as reasonably practicable taking into account the market conditions at that time (see the section headed "*Description of the Transaction Documents – Cover Pool Administration Agreement*", below).

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

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

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

(a) default by borrowers of amounts due on their Receivables;

(b) changes to the lending criteria of the Seller;

(c) set-off risks in relation to some types of Receivables in the Cover Pool;

(d) limited recourse to the Guarantor;

(e) possible regulatory changes by the Bank of Italy, Consob and other regulatory authorities;

(f) adverse movement of the interest rate not mitigated by Mortgage Pool Swap;

(g) unwinding cost related to the hedging structure;

(h) timing for the relevant sale of Assets;

(i) status of the real estate market in the areas where the Issuer operates; and

(j) regulations in Italy that could lead to some terms of the Receivables being unenforceable.

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

Priority of Payments

The validity of contractual priority of payments such as those contemplated in this transaction has been challenged recently 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) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc [2011] UKSC 38 (the "**Perpetual Case**") unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of a flip clause contained in an English-law governed security document, stating that, provided that such clause forms 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 one of the properties of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provision.

In parallel proceedings in New York, the U.S. Bankruptcy Court for the Southern District of New York in Lehman Brothers Special Financing Inc.'s v. BNY Corporate Trustee Services Limited. (In re Lehman Brothers Holdings Inc.), Adv. Pro. No. 09-1242-JMP (Bankr. S.D.N.Y. May 20, 2009) examined the same flip clause and held that such a provision, which seeks to modify one creditor's position in a priority of payments when that creditor files for bankruptcy, is unenforceable under the US Bankruptcy Code. Whilst leave to appeal was granted, the proceedings in the United States were settled before an appeal was heard. Therefore concerns still remain that the U.S. courts will diverge in their approach.

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 in respect of multi-jurisdictional insolvencies.

Additionally, as a result of the conflicting statements of the English and New York courts there is uncertainty as to whether the English courts will give any effect to any New York court judgment. Similarly, if the Priorities of Payments are the subject of litigation in any jurisdiction outside England and Wales and such litigation results in a conflicting judgment in respect of the binding nature of the Priorities of Payments it is possible that termination payments due to that Swap Counterparty would not be subordinated as envisaged by the Priorities of Payments and as a result, the Guarantor's' ability to repay the Covered Bondholders in full may be adversely affected. There is a particular risk of conflicting judgments where a Swap Counterparty (if any) is the subject of bankruptcy or insolvency proceedings outside of England and Wales.

Value of the Cover Pool

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

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

After the service of a Notice to Pay on the Guarantor, but prior to service of an Acceleration Notice, the Guarantor shall, if necessary to effect timely payments under the Covered Bonds, sell the Selected Assets and their related security interests included in the Cover Pool, subject to a right of pre emption granted to the Seller pursuant to the terms of the Master Transfer Agreement and the Cover Pool Administration Agreement. In respect of any sale of Selected Assets and their related security interests to third parties, however, the Guarantor will not provide any warranties or indemnities in respect of such Selected Assets and related security interests and there is no assurance that the Seller would give or repeat any warranties or representations in respect of the Selected Assets and related security interests originally transferred by it or if it has not consented to the transfer of such warranties or representations. Any representations or warranties previously given by the Seller in respect of the Mortgage Loans assigned by it and forming part of the Cover Pool may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Assets and related security interests could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee.

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

Assignments executed under Law 130 and the OBG Regulations are subject to claw-back on bankruptcy under article 67 of the Bankruptcy Law but only in the event that the declaration of bankruptcy of the Seller is made within three months of the covered bonds transaction (or of the purchase of the relevant Receivables) or, in cases where paragraph 1 of article 67 applies (e.g. if the payments made or the obligations assumed by the bankrupt party exceed, by more than one-fourth, the consideration received or promised), within six months of the covered bonds transaction (or of the purchase of the relevant Receivables).

The Seller

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

Default by borrowers in paying amounts due on their Mortgage Loans

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

The recovery of amounts due in relation to defaulted claims will be subject to the effectiveness of enforcement proceedings in respect of the Receivables which in Italy can take a considerable amount of time depending on the type of action required and where such action is taken and on several other

factors, including the following: proceedings in certain courts involved in the enforcement of the Mortgage Loans and Mortgages may take longer than the national average; obtaining title deeds from land registries which are in process of computerising their records can take up to two or three years; further time is required if it is necessary to obtain an injunction decree (*decreto ingiuntivo*) and if the relevant debtor raises a defence to or counterclaim in the proceedings; and it takes an average of six to eight years from the time lawyers commence enforcement proceedings until the time an auction date is set for the forced sale of any real estate asset.

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

Insurance coverage

All Mortgage Loans provide that the relevant real estate assets must be covered by an insurance policy issued by leading insurance companies approved by the Seller against damages from, fire, destruction and explosion (each an "**Insurance Policy**"). There can be no assurance that all risks that could affect the value of the real estate assets are or will be covered by the relevant Insurance Policy or that, if such risks are covered, the insured losses will be covered in full. Any loss incurred in relation to the real estate assets which is not covered (or which is not covered in full) by the relevant Insurance Policy could adversely affect the value of the real estate assets and the ability of the relevant Debtor to repay the relevant mortgage loan.

Changes to the lending criteria of the Seller

Each of the Mortgage Loans originated by the Seller will have been originated in accordance with the applicable lending criteria at the time of origination. Each of the Mortgage Loans sold to the Guarantor by the Seller, but originated by a person other than the Seller (an "**Originator**"), will have been originated in accordance with the lending criteria of such Originator at the time of origination. It is expected that the Seller's or the relevant Originator's, as the case may be, lending criteria will generally consider the term of loan, the indemnity guarantee policies, the status of applicants and the credit history. In the event of the sale or transfer of any Mortgage Loans to the Guarantor, the Seller will warrant that (a) such Mortgage Loans as were originated by it were originated in accordance with the Seller's lending criteria applicable at the time of origination and (b) such Mortgage Loans if originated by an Originator, were originated in accordance with the relevant Originator's lending criteria applicable at the time of origination. The Seller retains the right to revise its lending criteria from time to time subject to the terms of the Master Transfer Agreement and of the Servicing Agreement. An Originator may additionally revise its lending criteria at any time. However, if such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans, that may lead to increased defaults by borrowers and may affect the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Covered Bond Guarantee. However, Non Performing Loans in the Cover Pool will be given a zero weighting for the purposes of the calculation of the Mandatory Tests and the Asset Coverage Test.

Other programmes

The Guarantor's principal assets are the Eligible Assets and the Integration Assets and the other portfolios of eligible assets and integration assets acquired by the Guarantor in accordance with the master transfer agreement entered into on 13 January 2012 in the context of the Commercial CB Programme (as defined below). The Guarantor will not have as at the date of this Base Prospectus any significant assets other than the Eligible Assets acquired from time to time, the Guarantor's Rights (as

defined below) and the agreements entered into by the Guarantor in relation to the Commercial CB Programme.

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

Legal risks relating to the Mortgage Loans

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

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.

Set-off risks

Pursuant to article 1248 of the Italian law civil code and the Law 130, in the context of an assignment of monetary claims, notwithstanding the notification of the assignment to the debtor, the debtor retains the right to set-off any claims owed to him/her by the assigning creditor, provided that they arose prior to the notification date, against the amount due by him/her to the relevant owner, from time to time, of the assigned monetary claim. The debtors under the Mortgage Loans are entitled to exercise rights of set-off in respect of amounts due under any Mortgage Loan to the Guarantor against any amounts payable by the Seller to the relevant Debtor which came into existence (were *crediti esistenti*) prior to the later of: (a) the publication of the notice of assignment in the Italian Official Gazette (*Gazzetta Ufficiale della Repubblica Italiana*) and (b) the registration of such notice in the competent companies register.

The assignment of receivables under Law 130 is governed by Article 58, paragraph 2, 3 and 4, of the Italian Banking Act. According to the prevailing interpretation of such provision, such assignment becomes enforceable against the relevant Debtors as of the later of (a) 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 (b) the date of registration of the notice of assignment in the local Companies' Register. Consequently, the rights of the Guarantor may be subject to the direct rights of the borrowers against the relevant Seller or, as applicable the relevant originator, including rights of set-off on claims arising existing prior to notification in the Official Gazette and registration at the Companies' Register. Some of the Mortgage Loans in the Cover Pool may have increased risks of set-off, because the Seller or, as applicable, the relevant Originator is required to make payments under them to the borrowers. In addition, the exercise of set-off rights by borrowers may adversely affect any sale proceeds of the Cover Pool and, ultimately, the ability of the Guarantor to make payments under the Covered Bond Guarantee.

Once notice has been given to the borrowers of the assignment of the Mortgage Loans and their related security to Guarantor, independent set-off rights which a borrower has against the Seller (such as, for example, set-off rights associated with borrowers holding deposits with the Seller) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under contractual set-off, set out in respect of a limited portion of the Mortgage Loans, ("**Transaction Set-Off**") will not be affected by that notice and will continue to exist.

Furthermore, Law Decree No. 145 of 23 December 2013 (*Decreto Destinazione Italia*) as converted with amendments into Law No. 9 of 21 February 2014 (the "**Destinazione Italia Decree**") introduced, inter alia, certain amendments to article 4 of Law 130. As a consequence of such amendments, it is now expressly provided by Law 130 that the Debtors cannot exercise rights of set-off against the Guarantor

on claims arising vis-à-vis the Seller after the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

It should be noted however, that the Asset Coverage Test seeks to take account of the potential set-off risk associated with borrowers holding deposits with the Seller (although there is no assurance that all such risks will be accounted for).

Usury Law

The interest payments and other remuneration paid by the Borrowers under the Mortgage Loans are subject to Italian law No. 108 of 7 March 1996 (the "**Usury Law**"), which introduced legislation preventing lenders from applying interest rates equal to, or higher than, rates (the "**Usury Rates**") set every three months on the basis of a decree issued by the Italian Treasury (the last such decree having been issued on 27 March 2017). In addition, even where the applicable Usury Rates are not exceeded, interest and other benefits and/or remuneration may be held to be usurious if: (a) they are disproportionate to the amount lent (taking into account the specific situations of the transaction and the average rate usually applied for similar transactions); and (b) the person who paid or agreed to pay them was in financial and economic difficulties. The provision of usurious interest, benefits or remuneration has the same consequences as non-compliance with the Usury Rates.

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

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

Several recent court precedents have stated that default interest rates are relevant and must be taken into account when calculating the aggregate remuneration of any given financing for the purposes of determining its compliance with the applicable Usury Rates (see, for instance, Decision No. 1796 of 3 April 2013 of the *Arbitro Bancario Finanzario* of Naples and Cassazione of 11 January 2013 No. 603). In addition, according to recent court precedents and arbitral decisions, the remuneration of any given financing must be below the applicable Usury Rates from time to time applicable. Based on this recent evolution of case law on the matter, it will constitute a breach of the Usury Regulations if the remuneration of a financing is lower than the applicable Usury Rates at the time the terms of the financing were agreed but becomes higher than the applicable Usury Rates at any point in time thereafter (see, for instance, Cassazione 9 January 2013 No. 350).

Compounding of interest (anatocismo)

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

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

Recently, Article 17-bis of law decree No. 18 of 14 February 2016 as converted into law No. 59 of 8 April 2016 amended Article 120, paragraph 2 of the Banking Law, providing that interests shall not accrue on capitalised interests. However, given the novelty of this new legislation and the absence of a clear jurisprudential interpretation, the impact of such new legislation may not be predicted as at the date of this Prospectus.

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

Mortgage Credit Directive

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

otherwise relating to residential immovable property. The Mortgage Credit Directive provides for, amongst other things:

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

The Mortgage Credit Directive came into effect on 20 March 2014 and 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 12 *quinquesdecies* of the Italian 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.

According to the Mortgage Legislative Decree, the Bank of Italy and the Ministry of Economy and Finance will enact implementing provisions of it.

Given the novelty of this new legislation and the absence of any jurisprudential interpretation, the impact of such new legislation may not be predicted as at the date of this Base Prospectus.

No assurance can be given that the Mortgage Legislative Decree and its implementing regulations will not adversely affect the ability of the Guarantor to make payments under the Covered Bond Guarantee.

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

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

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

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

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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 results of operations.

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

Covered Bonds issued under the Programme will either be fungible with an existing Series (in which case they will form part of such Series) or have different terms to an existing Series (in which case they will constitute a new Series). All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share equally in the security granted by the Guarantor under the Covered Bond Guarantee. If an Issuer Event of Default and a Guarantor Event of Default occur and result in acceleration, all Covered Bonds of all Series will accelerate at the same time.

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

Covered Bonds subject to optional redemption by the Issuer

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

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

Zero Coupon Covered Bonds

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

Covered Bonds issued at a substantial discount or premium

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

Risks related to Covered Bonds generally

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

Obligations to make payments when due on the Covered Bonds

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

unconditional and unsubordinated obligations. Consequently, any claim directly against the Issuer in respect of the Covered Bonds will not benefit from any security or other preferential arrangement granted by the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the service on the Issuer and the Guarantor of a Notice to Pay. Failure by the Guarantor to pay amounts due under the Covered Bond Guarantee in respect of any Covered Bond would constitute a Guarantor Event of Default which would entitle the Representative of the Covered Bondholders to serve an Acceleration Notice and accelerate the obligations of the Guarantor under the Covered Bond Guarantee and entitle the Representative of the Covered Bondholders to enforce the Covered Bond Guarantee. The occurrence of an Issuer Event of Default does not constitute a Guarantor Event of Default.

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

Covered Bondholders are bound by Extraordinary Resolutions and Programme Resolutions

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

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

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

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

(b) any amendment or modification to the Rules of the Organisation of the Covered Bondholders, the Conditions and/or the other Transaction Documents which is of a formal, minor or technical nature

or which, in the opinion of the Representative of the Covered Bondholders, is made to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or an error which is proven or is necessary or desirable for the purposes of clarification or to comply with mandatory provisions of law; and

(c) any amendment or modification to the Rules of the Organisation of the Covered Bondholders, the Conditions and/or the other Transaction Documents which is required or opportune for the purposes of complying with a change in law or in the interpretation or administration of the MEF Decree, the Law 130, the BoI Regulations or any guidelines issued by the Bank of Italy in respect thereof.

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

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

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

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

Controls over the transaction

The BoI Regulations require that certain controls be performed by the Issuer (see the section headed "*Selected aspects of Italian law – Controls over the transaction*", below), aimed, *inter alia*, at mitigating the risk that any obligation of the Issuer or the Guarantor under the Covered Bonds is not complied with. Whilst the Issuer believes it has implemented the appropriate policies and controls in compliance with the relevant requirements, investors should note that there is no assurance that such compliance ensures that the aforesaid controls are actually performed and that any failure to properly implement the relevant policies and controls could have an adverse effect on the Issuer's or the Guarantor's ability to perform their obligations under the Covered Bonds.

Limits to Integration

Under the BoI Regulations, the Integration (as defined below), whether through Eligible Assets or through Integration Assets shall be carried out in accordance with the methods, and subject to the limits, set out in the BoI Regulations (see the section headed "*Selected aspects of Italian law – Tests set out in the MEF Decree*", below).

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

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

Automatic Exchange of Information

EU member states are required to implement an automatic exchange of information as provided for by Council Directive 2014/107/EU amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (the "**DAC**") effective as from 1 January 2016 (and in the case of Austria as from 1 January 2017). In this context, in order to eliminate an overlap with the DAC, Council Directive 2003/48/EC (the "**EU Savings Directive**") was repealed on 10 November 2015 by the Council of the European Union. The range of payments to be automatically reported under the DAC is broader than the scope of the automatic information previously foreseen by the EU Savings Directive.

Investors should consult their professional tax advisers.

Tax consequences of holding the Covered Bonds

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

Base Prospectus to be read together with applicable Final Terms

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

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

Change of law

The structure of the Programme and the issue of the Covered Bonds and the ratings which are to be assigned to them are based on the laws of the Republic of Italy (including, tax, regulatory and administrative practices) in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to the laws of the Republic of Italy or tax, regulatory and administrative practices in Italy after the date of this Base Prospectus or after the issue of any Series or Tranche of Covered Bonds.

Limited secondary market

There is, at present, a secondary market for the Covered Bonds but it is neither active nor liquid, and there can be no assurance that an active or liquid secondary market for the Covered Bonds will develop. If an active or liquid secondary market develops, it may not continue for the life of the Covered Bonds or it may not provide Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Illiquidity may have a severely adverse effect on the market value of Covered Bonds. In addition, Covered Bonds issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Covered Bonds may be adversely affected. In an illiquid market, an investor might not be able to sell its Covered Bonds at any time at fair market prices. The possibility to sell the Covered Bonds might additionally be restricted by country specific reasons.

Exchange rate risks and exchange controls

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

Interest rate risks

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

Ratings of the Covered Bonds

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. The ratings assigned to the Covered Bonds by DBRS address:

(a) the likelihood of full and timely, save for the relevant grace period, payment to Covered Bondholders of all payments of interest on each CB Payment Date; and

(b) the likelihood of ultimate payment of principal, save for the relevant grace period, to Covered Bondholders on (i) the Maturity Date thereof or (ii) if the Covered Bonds are subject to an Extended Maturity Date in respect of the Covered Bond Guarantee in accordance with the applicable Final Terms, on the Extended Maturity Date thereof; and;

(c) the economic value of recoveries from the cover pool following an assumed missed timely payment of principal on the covered bonds, thereby including an element of expected loss on principal distribution.

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

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

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registed under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU- registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

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

The ratings may not reflect the potential impact of all risks related to structural, market and additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A security

rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

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

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

Legal investment considerations may restrict certain investments

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

Law 130

Law 130 was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. Law 130 was further amended by law decree No. 143 of 23 December 2013 (*Decreto Destinazione Italia*), as converted with amendments into law No. 9 of 21 February 2014, and law decree No. 91 of 24 June 2014 (*Decreto Competitività*), as converted with amendments into law No. 116 of 11 August 2014, which have introduced certain amendments to the Law 130. As at the date of this Base Prospectus, no interpretation of the application of the Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (a) the MEF Decree setting out the technical requirements of the guarantee which may be given in respect of covered bonds and (b) the BoI Regulations concerning guidelines on the valuation of assets, the procedure for purchasing integration assets and controls required to ensure compliance with the legislation. Consequently, it is possible that such or different authorities may issue further regulations relating to the Law 130 or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

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

GENERAL DESCRIPTION OF THE PROGRAMME

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

1 Parties

Issuer

Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa), a bank incorporated in Italy as a joint stock company (*società per azioni*) whose registered office is in Milan, Piazza Filippo Meda, 4, 20121, Italy, registered with the Companies' Register of Milan under number 09722490969 and registered with the Bank of Italy pursuant to Article 13 of Legislative Decree No. 385 of 1 September 1993 (the "**Banking Law**") under number 8065, parent company of the Gruppo Bancario Banco BPM (the "**Banco BPM Group**") registered with the Bank of Italy pursuant to Article 64 of the Banking Law under number 237 (the "**Issuer**" or "**Banco BPM**").

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

Guarantor

BP Covered Bond S.r.l., a company incorporated in Italy as a limited liability company (*società a responsabilità limitata*) pursuant to Article 7-bis of Law No. 130 of 30 April 1999, as amended from time to time (the "**Law 130**"), belonging to the Banco BPM Group registered with the Bank of Italy pursuant to article 64 of the Banking Law under number 237 and subject to the direction and coordination of Banco BPM, whose registered office is in Foro Buonaparte, n. 70, 20121, Milan, Italy, enrolled with the Companies Register of Milan under No. 06226220967 (the "**Guarantor**").

The Guarantor has no assets other than the Receivables, the Integration Assets and the Guarantor's Rights (as defined below) as described in this Base Prospectus as well the receivables and assets purchased and to be purchased, and the agreements entered into, by the Guarantor in relation to the €5,000,000,000 covered bond programme established by Banco BPM in January 2012 (the "**Commercial CB Programme**") which, however, do not constitute cover pool collateral for the Covered Bonds and are not available to the Covered Bondholders for any purpose.

	For a more detailed description of the Guarantor, see the section headed "*Description of the Guarantor*", below.
Arranger	UBS Limited, with company number 2035362, whose registered address is at 5 Broadgate, London EC2M 2QS, United Kingdom ("**UBS**" or the "**Arranger**").
Dealers	UBS and any other dealer appointed from time to time in accordance with the Programme Agreement.
Seller	Banco BPM (as successor to Banco Popolare Società Cooperativa) will act as seller under the Master Transfer Agreement (in such capacity, the "**Seller**"). For a more detailed description of the Seller, see the section headed "*Description of the Issuer*", below.
Additional Sellers	Any bank, other than the Seller, which is and/or will be a member of the Banco BPM Group (each an "**Additional Seller**"), that will sell Eligible Assets and/or Integration Assets (as defined below) to the Guarantor, subject to satisfaction of certain conditions, and which, for such purpose, shall, inter alia, accede to the Master Transfer Agreement by signing an accession letter substantially in the form attached to the Master Transfer Agreement.
Subordinated Loan Provider	Banco BPM (as successor to Banco Popolare Società Cooperativa) will act as subordinated loan provider (in such capacity the "**Subordinated Loan Provider**") pursuant to the terms of the Subordinated Loan Agreement (as defined below).
Servicer	Banco BPM (as successor to Banco Popolare Società Cooperativa) will act as servicer (the "**Servicer**") in the context of the Programme and will be responsible for the management and the collection of the Receivables (as defined below) sold from time to time to the Guarantor, pursuant to the terms of the Servicing Agreement. For a more detailed description of the Servicer, see the section headed "*Description of the Issuer*", below.
Successor Servicer	The party or parties (the "**Successor Servicer**") which will be appointed in order to perform, inter alia, the servicing activities performed by the Servicer, and any successor or replacing entity thereto following the occurrence of a Servicer Termination Event (as defined below) (for a more detailed description see the section headed "*Description of the Transaction Documents – Servicing Agreement*", below).
Corporate Servicer	TMF Management Italy s.r.l. will act as corporate servicer under the Corporate Services Agreement (the "**Corporate Servicer**").
Administrative Servicer	Banco BPM (as successor to Banco Popolare Società Cooperativa) will provide certain administrative services to the Guarantor, pursuant to an Administrative Services Agreement

	(the "**Administrative Servicer**").
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 which will act as an independent monitor pursuant to an Asset Monitor Agreement in order to perform tests and procedures including those in accordance with the applicable legal regulations. The Asset Monitor will be BDO Italia S.p.A. (the "**Asset Monitor**").
Cash Manager	Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa), a bank incorporated in Italy as a joint stock company (*società per azioni*) whose registered office is in Milan, Piazza Filippo Meda, 4, 20121, Italy, registered with the Companies' Register of Milan under number 09722490969 and registered with the Bank of Italy pursuant to Article 13 of Legislative Decree No. 385 of 1 September 1993 (the "**Banking Law**") under number 8065, parent company of the Gruppo Bancario Banco BPM (the "**Banco BPM Group**") registered with the Bank of Italy pursuant to Article 64 of the Banking Law under number 237 will act as cash manager under the Cash Management and Agency Agreement for the purpose of (i) maintaining and operating – upon direction of the Investment Agent – the Investment Account and the Securities Account and (ii) performing certain calculation and payment services on behalf of the Guarantor subject to the provisions of the Cash Management and Agency Agreement (the "**Cash Manager**").
Interim Account Bank	Banco BPM (as successor to Banco Popolare Società Cooperativa) will act as interim account bank pursuant to the Cash Management and Agency Agreement, for the purpose of maintaining and operating the Interim Account opened in the name of the Guarantor, into which all collections deriving from receivables purchased by the Guarantor will be credited. The Interim Account Bank will also maintain the Quota Capital Account and Expense Account.
English Account Bank	BNP Paribas Securities Services, London branch will act as English account bank pursuant to the Cash Management and Agency Agreement (the "**English Account Bank**"), for the purpose of maintaining and operating the Reserve Account and the Collateral Account(s), if any.
Italian Account Bank	Banco BPM (as successor to Banco Popolare Società Cooperativa) will act as Italian account bank pursuant to the Cash Management and Agency Agreement (the "**Italian Account Bank**"), for the purpose of maintaining and operating the Transaction Account.
Back-up Italian Account Bank	BNPSS will act as back-up Italian account bank agent under the Programme pursuant to the provisions of the Cash Management

and Agency Agreement (the "**Back-up Italian Account Bank**") for the purpose of opening, maintaining and operating the Back-up Transaction Account. Upon occurrence of the conditions set out in the Cash Management and Agency Agreement, the Back-up Italian Account Bank shall (i) open the Back-up Transaction Account; (ii) replace Banco BPM as Italian Account Bank and immediately after the completion of the Back up Transaction Account opening and the funds standing to the credit Transaction Account opened with Banco BPM will be transferred to the Back-up Transaction Account opened with the Back-up Italian Account Bank. Upon such replacement, any reference to (a) the Italian Account Bank shall be references to the Back-up Italian Account Bank and (b) the Transaction Account shall be references to the Back-up Transaction Account opened with the Back-up Italian Account Bank.

Investment Agent

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

"**Eligible Institution**" means

(I) with respect to the entity (other than Banco BPM in respect of the Transaction Account only) holding any of Accounts (other than the Interim Account, the Expense Account and the Quota Capital Account) or the Collateral Account, if required, any depository institution organised under the laws of any state which is a member of the European Union or of the United States of America (to the extent that United States are a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach) (a) whose short-term, unsecured and unsubordinated debt obligations are rated at least P-1 by Moody's and for which, (1) prior to the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the DBRS Long Term Rating by DBRS is at least equal to the rating indicated in the table below under column "DBRS Minimum Reference Rating Current" and (2) following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the higher of (i) the DBRS Long Term Rating by DBRS and (ii) the then applicable DBRS Critical

Obligations Rating assigned to that entity minus one notch is at least equal to the rating indicated in the table below under column "*DBRS Minimum Reference Rating New*":

DBRS OBG0020Rating	**DBRS Minimum Reference Rating Current**	**DBRS Minimum Reference Rating New**
AAA (sf)	"A"	"A"
AA (high) (sf)	"A"	"A (low)"
AA (sf)	"A"	"BBB (high)"
AA (low) (sf)	"A"	"BBB (high)"
A (high) (sf)	"BBB (high)"	"BBB"
A (sf)	"BBB"	"BBB (low)"
A (low) (sf)	"BBB (low)"	"BBB (low)"
BBB (high) (sf)	"BBB (low)"	"BBB (low)"
BBB (sf)	"BBB (low)"	"BBB (low)"
BBB (low) (sf)	"BBB (low)"	"BBB (low)"

or (b) whose obligations under the Transaction Documents to which it is a party are guaranteed, in a compliance with the relevant Rating Agencies' criteria, by a depository institution organised under the laws of any state which is a member of the European Union or of the United States of America (to the extent that United States are a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach), whose short-term, unsecured and unsubordinated debt obligations are rated at least P-1 by Moody's and for which, (1) prior to the date on which a

written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the DBRS Long Term Rating by DBRS is at least equal to the rating indicated in the table above under column "*DBRS Minimum Reference Rating Current*" and (2) following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the higher of (i) the DBRS Long Term Rating by DBRS and (ii) the then applicable DBRS Critical Obligations Rating assigned to that entity minus one notch is at least equal to the rating indicated in the table below under column "*DBRS Minimum Reference Rating New*"; and

(II) with respect to Banco BPM holding the Transaction Account, Banco BPM for so long as its long-term, unsecured and unsubordinated debt obligations are rated at least Ba3 by Moody's and the higher of (i) the then applicable DBRS CBAP of Banco BPM; (ii) the DBRS Long Term Rating assigned to Banco BPM and (iii), exclusively following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the then applicable DBRS Critical Obligations Rating of Banco BPM, is at least equal to BB (low).

Calculation Agent

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

Mortgage Pool Swap Counterparties

Any swap counterparty which agrees to act as swap counterparty (each a "**Mortgage Pool Swap Counterparty**") to the Guarantor under the swap agreements) executed with the Guarantor in order to hedge basis and interest rate risk on the Cover Pool (the "**Mortgage Pool Swap**").

Covered Bond Swap Counterparties

Any swap counterparty which agrees to act as covered bond swap counterparty (each, a "**Covered Bond Swap Counterparty**") to the Guarantor under the covered bond swap agreements) executed with the Guarantor in order to hedge certain interest rate, basis risk, and, if applicable, currency risks in respect of amounts received by the Guarantor under the Mortgage Pool Swap and amounts to be paid in respect of the Covered Bonds by the Guarantor (the "**Covered Bond Swap**").

Swap Counterparties	Each Mortgage Pool Swap Counterparty and each Covered Bond Swap Counterparty.
Swap Agreements	Each Mortgage Pool Swap and each Covered Bond Swap, entered into between the Guarantor and (i) each Mortgage Pool Swap Counterparty and (ii) each Covered Bond Swap Counterparty respectively is or will be documented in accordance with the documentation published by the International Swaps and Derivatives Association Inc. ("**ISDA**"), and will be subject to: (a) the 1992 ISDA Master Agreement with the Schedule thereto ("**ISDA Master Agreement**"); (b) the 1995 ISDA Credit Support Annex (Transfer-English Law) to the Schedule to the ISDA Master Agreement ("**CSA**"); and (c) the relevant Confirmation(s).
Principal Paying Agent	Banco BPM (as successor to Banco Popolare Società Cooperativa) will act as principal paying agent under the Programme pursuant to the provisions of the Cash Management and Agency Agreement in accordance with the Terms and Conditions and the Final Terms of the relevant Series of Covered Bonds (the "**Principal Paying Agent**").
Italian Paying Agent	BNPSS will act as Italian paying agent under the Programme pursuant to the provisions of the Cash Management and Agency Agreement with respect to payments made by the Guarantor following an Issuer Event of Default (the "**Italian Paying Agent**").
Luxembourg Listing Agent	BNP Paribas Securities Services, Luxembourg branch, whose registered office is at 60 avenue J.F. Kennedy, L-1855, Luxembourg, will act as Luxembourg listing agent under the Programme (the "**Luxembourg Listing Agent**").
Registrar	Any institution which may be appointed by the Issuer to act as registrar in respect of the Registered Covered Bonds under the Programme (the "**Registrar**"), provided that if the Issuer will keep the register and will not delegate such activity, any reference to the Registrar will be construed as a reference to the Issuer.
Registered Paying Agent	Any institution appointed by the Issuer to act as paying agent in respect of the Registered Covered Bonds issued under the Programme, if any (the "**Registered Paying Agent**").
Representative of the Covered Bondholders	BNPSS, will act as representative of the covered bondholders pursuant to the Programme Agreement and the Rules of the Organisation of Covered Bondholders (the "**Representative of the Covered Bondholders**").
Ownership or control relationships	As of the date of this Base Prospectus, no direct or indirect ownership or control relationships exist between the principal

between the principal parties	parties described above in this section, other than the relationship existing between the Issuer (also as Seller, Interim Account Bank, Italian Account Bank and Servicer) and the Guarantor, both of which belong to the Banco BPM Group. The entities belonging to the Banco BPM Group are subject to the direction and co-ordination (*direzione e coordinamento*) of the Issuer.
Rating Agencies	DBRS Ratings Ltd. ("**DBRS**") and/or Moody's Investors Service Ltd ("**Moody's**"), or their successors, to the extent that at the relevant time they provide ratings in respect of the then outstanding Covered Bonds (the "**Rating Agencies**"). Whether or not a rating in relation to any Tranche or Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Base Prospectus have been issued by DBRS or Moody's, each of which is established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority ("**ESMA**") pursuant to the CRA Regulation.

2 The Covered Bonds and the Programme

Description	A covered bond issuance programme under which Covered Bonds (*Obbligazioni Bancarie Garantite*) will be issued by the Issuer and guaranteed by the Guarantor.
Size	Up to Euro 10,000,000,000 (and for this purpose, any Covered Bonds (*Obbligazioni Bancarie Garantite*) denominated in another currency shall be translated into Euro at the date of the agreement to issue such Covered Bonds, and the Euro exchange rate used shall be included in the Final Terms) in aggregate principal amount of Covered Bonds outstanding at any one time (the "**Programme Limit**"). The Programme Limit may be increased in accordance with the terms of the Programme Agreement.
Distribution of the Covered Bonds	The Covered Bonds may be distributed on a syndicated or non-syndicated basis, in each case only in accordance with the relevant selling restrictions.
Methods of issue	The Covered Bonds will be issued in series (each a "**Series**") but on different terms from each other, subject to the terms set out in the relevant Final Terms (as defined below) in respect of such Series. Covered Bonds of different Series will not be fungible among themselves. Each Series may be issued in tranches (each a "**Tranche**") which will be identical in all

	respects, but having different issue dates, interest commencement dates and issue prices. The specific terms of each Tranche will be completed in the relevant Final Terms. The Registered Covered Bonds may be issued only in Series consisting of a single Tranche. The Issuer will issue Covered Bonds without the prior consent of the holders of any outstanding Covered Bonds but subject to certain conditions (see the paragraph headed "*Conditions precedent to the issuance of a new Series or Tranche of Covered Bonds*" below).
Selling restrictions	The offer, sale and delivery of the Covered Bonds and the distribution of offering material in certain jurisdictions may be subject to certain selling restrictions. Persons who are in possession of this Base Prospectus are required by the Issuer, the Dealers and the Arranger 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, the Covered Bonds may not be offered, sold or delivered within the United States or to U.S. persons. There are further restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States, the European Economic Area, including the United Kingdom, Germany, the Republic of Italy, and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Base Prospectus, see the section headed "*Subscription and Sale*" below. The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.
Specified Currency	Covered Bonds may be issued in such currency or currencies as may be agreed from time to time between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms (each a "**Specified Currency**"), subject to compliance with all applicable legal, regulatory and/or central bank requirements.
Denomination of Covered Bonds	In accordance with the Conditions, and subject to the minimum denomination requirements specified below, the Covered Bonds (other than Registered Covered Bonds) will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal or regulatory or central bank requirements (see Condition 2 (*Form, Denomination and Title*)). Registered Covered Bonds will be issued in such denominations indicated in the applicable Registered CB Conditions.

	The minimum denomination of each Covered Bond (other than Registered Covered Bonds) will be Euro 100,000 and integral multiples of Euro 1,000 in excess thereof (or, if the Covered Bonds are denominated in a currency other than Euro, the equivalent amount in such currency) or such other higher denomination as may be specified in the relevant Final Terms. The minimum denomination for Registered Covered Bonds will be specified in the applicable Registered CB Conditions.
Issue Price	Covered Bonds of each Series or Tranche may be issued at their nominal amount or at a discount premium to their nominal amount as specified in the relevant Final Terms (in each case, the "**Issue Price**" for such Series or Tranche).
Issue Date	The date of issue of a Series or Tranche of Covered Bonds, pursuant to, and in accordance with, the Programme Agreement (in each case, the "**Issue Date**" in relation to such Series or Tranche).
CB Payment Date	The dates specified as such in, or determined in accordance with the provisions of the Conditions and the relevant Final Terms, subject in each case, to the extent provided in the relevant Final Terms, to adjustment in accordance with the applicable Business Day Convention (as defined in the Conditions) (each such date, a "**CB Payment Date**").
CB Interest Period	Each period beginning on (and including) a CB Payment Date (or, in case of the first CB Interest Period, the Interest Commencement Date) and ending on (but excluding) the next CB Payment Date (or, in case of the last CB Interest Period, the Maturity Date) (each a "**CB Interest Period**").
Interest Commencement Date	In relation to any Series or Tranche of Covered Bonds, the Issue Date of the relevant Series or Tranche of Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms (each an "**Interest Commencement Date**").
Form of Covered Bonds	The Covered Bonds may be issued in bearer form and in dematerialised form or in registered form as Registered Covered Bonds. The Covered Bonds issued in dematerialised form will be held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli account holders. Each Series or Tranche will be deposited with Monte Titoli on the relevant Issue Date in accordance with article 83-*bis* of the Financial Law, through the authorised institutions listed in article 83-*quater* of the Financial Law. Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds issued in dematerialised form will at all times be held in book entry form and title to such Covered Bonds will be evidenced by book

entries in accordance with (i) the provisions of article 83-*bis* of the Financial Law; and (ii) the regulation issued by the Bank of Italy and the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") on 22 February 2008, as subsequently amended. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

Registered Covered Bonds will be issued to each holder in the form of *Namensschuld verschreibung*, each issued with a minimum denomination indicated in the applicable Registered CB Conditions attached thereto, together with the execution of the related Registered CB Rules Agreement in relation to a specific issue of Registered Covered Bonds.

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

In connection with the Registered Covered Bonds, references in the Base Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the relevant Registered CB Conditions, the Registered CB Rules Agreement relating thereto or any other document expressed to govern such Registered Covered Bonds and, as applicable, each other reference to Final Terms in the Base Prospectus shall be construed and read as a reference to such Registered CB Conditions, the Registered CB Rules Agreement thereto or any other document expressed to govern such issue of Registered Covered Bonds.

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

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

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

For further details on the Registered Covered Bonds, see the

section headed "*Key features of Registered Covered Bonds (Namensschuld verschreibungen)*", below.

Types of Covered Bonds

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

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

Floating Rate Covered Bonds: Floating Rate Covered Bonds will bear interest at a rate determined in accordance with the Conditions and the relevant Final Terms.

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

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

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

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

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

	Instalment Covered Bonds: Covered Bonds with a predefined amortisation schedule where, alongside interest, the Issuer will pay, on each Covered Bond Instalment Date (as defined below), a portion of principal until maturity, as set out in the applicable Final Terms.
Final Terms	Specific final terms will be issued and published in accordance with the generally applicable terms and conditions of the Covered Bonds, other than the Registered Covered Bonds, (the "**Conditions**") prior to the issue of each Series or Tranche detailing certain relevant terms thereof which, for the purposes of that Series or Tranche only, completes the Conditions and must be read in conjunction with the Base Prospectus (such specific final terms, the "**Final Terms**"). The terms and conditions applicable to any particular Series or Tranche are the Conditions as completed by the relevant Final Terms. The terms and conditions applicable to any particular Registered Covered Bond shall be set out in the relevant Registered CB Conditions, the relevant Registered CB Rules Agreement and any other document expressed to govern such particular Registered Covered Bonds.
Interest on the Covered Bonds	Except for the Zero Coupon Covered Bonds and unless otherwise specified in the Conditions and the relevant Final Terms, the Covered Bonds will be interest-bearing and interest will be calculated on the Outstanding Principal Balance of the relevant Covered Bonds. Interest will be calculated on the basis of such Day Count Fraction in accordance with the Conditions and the relevant Final Terms. Interest may accrue on the Covered Bonds at a fixed rate or a floating rate and at such rate as may be so specified in the relevant Final Terms and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series or Tranche.
Redemption of the Covered Bonds	The applicable Final Terms relating to each Series of Covered Bonds will specify the basis for calculating the redemption amounts payable. The Final Terms issued in respect of Covered Bonds that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Covered Bonds may be redeemed. The Final Terms issued in respect of each issue of Covered Bonds will state whether such Covered Bonds may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders of the Covered Bonds and, if so, the terms applicable to such redemption. Except as provided above, Covered Bonds will be redeemable at the option of the Issuer prior to maturity only for tax reasons

	(as set out in the paragraph headed "*Tax gross-up and redemption for taxation reasons*" below).
Tax Gross up and redemption for taxation reasons	Payments in respect of the Covered Bonds to be made by the Issuer will be made without deduction for or on account of any present or future taxes, duties or charges of whatsoever nature other than any deduction pursuant to Decree No. 239 of 1 April 1996 (the "**Decree No. 239**"), or any other withholding or deduction at any time required to be made by applicable law. In the event that any such withholding or deduction is to be made, the Issuer will be required to pay additional amounts to cover the amounts so deducted in accordance with the provision of Condition 9 (*Taxation*). In such circumstances and provided that such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Covered Bonds will be redeemable (in whole, but not in part) at the option of the Issuer. See Condition 7(e) (*Redemption for tax reasons*). The Guarantor will not be liable to pay any additional amount due to taxation reasons following an Issuer Event of Default (as defined below).
Maturity Date	The maturity date for each Series (the "**Maturity Date**") will be specified in the relevant Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the currency of the Covered Bonds. Unless previously redeemed as provided in Condition 7 (*Redemption and Purchase*), the Covered Bonds of each Series will be redeemed at their Outstanding Principal Balance on the relevant Maturity Date.
Extended Maturity Date	The applicable Final Terms relating to each Series of Covered Bonds may also provide that the Guarantor's obligations under the Covered Bond Guarantee to pay Guaranteed Amounts (as defined below) equal to the Final Redemption Amount (as defined below) of the applicable Series or Tranche of Covered Bonds on their Maturity Date may be deferred pursuant to the Conditions and the relevant Final Terms for the period set out therein (the "**Extended Maturity Date**"). Such deferral will automatically occur, if so stated in the relevant Final Terms, if: (a) an Issuer Event of Default has occurred and a Notice to Pay has been served; and (b) the Guarantor has insufficient moneys available (in accordance with the Post-Issuer Event of Default Priority of Payments (as defined below)) to pay in full any amount representing the Guaranteed Amounts corresponding to the Final Redemption Amount on the Extension Determination Date (as defined below).

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

Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, provided that, any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Guarantor on any CB Payment Date thereafter according to the relevant Final Terms, up to (and including) the relevant Extended Maturity Date. Interest will continue to accrue and be payable on any unpaid amount up to the Extended Maturity Date in accordance with Condition 7(b) (*Extension of maturity*).

Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an Extension of Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.

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

Redemption by instalments

If the Covered Bonds are specified in the relevant Final Terms as being amortising and redeemable in instalments they will be redeemed in such number of instalments, in such amounts (the "**Instalment Amounts**") and on such dates as may be specified in or determined in accordance with the relevant Final Terms and upon each partial redemption as provided by the Condition 7(c) (*Redemption by instalments*), the outstanding principal amount of each such Covered Bonds shall be reduced by the relevant Instalment Amount for all purposes.

Extended Instalment Date

The applicable Final Terms relating to each Series or Tranche of Covered Bonds may also provide that the Guarantor's obligations under the Covered Bond Guarantee to pay Guaranteed Amounts corresponding to an Instalment Amount

	of the applicable Series or Tranche of Covered Bonds on the relevant Covered Bond Instalment Date may be deferred pursuant to the Conditions (the "**Extended Instalment Date**"). Such deferral will automatically occur, if so stated in the relevant Final Terms, if: (a) an Issuer Event of Default has occurred and a Notice to Pay has been served; and (b) the Guarantor has insufficient moneys available (in accordance with the Post-Issuer Event of Default Priority of Payments) to pay the Guaranteed Amounts corresponding to the unpaid Instalment Amount in full in respect of the relevant Series or Tranche of Covered Bond as set out in the relevant Final Terms on the Instalment Extension Determination Date. Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Instalment Date, provided that, any amount representing the Instalment Amounts due and remaining unpaid after the Instalment Extension Determination Date (as defined below) may be paid by the Guarantor on any CB Payment Date thereafter according to the relevant Final Terms, up to (and including) the relevant Extended Instalement Date. Interest will continue to accrue and be payable on any unpaid amount up to the Extended Instalment Date in accordance with Condition 7(d) (*Extension of principal instalment*). "**Instalment Extension Determination Date**" means, with respect to any Covered Bond Instalment Date, the date falling seven Business Days after the expiry of such Covered Bond Instalment Date. "**Covered Bond Instalment Date**" means a date on which a principal instalment is due on a Series or Tranche of Covered Bonds as specified in the relevant Final Terms.
Status of the Covered Bonds	The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, guaranteed by the Guarantor with limited recourse to the Available Funds and will rank *pari passu* without any preference among themselves, except in respect of maturities of each Series, and (save for any applicable statutory provisions) at least equally with all other present and future unsecured, unsubordinated obligations of the Issuer having the same maturity of each Series of the Covered Bonds, from time to time outstanding.
Negative pledge	The Covered Bonds will not contain a negative pledge provision.
Cross-default	The Covered Bonds will not contain a cross-default provision. Accordingly, neither an event of default in respect of any other

	indebtedness of the Issuer (including, without limitation, in relation to other debt securities of the Issuer) nor an acceleration of such indebtedness will of itself give rise to an Issuer Event of Default.
Recourse	In accordance with Law 130 and the Decree of the Ministry of Economy and Finance No. 310 of 14 December 2006 (the "**MEF Decree**") and with the terms and conditions of the relevant Transaction Documents (as defined below), the holders of Covered Bonds (the "**Covered Bondholders**") will benefit from full recourse on the Issuer and limited recourse on the Guarantor limited to the Available Funds. For a more detailed description, see the section headed "*Credit Structure*", below.
Provisions of Transaction Documents	The Covered Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding Covered Bonds, recognises the Representative of the Covered Bondholders as its representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Covered Bondholders as if such Covered Bondholder was a signatory thereto.
Conditions precedent to the issuance of a new Series or Tranche of Covered Bonds	The Issuer will be entitled (but not obliged) at its option, on any date and without the consent of the holders of the Covered Bonds issued beforehand and of any other creditors of the Guarantor or of the Issuer, to issue further Series or Tranches of Covered Bonds, subject to certain conditions precedent set out in the Programme Agreement, including, *inter alia*: (a) satisfaction of the Tests (as defined below) both before and immediately after such further issue of Covered Bonds; and (b) compliance with the requirements of issuing/assigning banks (*Requisiti delle banche emittenti e/o cedenti*; see Section II, paragraph 1 of the supervisory guidelines of the Bank of Italy set out in Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (Circular No. 285 of 17 December 2013), as amended and supplemented from time to time (the "**BoI Regulations**")); and (c) no Issuer Event of Default having occurred, (collectively, together with the other conditions the "**Conditions to the Issue**") The payment obligations of the Guarantor under the Covered Bonds Guarantee (as defined below) in respect of the Covered Bonds of any Series shall be cross-collateralised by all the assets included in the Cover Pool (as defined below) (see also paragraph headed "*Status of the Covered Bonds*", above).

Approval, listing and admission to trading	This Base Prospectus has been approved by the CSSF as a base prospectus issued in compliance with the Prospectus Directive. Application has been made to the Luxembourg Stock Exchange for Covered Bonds to be issued under the Programme (other than the Registered Covered Bonds) to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market and as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Covered Bonds may be unlisted. The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets. The Registered Covered Bonds will not be listed and/or admitted to trading on any market.
Settlement	Monte Titoli/Euroclear/Clearstream and such other clearing system as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the relevant Final Terms). The Registered Covered Bonds will not be settled through a clearing system.
Governing law	The Covered Bonds (other than the Registered Covered Bonds) and the related Transaction Documents will be governed by Italian law except for the Swap Agreements and the Deed of Charge, which will be governed by English law. The Registered Covered Bonds (*Namensschuld verschreibungen*) will be governed by the laws of the Federal Republic of Germany save that, in any case, certain provisions (including those relating to status, limited recourse of the Registered Covered Bonds and those applicable to the Issuer and the Portfolio) shall be governed by Italian law.
Ratings	Each Series issued under the Programme may or may not be assigned a rating by one or more of the Rating Agencies as specified in the relevant Final Terms. Covered Bonds issued under the Programme, if rated, are expected to be rated "A" and "A1" from DBRS and Moody's, respectively, or as otherwise indicated in the applicable Final Terms. In case the Issuer issues unrated Series of Covered Bonds, confirmation that the current rating of the outstanding Covered Bonds is not adversely affected will be requested (where applicable) to the Rating Agencies. Where a Tranche or Series of Covered Bonds is to be rated, such rating will not necessarily be the same as the rating assigned to the Covered Bonds already issued. Whether or not a rating in relation to any Tranche or Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the

	CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Base Prospectus have been issued by DBRS or Moody's, each of which is established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the ESMA pursuant to the CRA Regulation (for more information please visit the ESMA webpage http://www.esma.europa.eu/page/List-registered-and-certified-CRAs). **A security rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.**
Purchase of the Covered Bonds by the Issuer	The Issuer may at any time purchase any Covered Bonds in the open market or otherwise and at any price.

3 Covered Bond Guarantee

Security for the Covered Bonds	In accordance with Law 130, the Covered Bondholders will benefit from a guarantee issued by the Guarantor pursuant to the Covered Bond Guarantee with limited recourse to the Available Funds.
The Cover Pool	The Cover Pool will comprise: (i) some or all of the following assets: (1) Italian residential mortgage loans (*mutui ipotecari residenziali*) pursuant to Article 2, paragraph 1, lett. (a), of the MEF Decree (the "**Mortgage Loans**"), (2) loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, lett. (c) of the MEF Decree (the "**Public Assets**"), and (3) securities issued in the framework of securitisations having as underlying assets Mortgage Loans or Public Assets, pursuant to Article 2, paragraph 1, lett. (d) of the MEF Decree and provided that such asset backed securities comply with all the following: (a) the cash-flow generating assets backing the securitisation transactions securities meet the criteria laid down in Article 129(1)(d) to (f) of Regulation (EU) No 575/2013 in respect of securitisation transactions securities backing covered bonds, (b) the cash-flow generating assets were originated by an entity closely linked to the issuer of the covered bonds, as described in Article 138 of the Guideline of the European Central Bank dated 19 December 2014 ((UE) 510/2015), (c) they are used as a technical tool to transfer mortgages or guaranteed real estate loans from the originating entity into the cover pool of the respective covered bond; and (d)

the requirements provided by Circular No. 285 of 17 December 2013 of the Bank of Italy (Supervisory Guidelines for the Banks) (the "**ABS**" and, together with the Mortgage Loans and the Public Assets, the "**Eligible Assets**"), and

(ii) securities issued by banks having their registered office in Eligible States (as defined below) with residual maturity not longer than one year and the deposits held with banks having their registered office in Eligible States pursuant to Article 2, paragraph 3, of the MEF Decree (the "**Eligible Deposits**") within the limit of 15 per cent. of the Cover Pool (collectively, the "**Integration Assets**") (the Eligible Assets and the Integration Assets are jointly defined as the "**Cover Pool**", and the Eligible Assets and the Integration Assets, other than Eligible Deposits, are jointly defined as the "**Receivables**").

The Covered Bond Guarantee

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

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

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

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

For a detailed description, see the section headed "*Description of the Transaction Documents - Covered Bond Guarantee*" below.

"**Guaranteed Amounts**" means, (i) prior to the service of an Acceleration Notice, with respect to any Scheduled Due for

Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Scheduled Due for Payment Date, or (ii) after the service of an Acceleration Notice, an amount equal to the relevant Early Redemption Amount plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Guarantor under the Covered Bonds provided that any Guaranteed Amounts representing interest paid after the Maturity Date (or Extended Maturity Date, as the case may be) shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the "**Clawed Back Amounts**").

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

"**Due for Payment Date**" means (a) prior to the service of an Acceleration Notice, a Scheduled Due for Payment Date (as defined below) or (b) following the occurrence of a Guarantor Event of Default, the date on which the Acceleration Notice is served on the Guarantor. If the Due for Payment Date is not a Business Day, the date determined in accordance with the Business Day Convention specified as applicable in the relevant Final Terms. For the avoidance of doubt, Due for Payment Date does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due by reason of prepayment, mandatory or optional redemption or otherwise.

"**Order**" means a final, non-appealable judicial or arbitration decision, ruling or award from a court of competent jurisdiction.

"**Scheduled Due for Payment Date**" means:

(a) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (ii) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Issuer Event of Default, the day which is two Business Days following service of the

Notice to Pay on the Guarantor in respect of such Guaranteed Amounts, if such Notice to Pay has not been served by the relevant Scheduled Payment Date; or

(b) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

"**Scheduled Interest**" means an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each CB Payment Date as specified in the Conditions and the applicable Final Terms falling on or after service of a Notice to Pay on the Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the "**Excluded Scheduled Interest Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, less any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

"**Scheduled Payment Date**" means, in relation to payments under the Covered Bond Guarantee, each CB Payment Date.

"**Scheduled Principal**" means an amount equal to the amount in respect of principal which would have been due and payable under the Covered Bonds on each CB Payment Date or the Maturity Date (as the case may be) as specified in the Conditions and the applicable Final Terms (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest: the "**Excluded Scheduled Principal Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and payable prior to their Maturity Date and, if the Final Terms specifies that an Extended Maturity Date is applicable to such relevant Series, or Tranche, if the maturity date of such Series or Tranche had been the Extended Maturity Date.

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

Issuer Events of Default

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

(a) failure by the Issuer for a period of seven days or more to pay any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series or Tranche when due; or

(b) breach by the Issuer of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the Tests) (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy, in which case no notice will be required) and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(c) if, following the delivery of a Breach of Test Notice (as defined below), the Tests are not cured within the immediately following Monthly Calculation Date unless an Extraordinary Resolution resolves otherwise; or

(d) if the Pre-Maturity Test (as defined below) in respect of any Series or Tranche of Hard Bullet Covered Bonds is breached on the relevant Pre-Maturity Test Date (as defined below) falling within 12 months prior to the Maturity Date of that Series or Tranche of Hard Bullet Covered Bonds, and the breach has not been cured in accordance with the Conditions before the earlier to occur of (i) 15 business days from the date that the Issuer is notified of the breach of the Pre-Maturity Test and (ii) the Maturity Date of that Series or Tranche of Hard Bullet Covered Bonds, unless the Representative of the Covered Bondholders or the Meeting of the Organisation of the Covered Bondholders resolves otherwise; or

(e) an Insolvency Event of the Issuer; or

(f) an Article 74 Event.

If an Issuer Event of Default occurs, the Representative of the

Covered Bondholders will serve a notice (the "**Notice to Pay**") on the Issuer and Guarantor that an Issuer Event of Default has occurred (specifying, in case of an Article 74 Event that the Issuer Event of Default may be temporary) unless an Extraordinary Resolution is passed resolving otherwise.

Upon the service of a Notice to Pay:

(i) each Series or Tranche of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (A) such events shall not trigger an acceleration against the Guarantor, (B) in accordance with Article 4, paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer and (C) in case of the Issuer Event of Default referred to under point (f) above (I) the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the suspension period and (II) upon the end of the suspension period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer);

(ii) the Guarantor will pay the Guaranteed Amounts on the Scheduled Due for Payment Date in accordance with the provisions of the Covered Bond Guarantee (see paragraph "*Covered Bond Guarantee*", above);

(iii) the Mandatory Tests (as defined below) shall continue to be applied and the Amortisation Test (as defined below) shall be also applied;

(iv) the Guarantor shall (only if necessary in order to effect timely due payments under the Covered Bonds), direct the Servicer to sell the Receivables in accordance with the provisions of the Cover Pool Administration Agreement;

(v) no further Covered Bonds will be issued.

provided that, in case of an Article 74 Event the effects listed in items from (i) to (v) above will only apply for as long as the suspension of payments will be in force and effect.

"**Calculation Date**" means the eighteenth day of June, September, December and March or, if that day is not a Business Day, the immediate following Business Day.

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

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

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

(c) such company or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments; or

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

(e) such company 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.

Guarantor Events of Default

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

(a) default by the Guarantor for a period of seven days or more to pay any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series or Tranche; or

(b) breach of the Amortisation Test on any Calculation Date; or

(c) breach by the Guarantor of any material obligations under the provisions of any Transaction Documents to which the Guarantor is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the Tests) and (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(d) an Insolvency Event of the Guarantor.

If a Guarantor Event of Default occurs, the Representative of the Covered Bondholders will serve a notice on the Guarantor (the "**Acceleration Notice**") that a Guarantor Event of Default has occurred, unless an Extraordinary Resolution is passed resolving otherwise.

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

Cross Acceleration

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

Pre-Issuer Event of Default Interest Priority of Payments

On each Guarantor Payment Date, prior to the service of a Notice to Pay, the Guarantor will use Interest Available Funds (as defined below) to make payments due on such Guarantor Payment Date or to make provisions towards payments due after such Guarantor Payment Date in the order of priority set

out below (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any and all taxes due and payable by the Guarantor, to the extent that such sums are not met by utilising the amounts standing to the credit of the Expense Account and to credit the amounts necessary to replenish the Expense Account up to the Expense Required Amount;

(ii) *second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any Guarantor's documented fees, costs and expenses, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation (the "**Expenses**"), to the extent that such costs and expenses are not met by utilising the amounts standing to the credit of the Expense Account;

(iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the English Account Bank, the Italian Account Bank, the Back-up Italian Account Bank, the Cash Manager, the Calculation Agent, the Corporate Servicer, the Asset Monitor, the Interim Account Bank, the Administrative Servicer, the Italian Paying Agent, the Investment Agent and the Servicer;

(iv) *fourth*, to pay *pari passu* and *pro rata* any amount due and payable to the Mortgage Pool Swap Counterparties including any termination payment due and payable by the Guarantor, but excluding the termination payments due and payable by the Guarantor where the Swap Counterparty is the defaulting party or the sole affected party ("**Junior Swap Termination Amounts**") due in respect of such Mortgage Pool Swap Agreement;

(v) *fifth*, *pari passu* and *pro rata*:

1. to pay, *pari passu* and *pro rata*, amounts due and payable to the Covered Bond Swap Counterparties at such Guarantor Payment Date, in respect of the Covered Bond Swap Agreements which are not currency swaps (including any termination payment due and payable by the Guarantor but excluding the Junior Swap Termination Amounts in respect of such Covered Bond Swap);

2. to credit to the Reserve Account an amount required to ensure that the Reserve Account is funded up to an amount equal to item (A) of the Required Reserve Amount;

(vi) *sixth*, to credit to the Reserve Account an amount required to ensure that the Reserve Account is funded up to the Required Reserve Amount (but excluding item (A) of the Required Reserve Amount), as calculated on the immediately preceding Calculation Date;

(vii) *seventh*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount necessary to cover the amounts already paid under item (i) of the Pre-Issuer Event of Default Principal Priority of Payments on any preceding Guarantor Payment Date and not yet repaid under this item;

(viii) *eight*, to pay any Base Interest due and payable on each Guarantor Payment Date to the Seller pursuant to the terms of the Subordinated Loan Agreement, provided that the Tests are satisfied on such Guarantor Payment Date;

(ix) *ninth*, to pay *pro rata* and *pari passu* in accordance with the respective amounts thereof any Junior Swap Termination Amounts due to any Swap Counterparty, provided that no breach of Tests has occurred and is continuing;

(x) *tenth*, upon the occurrence of a Servicer Termination Event, to credit all remaining Interest Available Funds to the Transaction Account until such Servicer Termination Event is either remedied or waived by the Representative of the Covered Bondholders or a replacement servicer is appointed;

(xi) *eleventh*, to pay any Premium Interest (as defined below) on the Subordinated Loan Agreement, provided that no breach of Tests has occurred and is continuing;

(xii) *twelfth*, to pay to any Secured Creditors any amount due and payable on account of indemnities under the Transaction Documents, to the extent not already paid or payable under other items of this Priority of Payment;

(xiii) *thirteenth,* to retain any remaining amounts to the credit of the Transaction Account provided that, upon reimbursement of all outstanding Series or Tranche of Covered Bonds, any remaining amounts shall be paid to the Subordinated Loan Provider as Premium Interest not yet paid under item (xi),

(the "**Pre-Issuer Event of Default Interest Priority of Payment**"). For the avoidance of doubt, amounts and/or securities standing to the credit of the Collateral Account should be withdrawn from the Collateral Account in an amount equal to the Excess Swap Collateral and paid exclusively in or towards satisfaction of the amounts (if any) that are due and payable to the Swap Counterparties pursuant to the Swap

Agreement, irrespective of whether such amounts are set forth in the applicable Priority of Payments.

"**Excess Swap Collateral**" means the amount equal to the value of the collateral provided by the relevant Swap Counterparty which is in excess of the relevant Swap Counterparty's liability to the Guarantor under such Swap Agreement as at the date of termination of such Swap Agreement, or which the relevant Swap Counterparty is otherwise entitled to have returned to it under the terms of the Swap Agreement.

"**Guarantor Payment Date**" means the last day of March, June, September and December or if any such day is not a Business Day, the following Business Day or, following the occurrence of a Guarantor Event of Default, each Business Day.

"**Expense Required Amount**" means 50,000 Euro.

Pre-Issuer Event of Default Principal Priority of Payments

On each Guarantor Payment Date, prior to the service of a Notice to Pay, the Guarantor will use Principal Available Funds (as defined below) to make payments due on such Guarantor Payment Date or to make provisions towards payments due after such Guarantor Payment Date in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, to pay any amount due and payable under items (i) to (vi) of the Pre-Issuer Event of Default Interest Priority of Payments, to the extent that the Interest Available Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;

(ii) *second*, to acquire further Eligible Assets and/or Integration Assets (other than those funded through the proceeds of the Subordinated Loan) within the scope of a Revolving Assignment (as defined below) or an Integration Assignment (as defined below), as the case may be;

(iii) *third*, to pay, *pro rata* and *pari passu*:

1. any principal amount due or to become due and payable to the relevant Covered Bond Swap Counterparties in respect of the Covered Bonds Swaps which are currency swaps (if any) in accordance with the terms of the relevant Covered Bond Swap Agreement (including any termination payment due and payable by the Guarantor, to the extent not paid under item (iv) of the Pre-Issuer Event of Default Interest Priority of Payments, but excluding the Junior Swap Termination Amounts); and

2. the amounts (in respect of principal) due and payable under the Subordinated Loan Agreement, provided that in any case the Asset Coverage Test and the Mandatory Tests are still satisfied after such payment;

(iv) *fourth*, to pay *pro rata* and *pari passu* in accordance with the respective amounts thereof any Junior Swap Termination Amounts (if any) in respect of Covered Bond Swaps which are currency swaps to the extent not paid under item (ix) of the Pre-Issuer Event of Default Interest Priority of Payments, provided that no breach of Tests has occurred and is continuing; and

(v) *fifth*, to retain any remaining amounts to the credit of the Transaction Account, provided that, upon reimbursement of all outstanding Series or Tranche of Covered Bonds, any remaining amounts shall be paid to the Subordinated Loan Provider as amounts due under the Subordinated Loan Agreement and not yet paid under item (iii)(2) of the Pre-Issuer Event of Default Principal Priority of Payments,

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

For the avoidance of doubt, amounts and/or securities standing to the credit of the Collateral Account should be withdrawn from the Collateral Account in an amount equal to the Excess Swap Collateral and paid exclusively in or towards satisfaction of the amounts (if any) that are due and payable to the Swap Counterparties pursuant to the Swap Agreement, irrespective of whether such amounts are set forth in the applicable Priority of Payments.

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

(A) any interest component collected by the Servicer in respect of the Receivables and credited into the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date together with any amounts retained in the Transaction Account from the Interest Available Funds on the preceding Guarantor Payment Date (if any);

(B) all recoveries in the nature of interest and penalties received by the Servicer and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(C) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts and on the

Eligible Deposit during the Collection Period preceding the relevant Guarantor Payment Date;

(D) all interest amounts received from the Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;

(E) any amounts received in respect of such Guarantor Payment Date under the Mortgage Pool Swaps;

(F) any amounts, other than in respect of principal, received in respect of such Guarantor Payment Date under the Covered Bond Swaps, which are not currency swaps;

(G) any swap termination payments received in respect of such Guarantor Payment Date from a Swap Counterparty under a Swap Agreement, provided that such amounts will first be used to pay a replacement Swap Counterparty to enter into a replacement Swap Agreement, unless a replacement Swap Agreement has already been entered into by or on behalf of the Guarantor;

(H) prior to the service of a Notice to Pay on the Guarantor, the amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount; following the service of a Notice to Pay on the Guarantor, any amounts standing to the credit of the Reserve Account (but excluding item (A) of the definition of Required Reserve Amount calculated as at the relevant Guarantor Payment Date), in each case at the end of the Collection Period preceding the relevant Guarantor Payment Date; following the service of an Acceleration Notice on the Guarantor, any amounts standing to the Credit of the Reserve Account; and on the Guarantor Payment Date on which all Covered Bonds have been redeemed in full and no more Covered Bonds may be issued under the Programme, any amounts standing to the credit of the Reserve Account;

(I) on the Guarantor Payment Date on which all Covered Bonds have been redeemed in full and no more Covered Bonds may be issued under the Programme, any amounts standing to the credit of the Expense Account; and

(J) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;

but excluding (i) any amount paid by the Swap Counterparty upon termination of the relevant Swap Agreement in respect of any termination payment and, until a replacement swap counterparty has been found, exceeding the net amounts which

would have been due and payable by the Swap Counterparty with respect to the next Guarantor Payment Date, had the relevant Swap Agreement not been terminated; (ii) any Tax credits (as defined in the relevant Swap Agreement) and (iii) any amount standing to the credit of any Collateral Account. However, where the Swap Counterparty is the defaulting party any amount which does not constitute Excess Swap Collateral shall be part of the Available Funds and shall be applied in accordance with the relevant Priority of Payments.

"**Required Reserve Amount**" means, as at the relevant Guarantor Payment Date an amount in Euro equal to the sum of (A) + (B):

where (A) is the aggregate calculated in respect of all Series or Tranches of Covered Bonds, of:

(1) if a Covered Bond Swap has been entered into in relation to the relevant Series or Tranche of Covered Bonds, an amount equal to:

(i) on the first Calculation Date falling during the relevant CB Interest Period, the amount that would accrue on each relevant Covered Bond Swap in respect of the quarterly period comprised between the first Guarantor Payment Date and the second Guarantor Payment Date falling during such CB Interest Period as payable by the Guarantor and calculated by applying the Floating Rate Option (as defined in the relevant Covered Bond Swap) for each relevant Covered Bond Swap determined on a forward basis (the "**Forward Rate**") increased or decreased (as the case may be) by an amount equal to the algebraic difference between (a) the actual amount accrued and due by the Guarantor under each relevant Covered Bond Swap in respect of the quarterly period comprised between the immediately preceding CB Payment Date and the first Guarantor Payment Date falling during the immediately succeeding CB Interest Period and (b) the amount determined in respect of the same quarterly period by applying the relevant Forward Rate for each relevant Covered Bond Swap on the immediately preceding Calculation Date;

(ii) on the second Calculation Date falling during the relevant CB Interest Period, the amount that would accrue on each relevant Covered Bond Swap in respect of the quarterly period comprised between the second Guarantor Payment Date and the third Guarantor Payment Date falling during such CB

Interest Period as payable by the Guarantor and calculated by applying the Forward Rate for each relevant Covered Bond Swap increased or decreased (as the case may be) by an amount equal to the algebraic difference between (a) the actual amount accrued and due by the Guarantor under each relevant Covered Bond Swap in respect of the quarterly period comprised between the first Guarantor Payment Date and the second Guarantor Payment Date falling during such CB Interest Period and (b) the amount determined in respect of the same quarterly period by applying the relevant Forward Rate for each relevant Covered Bond Swap on the immediately preceding Calculation Date;

(iii) on the third Calculation Date falling during the relevant CB Interest Period, the amount that would accrue on each relevant Covered Bond Swap in respect of the quarterly period comprised between the third Guarantor Payment Date and the fourth Guarantor Payment Date falling during such CB Interest Period as payable by the Guarantor and calculated by applying the Forward Rate for each relevant Covered Bond Swap increased or decreased (as the case may be) by an amount equal to the algebraic difference between (a) the actual amount accrued and due by the Guarantor under each relevant Covered Bond Swap in respect of the quarterly period comprised between the second Guarantor Payment Date and the third Guarantor Payment Date falling during such CB Interest Period and (b) the amount determined in respect of the same quarterly period by applying the relevant Forward Rate for each relevant Covered Bond Swap on the immediately preceding Calculation Date;

(iv) on the fourth Calculation Date falling during the relevant CB Interest Period, the amount that would accrue on each relevant Covered Bond Swap in respect of the quarterly period comprised between the immediately following CB Payment Date and the first Guarantor Payment Date falling during the immediately following CB Interest Period as payable by the Guarantor and calculated by applying the Forward Rate increased or decreased (as the case may be) by an amount equal to the algebraic difference between (a) the actual amount accrued and due by the Guarantor under each relevant Covered Bond Swap in respect of the

quarterly period comprised between the third Guarantor Payment Date and the fourth Guarantor Payment Date falling during such CB Interest Period and (b) the amount determined in respect of the same quarterly period by applying the applicable Forward Rate for each relevant Covered Bond Swap on the immediately preceding Calculation Date;

(2) if no Covered Bond Swap has been entered into in relation to a Series or Tranche of Covered Bonds, an amount equal to the total interest amount due under the relevant Series or Tranche of Covered Bonds in respect of which no Covered Bond Swap has been entered into at the end of the relevant CB Interest Period, divided by the number of Guarantor Payment Dates falling in the relevant CB Interest Period, and (i) multiplied by the number of Guarantor Payment Dates already occurred, as at each Calculation Date, since the beginning of the relevant CB Interest Period plus one or (ii) multiplied by one on the Calculation Date immediately preceding each CB Payment Date;

and (B) is:

(1) if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least "R-1(high)" by DBRS and "P-1" by Moody's, zero, otherwise

(2) the sum of:

(i) the aggregate amount payable on the immediately following Guarantor Payment Date in respect of items (ii) and (iii) of the Pre-Issuer Event of Default Interest Priority, and

(ii) Euro 400,000.

On each Guarantor Payment Date the "**Principal Available Funds**" shall include:

(a) all principal amounts collected by the Servicer in respect of the Receivables and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date together with any amounts retained in the Transaction Account from the Principal Available Funds on the preceding Guarantor Payment Date (if any);

(b) all other recoveries in the nature of principal collected by the Servicer and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(c) all proceeds deriving from the sale, if any, of the Receivables during the Collection Period preceding the

relevant Guarantor Payment Date;

(d) without duplication with any of the proceeds deriving from the sale of the Receivables under (c) above, all proceeds deriving from the liquidation of Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;

(e) all amounts received in respect of such Guarantor Payment Date under any Swap Agreements which are currency swaps, if any;

(f) amounts standing to the credit of the Pre-Maturity Account at the end of the Collection Period preceding the relevant Guarantor Payment Date;

(g) any amounts to be transferred pursuant to item (vii) of the Pre-Issuer Event of Default Interest Priority of Payments;

(h) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period; and

(i) all amounts of principal standing to the credit of the Eligible Deposits at the end of the Collection Period preceding the relevant Guarantor Payment Date;

but excluding (i) any amount paid by the Swap Counterparty upon termination of the relevant Swap Agreement in respect of any termination payment and, until a replacement swap counterparty has been found, exceeding the net amounts which would have been due and payable by the Swap Counterparty with respect to the next Guarantor Payment Date, had the relevant Swap Agreement not been terminated; (ii) any Tax credits (as defined in the relevant Swap Agreement) and (iii) any amount standing to the credit of any Collateral Account. However, where the Swap Counterparty is the defaulting party any amount which does not constitute Excess Swap Collateral shall be part of the Available Funds and shall be applied in accordance with the relevant Priority of Payments.

"**Collection Period**" means each quarter of each year, commencing on (and including) the first calendar day of March, June, September and December and ending on (and including) the last calendar day of May, August, November and February, in the case of the first Collection Period, commencing on (and including) the Initial Transfer Date and ending on (and including) 31 May 2010 provided that after the occurrence of a Guarantor Event of Default, shall mean each Business Day.

"**Initial Transfer Date**" means 26 January 2010.

Post-Issuer Event of Default Priority

On each Guarantor Payment Date, following the service of a

of Payments

Notice to Pay as a result of the occurrence of an Issuer Event of Default, but prior to the occurrence of a Guarantor Event of Default, the Guarantor will use the Available Funds, to make payments due on such Guarantor Payment Date or to make provisions towards payments due after such Guarantor Payment Date in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation;

(ii) *second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable to the Representative of the Covered Bondholders, the English Account Bank, the Italian Account Bank, the Back up Italian Account Bank, the Cash Manager, the Calculation Agent, the Corporate Servicer, the Investment Agent, the Asset Monitor, the Interim Account Bank, the Administrative Servicer, the Italian Paying Agent, the Registered Paying Agent (if any), the Registrar (if any), the Cover Pool Manager (if any), the Servicer;

(iii) *third*, to pay *pro rata* and *pari passu*: a) *pro rata* and *pari passu* interest payments due and payable to the Swap Counterparties in respect of the Swap Agreements which are not currency swaps (including any termination payment due and payable by the Guarantor but excluding any Junior Swap Termination Amount); b) *pro rata* and *pari passu* interest due under the Covered Bond Guarantee in respect of each Series or Tranche of Covered Bonds; and c) to credit to the Reserve Account an amount required to ensure that the Reserve Account is funded up to an amount equal to item (A) of the Required Reserve Amount;

(iv) *fourth*, to pay pro rata and *pari passu*: a) pro rata and *pari passu* principal payments due and payable, or to become due and payable, to the Swap Counterparties in respect of the Swap Agreements which are currency swaps (if any) (including any termination payment due and payable by the Guarantor but excluding any Junior Swap Termination Amount); and b) *pro rata* and *pari passu* principal due under the Covered Bond Guarantee in respect of each Series or Tranche of Covered Bonds;

(v) *fifth*, after each Series or Tranche of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (up to the Required

Redemption Amount in respect of each outstanding Series or Tranche of Covered Bonds), to pay pro rata and pari passu any Junior Swap Termination Amount due and payable by the Guarantor;

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

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

"**Required Redemption Amount**" means, in respect of a Series of Covered Bonds, the amount calculated as the Outstanding Principal Balance of the relevant Series of Covered Bonds.

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

Eligible Investments

The Cash Manager may invest funds standing to the credit of the Investment Account (a) Euro denominated government securities and (b) other short-term instruments meeting the requirements set out under Article 2 of the MEF Decree, provided that in all cases such investments shall from time to time (1) comply with Moody's criteria so that, inter alia: (i) the relevant exposures shall have certain minimum long-term and short-term ratings from Moody's, as specified by Moody's from time to time; and (ii) the maximum aggregate total exposures in general to classes of assets with certain ratings by Moody's will, if specified by Moody's, be limited to the maximum percentages specified by Moody's and (iii) all investments shall be denominated in Euro and provided that any such investment mature on or before the Liquidation Date or at disposable at no loss; and (2) meet the following requirements (i) any Euro denominated security with a maturity of up to 30 calendar days having at least the minimum ratings according to the table below a) under column "Eligible Investment Rating current criteria" prior to the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted or (b) under column "Eligible Investment Rating new

criteria" following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted

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

or, if greater than 30 calendar days, which may be liquidated without loss within 30 days of a downgrade below the ratings indicated table below:

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

and/or (ii) Euro denominated reserve accounts, deposit accounts, and other similar accounts that provide direct liquidity and/or credit enhancement held at a financial institution rated having the ratings by DBRS set out in the definition of Eligible Institution, provided that any such investments mature on or before the next following Guarantor Payment Date or are disposable at no loss (the "**Eligible Investments**").

Post-Guarantor Event of Default Priority of Payments

On each Guarantor Payment Date, following the service of an Acceleration Notice as a result of the occurrence of a Guarantor Events of Default, the Available Funds will be used to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes;

(ii) *second*, to pay, *pro rata* and *pari passu*, any amount due and payable to the Representative of the Covered Bondholders, the Servicer, the Cash Manager, the English Account Bank, the Back-up Italian Account Bank, the Italian Account Bank, the Interim Account Bank, the Administrative Servicer, the Investment Agent, the Calculation Agent, the Italian Paying Agent, the Registered Paying Agent (if any), the Registrar (if any), the Corporate Servicer, the Asset Monitor, the Cover Pool Manager (if any);

(iii) *third*, to pay *pro rata* and *pari passu*: a) *pro rata* and *pari passu* principal and interest due to the Swap Counterparties (including any termination payment due and payable by the Guarantor but excluding any Junior Swap Termination Amount) and b) *pro rata* and *pari*

passu interest and principal due under the Covered Bond Guarantee in respect of each Series or Tranche of Covered Bonds;

(iv) *fourth*, to pay *pro rata* and *pari passu* any Junior Swap Termination Amount due and payable by the Guarantor;

(v) *fifth*, to pay to any Secured Creditors any amount due and payable on account of indemnities under the Transaction Documents, to the extent not already paid or payable under other items of this Priority of Payments; and

(vi) *sixth,* to pay any remaining moneys towards repayment of amounts outstanding under the Subordinated Loan Agreement and/or other Transaction Documents;

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

5 Creation and Administration of the Cover Pool

Transfer of the Cover Pool

The Seller and the Guarantor entered into a master transfer agreement pursuant to which the Seller (a) transferred to the Guarantor an initial portfolio of receivables comprising Mortgage Loans (the "**Initial Receivables**") and (b) may assign and transfer further Eligible Assets and/or Integration Assets to the Guarantor from time to time (the "**Master Transfer Agreement**"), in the cases and subject to the limits on the transfer of further Eligible Assets and/or Integration Assets referred to below.

The Guarantor may acquire the aforementioned further Eligible Assets and/or Integration Assets, as the case may be, in order to:

(i) collateralise the issue of further series or tranches of Covered Bonds by the Issuer, subject to the limits to the assignment of further Eligible Assets set forth by the BoI Regulations (*Limiti alla cessione*; see Section II, paragraph 2 of the BoI Regulations, the "**Limits to the Assignment**") (the "**Issuance Assignment**");

(ii) invest the Principal Available Funds, subject to the Limits to the Assignment, provided that no Issuer Event of Default or Guarantor Event of Default has occurred (the "**Revolving Assignment**"); or

(iii) ensure compliance with the Tests in accordance with the Cover Pool Administration Agreement (the "**Integration Assignment**"), subject to the limits referred to in the

following section headed "*Integration Assets*".

Pursuant to the Master Transfer Agreement, and subject to the conditions provided therein, the Seller shall also be allowed to repurchase Eligible Assets which have been assigned to the Guarantor.

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

Representations and Warranties of the Seller

Under the Warranty and Indemnity Agreement, the Seller has made certain representations and warranties regarding itself and the Receivables and the further Assets transferred and to be transferred to the Guarantor including, *inter alia*:

(a) its status, capacity and authority to enter into the Transaction Documents and assume the obligations expressed to be assumed by it therein;

(b) the legality, validity, binding nature and enforceability of the obligations assumed by it;

(c) the existence of the Receivables, the absence of any lien attaching the Receivables; subject to the applicable provisions of laws and of the relevant agreements, the full, unconditional, legal title of the Seller to the Receivables assigned by it; and

(d) the validity and enforceability, subject to the applicable provisions of laws and of the relevant agreements, against the relevant Debtors of the obligations from which the Receivables arises.

For the purpose hereof:

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

General Criteria

Each of the Receivables deriving from the Mortgage Loans forming part of the Cover Pool shall comply with all of the following criteria (the "**Mortgage Loans General Criteria**"):

(1) mortgage loans disbursed by the Seller or disbursed by other banks which were subsequently transferred to the Seller either by way of merger (*fusione*), demerger (*scissione*), or contribution of going concern (*conferimento di ramo d'azienda*);

(2) mortgage loans whose principal debtors even as consequence of apportionment (*frazionamento*) and novation (*accollo*) are individual who are resident in Italy;

(3) mortgage loans which are entirely disbursed and in relation to which there is no obligation or possibility to

make additional disbursements;

(4) mortgage loans denominated in Euro;

(5) mortgage loans for which at least an instalment inclusive of a principal component has felt due and has been paid;

(6) mortgage loans having a loan-to-value ratio (the "**LTV**") not exceeding 80 per cent., being the LTV calculated by dividing (i) the outstanding principal amount of the relevant loan at the date of the relevant Evaluation Date and (ii) the "appraised value of the mortgaged real estate" listed in the following point 8 as, determined on or before the execution of the relevant mortgage loan agreement. For the purposes of such criterion, "appraised value of the mortgaged real estate" means the estimated value used by Banco BPM during the course of the origination process of the same mortgage loan. In order to assess as to whether the relevant mortgage loan is identified by such criterion, each borrower is entitled, unless otherwise available, to require the relevant appraised value to the branch being the addressee of the relevant payment due;

(7) mortgage loans governed by Italian Law;

(8) mortgage loans the payment of which is secured by a mortgage on real estates situated in Italy having residential characteristics, for those are meant the real estates which fell under one of the following categories, at the date of the execution of the relevant loan: A1, A2, A3, A4, A5, A6, A7, A8, A9 and A11 (including mortgage loans the payment of which is secured by a mortgage on, in addition to the real estates falling into the aforesaid categories, the ancillary properties (*pertinenze*) which fall under one of the following categories: C2, C6 and C7) ;

(9) mortgage loans in respect of which the contractual interest rate falls under on of the following categories:

   (a) fixed rate mortgage loans. "**Fixed rate mortgage loans**" mean those loans whose interest rate applied, agreed by contract, does not provide for any variation during the duration period of the loan;

   (b) variable rate mortgage loans. "**Variable rate mortgage loans**" mean those loans whose variable interest rate varies according to the Euribor;

   (c) so called mixed mortgage loans. "**Mixed mortgage loans**" means those loans that require a mandatory change agreed by contract from a modality of calculation of the fixed rate interests to a modality of calculation of the variable interest rates variable according to the Euribor;

(d) so called modular mortgage loans. "**Modular mortgage loans**" means those loans that ascribe to the borrower the option to modify, even more than one time during the residual length of the loan, the modality of calculation of the interests (i) from a modality of calculation variable according to the euribor to (B) a fixed rate modality equal to the sum between (i) the swap rate of the referring period (IRS), registered by the borrower at the date of exercise of the power to modify the modality of calculation till the expiry date of the application period of the modality of calculation of fixed rate interests chosen by the borrower (ii) the increase (or spread), agreed by contract, above the referring index as determined according to the preceding paragraph (i).

However, the Receivables deriving from the Mortgage Loans do not comprise any receivables which, although meeting the criteria set out above, also meet, as of the relevant Evaluation Date (unless otherwise provided), one or more of the following criteria:

(1) mortgage loans which have one or more defaulted instalments (i.e. instalments that have either expired or that have not been entirely paid at the relevant Evaluation Date);

(2) mortgage loans that have been granted to people that at the relevant Evaluation Date were employees of Banco BPM, or of any other Company belonging to the *Gruppo Banco BPM*, even in quality of co-receiver of the relevant loan;

(3) mortgage loans that have been granted under any applicable law (regional and/or local) or any legislation that provides for contributions and/or capital facilities and/or interests (so called concessional loans (*mutui agevolati*));

(4) mortgage loans registered as agricultural loans at the date of its execution under articles 43, 44 and 45 of the Banking Law;

(5) mortgage loans that have been granted to clerical entities;

(6) mortgage loans in relation to which (i) the relevant borrower has adhered, by mail delivery or through the delivery at a branch of the lending bank, to the proposal of renegotiation formulated according to Law Decree No. 93 of 27 May 2008 converted into Law No. 126 of 24 July 2008 and to the convention entered into between the Ministry of Economy and Finance and the Italian Banks

Association (ABI) and (ii) such renegotiation is being processed as at relevant Evaluation Date.

With reference to the above mentioned, "date of execution" means the original date of the execution of the mortgage loan, regardless of any novation (*accollo*) perfected after such date or, in relation to mortgage loans arising from the apportionment (*frazionamento*), the date of the relevant apportionment.

The Receivables shall also comply with the Specific Criteria.

"**Specific Criteria**" means the criteria for the selection of the Receivables to be included in the portfolios to which such criteria are applied, set forth in Annex 1 Part 2 to the Master Transfer Agreement for the Initial Receivables and in the relevant Offer for the Subsequent Receivables.

"**Criteria**" means jointly the General Criteria and the Specific Criteria.

Features of Securities

Pursuant to the OBG Regulations, the Cover Pool can be comprised of all such securities that, apart from (by way of an example) duration, the coupon payment date, currency or instalment redemption method, meet the following features:

(a) if securities issued by public administrations of States comprised in the European Economic Space and the Swiss Confederation (the "**Admitted States**"), including any ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, if such securities attract a risk weighting factor not exceeding 20 per cent. under the "*Standardised Approach*";

(b) if securities issued by public administrations of States other than Admitted States, if such securities attract a risk weighting factor equal to zero per cent. under the "*Standardised Approach*";

(c) if securities issued by municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States, if such securities attract a risk weight factor not exceeding 20 per cent. under the "*Standardised Approach*";

(d) asset backed securities issued in the context of securitisation transactions, meeting the following requirements:

(i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., loans agreement; and

(ii) attract a risk weighting factor not exceeding 20 per cent. under the "*Standardised Approach*".

The securities, set out under paragraph, b) and c), can be comprised in the Cover Pool within the limit of the 10 per cent. of the nominal value of the residual debt of the others Eligible Assets included in the Covered Pool (or within a different amount in accordance with the OBG Regulations).

The above mentioned characteristics might be subsequently amended on the basis of the amendments or integration of the OBG Regulations.

Integration Assets

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

(a) deposits with banks residing in Eligible States; and

(b) securities issued by banks residing in Eligible States with residual maturity not longer than one year.

The integration of the Cover Pool may be carried out through the Integration Assets provided that, the Integration Assets shall not be allowed within, at any time, higher than 15 per cent. of the aggregate outstanding principal amount of the assets comprising the Cover Pool (the "**Integration Assets Limit**"). The Integration (whether through Integration Assets or through originally Eligible Assets) shall be allowed exclusively for the purpose of complying with the Tests.

"**Eligible States**" means any States belonging to the European Economic Space, Switzerland and any other State attracting a zero per cent. risk weight factor under the "*Standardised Approach*" provided for by the Basel II Accord.

Subordinated Loan

On the Initial Transfer Date, the Seller and the Guarantor entered into a subordinated loan agreement (the "**Subordinated Loan Agreement**"), pursuant to which the Seller granted on a combined basis, and *pro quota* to the Guarantor a subordinated loan (the "**Subordinated Loan**") with a maximum amount equal to the Commitment Limit plus any other amounts necessary to ensure that the Tests are met. Under the provisions of such agreement, the Seller shall make advances to the Guarantor in amounts equal to the price of the Receivables transferred from time to time to the Guarantor, including the Eligible Assets or Integration Assets to be transferred in order to prevent a breach of the Tests. Each advance granted by the Seller pursuant to the Subordinated Loan Agreement shall be identified in (a) a term loan advanced to fund the purchase price of Receivables to be sold in the framework of an Issuance Assignment (the "**Issuance Advance**"); and (b) a term loan advanced for the purpose of purchasing further Eligible Assets and/or Integration Assets in the framework of an Integration Assignment (the "**Integration Advance**").

(See the section headed "*Description of the Transaction*

Documents – Description of the Subordinated Loan", below).

Tests

The Mandatory Tests

In accordance with the Cover Pool Administration Agreement and the provisions of the MEF Decree, for so long as the Covered Bonds remain outstanding, Banco BPM as Issuer and Seller shall procure on a ongoing basis (and, without prejudice of the OBG Regulations, such obligation shall be deemed to be complied with if the tests are satisfied on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the relevant tests are to be carried out pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be) and for the whole life of the Programme that each of the following tests is met:

(a) the outstanding aggregate principal balance of the Cover Pool from time to time owned by the Guarantor plus the aggregate amounts standing to the credits of the Accounts (in relation to the principal component only) up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the relevant Priority of Payments shall be at least equal to, or higher than, the aggregate principal notional amount of all Series of Covered Bonds at the same time outstanding (the "**Nominal Value Test**");

(b) the Net Present Value of the Cover Pool shall be at least equal to, or higher than, the Net Present Value of the Outstanding Covered Bonds (the "**NPV Test**"); and

(c) the Net Interest Collections from the Cover Pool shall be at least equal to, or higher than, the interest payments scheduled to be due in respect of all outstanding Series of Covered Bonds (the "**Interest Coverage Test**").

"**Net Interest Collections from the Cover Pool**" means, as of a Calculation Date and/or Monthly Calculation Date and/or any other date on which the relevant Test is to be performed pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, an amount equal to the difference between (i) the sum of (A) interest payments from the Cover Pool received, or expected to be received, in each and all respective Calculation Periods, (B) any amount to be received by the Guarantor as payments under the hedging arrangements prior to or on each and all respective Guarantor Payment Dates, (C) any other amount to be received by the Guarantor as payments under the hedging arrangements; and (ii) the payments to be effected in accordance with the relevant Priority of Payments, by the Guarantor in priority to any amount to be paid on the Covered Bonds, and including payments under the hedging arrangements on each and all respective Guarantor Payment Dates. For the avoidance of doubt, items under (i)(A) above shall include interest to be received from the investment, into Eligible Investments, of principal collections arising from the expected amortisation of the Cover Pool in each and all respective Calculation Periods and any interest accrued on the Accounts and any additional cash flows expected to be deposited in the Accounts.

"**Net Present Value of the Outstanding Covered Bonds**" means at any date an amount equal to the product of (i) each relevant Discount Factor and (ii) expected principal and interest payments in respect of the outstanding Series of Covered Bonds.

"**Net Present Value of the Cover Pool**" means at any date an amount equal to the algebraic sum of (i) the product of (A) each relevant Discount Factor and (B) expected future principal and future interest payments from the Cover Pool, (ii) the product of (C) each relevant Discount Factor and (D) expected payments to be received or to be effected by the Guarantor under or in connection with the hedging arrangements, and minus the product of (E) each relevant Discount Factor and (F) any amount expected to be paid by the Guarantor in priority to the hedging arrangements in accordance with the relevant Priorities of Payments.

"**Discount Factor**" means the discount rate, implied in the relevant Swap Curve, calculated by the Calculation Agent on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the relevant Tests are to be carried out pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be;

(the tests above are jointly defined as the "**Mandatory Tests**" and, together with the Asset Coverage Test and the Amortisation Test described below, collectively, the "**Tests**").

The Asset Coverage Test

Starting from the Issue Date of the first Series of Covered Bonds and until the earlier of:

(a) the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Conditions; and

(b) the date on which a Notice to Pay is served on the Guarantor,

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

The Amortisation Test

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

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

Compliance with the Tests will be verified by the Calculation Agent on each Calculation Date and/or Monthly Calculation Date and/or on any other date on which the verification of the Tests is required pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be. The calculations performed by the Calculation Agent in respect of the Tests will be tested from time to time by the Asset Monitor in accordance with the provisions of the Asset Monitor Agreement and the Engagement Letter, as the case may be. For a detailed description see the section headed

"*Credit Structure – Tests*", below.

Curing a Breach of the Tests

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

(a) prior to the occurrence of an Issuer Event of Default, the Guarantor shall to any possible extent use the Available Funds to cure the relevant Test; or

(b) the Seller shall sell, as soon as possible and within the last day of the month during which the Test Performance Report assessing that a breach of Test has occurred has been delivered, Eligible Assets and/or Integration Assets to the Guarantor, which shall purchase such assets, in accordance with the Master Transfer Agreement, and, to this extent, the Seller shall grant the funds necessary for payment of the purchase price of the assets to the Guarantor in accordance with the Subordinated Loan Agreement, provided that none of the events indicated in Clause 8.2 (*Cause di estinzione dell'Obbligo di Acquisto dal relativo Cedente*), paragraph (i) (*Inadempimento di obblighi da parte del Cedente*), paragraph (ii) (*Violazione delle dichiarazioni e garanzie da parte del Cedente*), paragraph (iii) (*Mutamento Sostanzialmente Pregiudizievole*) and paragraph (v) (*Crisi*) of the Master Transfer Agreement has occurred with respect to the Seller; or

(c) following the occurrence of one of the events indicated in Clause 8.2 (*Cause di estinzione dell'Obbligo di Acquisto dal relativo Cedente*), paragraph (i) (*Inadempimento di obblighi da parte del Cedente*), (ii) (*Violazione delle dichiarazioni e garanzie da parte del Cedente*), (iii) (*Mutamento Sostanzialmente Pregiudizievole*) and (v) (*Crisi*) of the Master Transfer Agreement with respect to the Seller, or failing the Seller to cure the Tests within the last day of the month during which the Test Performance Report assessing that a breach of Test has occurred has been delivered, the Seller shall procure that any Additional Seller shall sell, and the Guarantor shall purchase, as soon as possible, Eligible Assets and/or Integration Assets, provided that the conditions set out in the Cover Pool Administration Agreement are satisfied;

(d) failing the Seller to cure the Tests, within the last day of the month during which the Test Performance Report assessing that a breach of Test has occurred has been delivered, the Guarantor shall purchase, as soon as possible, Eligible Assets and/or Integration Assets from any Additional Seller, provided that the conditions set out in the Cover Pool Administration Agreement are satisfied,

in an aggregate amount sufficient to ensure that the Mandatory Tests and/or the Asset Coverage Test are met as soon as practicable and in any event by not later than the date provided for in the Cover Pool Administration Agreement.

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

Prior to the occurrence of an Issuer Event of Default, following delivery of a Test Performance Report assessing a breach of any of the Tests:

(I) no further series or tranche of Covered Bonds will be issued;

(II) no payments under the Subordinated Loan Agreement will be effected.

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

Following the occurrence of an Issuer Event of Default and the service of a Notice to Pay, a breach of the Amortisation Test will trigger a Guarantor Event of Default.

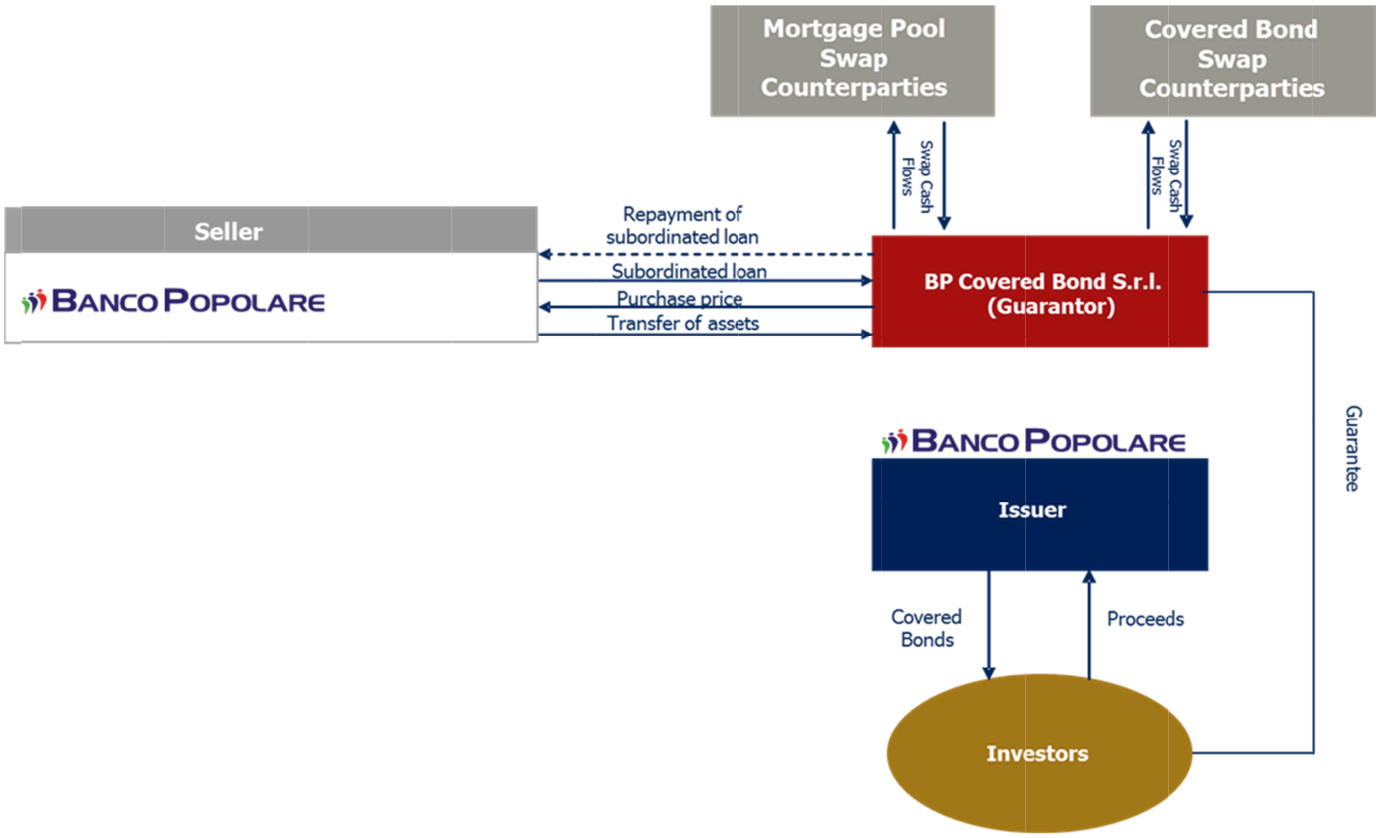
After the service of a Notice to Pay on the Guarantor, but prior to the service of an Acceleration Notice, the Guarantor will be obliged to sell Eligible Assets and/or Integration Assets in accordance with the provisions set out in the Cover Pool Administration Agreement.

"**Commitment Limit**" means the maximum amount granted by Banco BPM under the Subordinated Loan Agreement, save for any further increase that may be determined unilaterally by Banco BPM as Subordinated Loan Provider and notified to the Guarantor.

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

Pre-Maturity Test	The Pre-Maturity Test is intended to provide liquidity for any Hard Bullet Covered Bonds when the Issuer's credit ratings fall below a certain level. The Applicable Final Terms will set-out whether the relevant Series or Tranche of Covered Bonds is a Series or Tranche of Hard Bullet Covered Bonds. On each Pre-Maturity Test Date prior to the occurrence of an Issuer Event of Default, the Calculation Agent will determine if the Pre-Maturity Test has been breached, and if so, it shall immediately notify the Representative of Covered Bondholders thereof. For a more detailed description, see the section headed "*Credit structure*", below. "**Pre-Maturity Test Date**" means each Business Day falling during the Pre-Maturity Rating Period, prior to the occurrence of an Issuer Event of Default. On each such date the Calculation Agent will determine if the Pre-Maturity Test has been breached in respect of any Series or Tranche of Hard Bullet Covered Bonds. "**Pre-Maturity Rating Period**" means the period of 12 months preceding the Maturity Date of the relevant Series or Tranche of Hard Bullet Covered Bonds.
Role of the Asset Monitor	The Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer on or about the Initial Issue Date. The Asset Monitor will also perform the other activities provided under the Asset Monitor Agreement.
Sale of Receivables following the occurrence of an Issuer Event of Default	Following the delivery of a Notice to Pay (and prior to the occurrence of a Guarantor Event of Default), the Guarantor shall (only if necessary in order to effect timely payments under the Covered Bonds) direct the Servicer to sell the Receivables assigned to the Guarantor in accordance with the provisions of the Cover Pool Administration Agreement, subject to the pre-emption right of the Seller pursuant to the Master Transfer Agreement. The proceeds from any such sale shall be credited to the Transaction Account and applied as set out in the applicable Priority of Payments.

STRUCTURE DIAGRAM



DESCRIPTION OF THE ISSUER

BANCO BPM SOCIETÀ PER AZIONI

MERGER

Banco BPM Società per Azioni (the "**Issuer**" or "**Banco BPM**") was incorporated as a consequence of the merger (the "**Merger**") between Banca Popolare di Milano S.c. a r.l. ("**BPM**") and Banco Popolare – Società Cooperativa ("**Banco Popolare**"), which came into effect on 1 January 2017. Banco BPM, together with its subsidiaries, is referred to as the "**Banco BPM Group**" or the "**Group**".

The Merger and the incorporation of the Issuer were approved at meetings of the respective shareholders of BPM and Banco Popolare, each held on 15 October 2016. The Merger involved: (i) the establishment of Banco BPM as a new company, with ordinary shares listed on the MTA; (ii) the contribution of part of BPM's business, including the network of branches of BPM, into a newly incorporated joint stock company (Banca Popolare di Milano – Società per Azioni) controlled by Banco BPM, with registered office and administrative head office in Milan; (iii) finally, the registration with the relevant companies register (i.e. Milan and Verona) of a deed of merger (the "**Deed of Merger**") with effect from 1 January 2017.

The Deed of Merger contains all the information required by Italian law for the Merger to take place and to incorporate Banco BPM as a new company.

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

NAME AND LEGAL FORM OF THE ISSUER

Banco BPM Società per Azioni is incorporated as a joint stock company in the Republic of Italy under enrolment number 09722490969 at the Register of Companies at the Chamber of Commerce of Milan and operates subject to Legislative Decree No. 385 of 1 September 1993 (as amended) (the "**Italian Banking Act**").

CORPORATE REGISTERED AND HEAD OFFICES

Banco BPM has its registered office in Milan, Piazza Filippo Meda, n. 4, 20121, Italy, with telephone number +39 02 77001 and administrative office in Verona, Piazza Nogara, n. 2, 37121, Italy, with telephone number +39 045 8675111. Central and administrative functions are distributed between Milan and Verona. The administrative and institutional functions and the retail head office are based in Verona, while the corporate head office is based in Milan.

TERM OF THE ISSUER

The Issuer's term, pursuant to the provision of Article 2 of the Issuer's Articles of Association (the "**By-laws**"), ends on 23 December 2114, subject to extensions under Italian law.

CORPORATE PURPOSE

The purpose of the Issuer, according 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 controlled companies, all banking, financial and insurance transactions and services, including the setting up and management of open or closed-end pension schemes, and other activities that may be performed by lending institutions, including

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 to 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 Banco BPM 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, issues guidelines to the Group 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

According 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.

The issue of new shares may be decided by the Extraordinary Shareholders' Meeting with the capital attendance quorum and deliberative quorum provided for under the law applicable from time to time, with the power to mandate the Board of Directors, pursuant to Articles 2443 and 2420-*ter* of the Italian Civil Code, to increase the share capital or to issue convertible bonds, also with exclusion and/or limitation of the pre-emption right in accordance with paragraphs 4 and 5 of Article 2441 of the Italian Civil Code; the Issuer may avail itself of the rights provided by Article 2441, Paragraph 4, second period, of the Italian Civil Code. The contribution in kind may regard receivables and physical assets.

The shares are nominal and indivisible. In the event of joint ownership of a share the rights of the joint owners must be exercised by a common representative, in compliance with the laws applicable from time to time. If the common representative has not been appointed, or if notice of such appointment has not been given to the Issuer, the communications and declarations made by the Issuer to any of the joint owners are effective towards all of them.

The shares are transferable in accordance with the law. All the shares belonging to a same class attribute identical rights. Within the limits set out under applicable law, the Issuer may issue classes of shares having different rights, determining their content.

The Issuer may resolve to assign profits to employees of the Issuer or controlled companies through the issuance of shares or other securities (different from the shares) to be assigned to employees in compliance with applicable law.

For the purposes of determining the amount of shares in the Issuer to be deemed to be held by single person, consideration shall be given to the votes cast in relation to the total shareholding held by the parent company, natural or legal person or company, all subsidiaries, direct or indirect, as well as shares held through fiduciary and/or interposed person as well as votes cast in any other case in which the voting right is attributed, for any reason, to any person other than the holder of the shares; however, shareholdings included in the portfolio of mutual funds, Italian or foreign, managed by controlled or affiliated companies are not to be taken into consideration. Control exists in the cases provided for under Article 23 of the Italian Banking Act as in force from time to time. In case of breach of the provisions of the bylaws regarding the limitations to the right to vote, the shareholders' resolution may be challenged pursuant to Article 2377 of the Italian Civil Code, if the required majority would not have been reached without such breach. The shares for which voting rights cannot be exercised are in any case counted for the purposes of the regular constitution of the Shareholders' Meeting.

PRINCIPAL SHAREHOLDERS

Pursuant to Article 120 of Italian Legislative Decree No. 58 of 24 February 1998, as amended, ("**Italian Finance Act**") shareholders who hold more than 3 per cent. of the share capital of a listed company are obliged to notify that company and the Italian regulator, CONSOB, of their holding.

As at the date of this Base Prospectus (source CONSOB), the significant shareholders of Banco BPM are the following:

	% of the Ordinary Shareholder Share Capital
Norges Bank	3.150
Invesco Asset Management Limited	3.130

CORPORATE GOVERNANCE SYSTEM

The corporate governance of Banco BPM is based on a "traditional" ("*tradizionale*") corporate governance system based on 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, carrying out all the ordinary or extraordinary transactions that prove necessary, useful or in any way appropriate for achieving the corporate purpose, and is assisted by the Executive Committee, the Intra-Board Committees, the General Manager and the Deputy General Managers.

The Executive Committee, which is vested with a series of delegated powers in respect of day-to-day operations, consists of six directors appointed by the Board of Directors, the Executive Committee is composed of 6 (six) directors designated by BPM and Banco Popolare, including the Chairman, the Chief Executive Officer, the Deputy Vice-Chairman and the two Vice-Chairmen.

The Board of Statutory Auditors is appointed by the Shareholders' Meetings based on a list of nominees. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list (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 15 (fifteen) directors, of whom at least 7 (seven) meet the independence requirements set out under Article 20.1.6 of the By-laws. According to Article 44 of the By-laws, until the date of the Shareholders' meeting of the Issuer convened to approve the annual financial statements relating to the third financial year following the date of effectiveness of the Merger, the Board of Directors of the Company is composed of 19 (nineteen) directors, of whom at least 9 (nine) holding the independence requirements set out under Article 20.1.6 of the By-laws. Of the current Board of Directors of 19 (nineteen) directors, 11 (eleven) directors meet the independence requirements.

The Board of Directors is elected, pursuant to the By-laws, through the mechanism of the voting list, which, *inter alia*, allows:

(i) the submission of a list of candidates by shareholders who hold a total stake amounting to at least 1% of the share capital (or another percentage as determined by law) and by the Board of Directors whose term is expiring; and

(ii) the submission of a list of candidates also to the employees of the Issuer or companies controlled by it who are simultaneously shareholders holding a total stake amounting to at least 0.12% of the share capital (the "**List of Employee-Shareholders**"). The List of Employee-Shareholders obtaining the highest number of votes, in terms of percentage of share capital, shall elect a director of the Issuer.

In the event that more than one list of candidates is submitted, the appointment of the directors shall be made as follows: (a) 12 (twelve) directors or the lower number of directors covering all the candidates indicated in such list, based on the sequential order in which they were listed, are selected from the list that has obtained the majority of votes; (b) the remaining 3 (three) directors are selected from the other lists according to a mechanism based on quotients.

The Chairman of the Board of Directors is the first candidate on the list that, upon completion of voting by the Shareholders' Meeting, has elected the highest number of directors. The third name on the same list shall be elected as Deputy Vice-Chairman of the Board of Directors.

The Board of Directors appoints, among its member, (a) 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; and (b) an Executive Committee, establishing its powers within the competences not reserved to the Board of Directors or delegated to the Chief Executive Officer.

The Board of Directors comprises five Intra-Board Committees, each of them composed of 4 (four) members, entrusted with the functions and roles provided in respect to each of them under applicable laws, and applicable regulations, and by the Code of Corporate Governance of Borsa Italiana S.p.A.: the Risks and Internal Control Committee, the Appointments Committee, the Remuneration Committee, the Related Parties Committee and the Donations Committee.

Until the date of the Shareholders' meeting of the Issuer convened to approve the annual financial statement relating to the third financial year following the date of effectiveness of the Merger, the directors, the Chairman of the Board of Directors, the Deputy Vice-Chairman, the two Vice Chairmen (elected only for the first Board of Directors), the Chief Executive Officer and the Intra-Board Committees are designated by BPM and Banco Popolare in accordance with the provisions set forth in the memorandum of understanding related to the Merger (the "**Memorandum of Understanding**").

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

Name	**Principal Activities outside the Issuer**	
Carlo Fratta Pasini (Chairman)	-	-
Mauro Paoloni (Deputy Vice-Chairman) (*)	Unione Fiduciaria S.p.A.	Director
	Bipiemme Vita S.p.A.	Chairman
	Banca Akros S.p.A.	Standing Auditor
	Grottini S.r.l.	Chairman of the Board of Statutory Auditors
	Next-era Prime S.p.A.	Chairman of the Board of Statutory Auditors
	AIFA Agenzia Italiana del Farmaco	Standing Auditor
Guido Castellotti (*) **(Vice Chairman)**	-	-
Maurizio Comoli	C.I.M. S.p.A.	Chairman
	De Agostini Scuola S.p.A.	Chairman of the Board of Statutory

		Auditors
	Gessi S.p.A.	Standing Auditor
	Gruppo Colines S.r.l.	Standing Auditor
	Herno S.p.A.	Standing Auditor
	Istituto Europeo di Oncologia S.r.l.	Director
	Loro Piana S.p.A.	Standing Auditor
	Mirato S.p.A.	Chairman of the Board of Statutory Auditors
	Monviso S.r.l.	Chairman of the Board of Statutory Auditors
	Siirtec Nigi S.p.A.	Chairman
Giuseppe Castagna (Managing Director)	Banca Akros S.p.A. (*)	Director
Mario Anolli	-	-
Michele Cerqua (Director)	WRM Capinvest Ltd. (UK)	Executive Director
Rita Laura D'Ecclesia (Director)	-	-
Carlo Frascarolo	Dotto S.r.l.	Sole Director
(Director)	La Centrale del Latte S.p.A.	Chairman of the Board of Statutory Auditors
	Pharma-Novara S.p.A.	Chairman of the Board of Statutory Auditors
	Entsorgafin S.p.A.	Chairman of the Board of Statutory Auditors
	Alias S.r.l.	Standing Auditor
	Grassano S.p.A.	Standing Auditor
	Giorgio Visconti S.p.A.	Standing Auditor
Paola Galbiati	Tamburi Investments Partners S.p.A.	Standing Auditor
	Servizi Italia S.p.A.	Director
	Invefin S.r.l.	Director
	Silver Fir Capital S.r.l.	Director
Cristina Galeotti	Cartografica Galeotti S.p.A.	Managing Director
(Director)	Clean Paper Converting S.r.l. con socio unico	Director
	Galefin S.r.l.	Director
	Immobiliare G S.r.l.	Director
Marisa Golo	Atelier Emè S.r.l.	Chairman
(Director)	Calzedonia Holding S.p.A.	Managing Director
	Calzedonia S.p.A.	Managing Director
	Cento Portici S.r.l.	Sole Director
	CEP S.r.l.	Sole Director
	Intimo 3 S.p.A.	Managing Director
	La Tavola S.r.l.	Sole Director
Piero Lonardi	AMSA S.p.A.	Chairman of the Board of Statutory Auditors
(Director) (*)	A. De Pedrini S.p.A.	Chairman of the Board of Statutory Auditors
	Fin-Arco S.r.l.	Sole Director

	MEAL S.r.l.	Director
	Otto S.r.l.	Director
	Karla Otto S.r.l.	Director
Giulio Pedrollo	Gread Elettronica S.r.l.	Director
(Director)	Hypertec Solution S.r.l.	Director
	Pedrollo S.p.A.	Managing Director
	Linz Electric S.p.A.	Sole Director
Fabio Ravanelli	Mil Mil 76 S.p.A.	Deputy Chairman - Managing Director
(Director)	Moltiplica S.p.A.	Managing Director
	Mirato S.p.A	Deputy Chairman - Managing Director
Pier Francesco Saviotti	Tod's S.p.A.	Director
(Director) (*)		
Manuela Soffientini	Electrolux Appliance S.p.A.	Director with management power
(Director)	Geox S.p.A.	Director
Costanza Torricelli	Banca Aletti & C. S.p.A.	Director
(Director)		
Cristina Zucchetti	Zucchetti S.p.A.	Director
(Director)	Apri S.p.A.	Director
	Zucchetti Consult S.r.l.	Director
	Zucchetti Group S.p.A.	Chairman

(*) Member of the Executive Committee.

The business address of each member of the Board of Directors is Piazza Filippo Meda, n. 4, 20121, Milan, Italy.

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

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is composed of five standing and three alternate Auditors who remain in office for three financial years. They expire at the date of the Shareholders' Meeting convened to approve the financial statements relating to the last financial year of their office and may be re-appointed. Statutory Auditors must meet the eligibility, independence, professional and honourability requirements established by law and by other applicable provisions.

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. Until the date of the Shareholders' meeting of the Issuer convened to approve the annual financial statement relating to the third financial year following the date of effectiveness of the Merger, the members of the Board of Statutory Auditors are designated by BPM and Banco Popolare in accordance with the provisions set forth in the Memorandum of Understanding.

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

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
	DAF Veicoli Industriali S.p.A.	Chairman of the Board of Statutory Auditors
	Carrefour Italia S.p.A.	Standing Auditor
	Carrefour Property Italia S.r.l.	Standing Auditor
	Bracco Imaging Italia S.r.l.	Standing Auditor
	Bipiemme Assicurazioni S.p.A.	Chairman
	RGI S.p.A.	Chairman
	F2A S.p.A.	Chairman
	Aemme Linea Energie S.p.A.	Director
	Vivigas S.p.A.	Director
Maria Luisa Mosconi	SNAM S.p.A.	Standing Auditor
	Azienda Trasporti Milanesi S.p.A.	Standing Auditor
	Metalwork S.p.A.	Standing Auditor
	The Walt Disney Company S.r.l.	Standing Auditor
	Biancamano S.p.A.	Director
	Nova Re SIIQ S.p.A.	Director
	Conceria Gaiera Giovanni S.p.A.	Director
Gabriele Camillo Erba (Standing Auditor)	Casa di Cura Privata S. Giacomo S.r.l.	Chairman of the Board of Statutory Auditors
	Line Servizi per la Mobilità S.p.A.	Standing Auditor
	Molino Pagani S.p.A.	Chairman of the Board of Statutory Auditors
	Release S.p.A.	Standing Auditor
Claudia Rossi (Standing Auditor)	Ateneo Bergamo S.p.A.	Deputy Chairman
Alfonso Sonato (Standing Auditor)	Arda S.p.A.	Chairman of the Board of Statutory Auditors
	Autostrada del Brennero S.p.A.	Standing Auditor
	Banca Aletti & c. S.p.A.	Chairman of the Board of Statutory Auditors
	Burgo Group S.p.A.	Director
	Casa di Cura Privata Polispecialistica Pederzoli S.p.A.	Chairman of the Board of Statutory Auditors
	Immobiliare Caselle S.p.A.	Chairman of the Board of Statutory Auditors
	New Twins S.r.l.	Standing Auditor
	Promofin S.r.l.	Standing Auditor
	Salus 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
	Società Athesis S.p.A.	Standing Auditor
	Società Editrice Arena – SEA S.p.A.	Chairman of the Board of Statutory Auditors
	Tecres S.p.A.	Standing Auditor
	Ti-Bel S.p.A.	Standing Auditor
	Verfin S.p.A.	Chairman of the Board of Statutory Auditors
	Veronamercato S.p.A.	Standing Auditor
	Veronafiere S.p.A.	Standing Auditor
	Zenato Azienda Vitivinicola S.r.l.	Director

	Zenato Holding S.r.l.	Director
Chiara Benciolini		
(Alternate Auditor)	Arena Broker S.r.l.	Standing Auditor
	Cad It S.p.A.	Chairman of the Board of Statutory Auditors
	Cantina di Custoza - Società Agricola Cooperativa	Standing Auditor
	Cesarin S.p.A.	Standing Auditor
	FCP Cerea S.C.	Standing Auditor
	Fer – Gamma S.p.A.	Standing Auditor
	Immobiliare Arena S.r.l.	Standing Auditor
	La Redenta Società Cooperativa Agricola	Standing Auditor
	La Torre – Società Cooperativa Agricola Zootecnica	Standing Auditor
	Metal Group S.p.A.	Standing Auditor
	Salumificio Pedrazzoli S.p.A.	Standing Auditor
	Società Cooperativa Virginia Italia a r.l.	Sole Auditor
	Tecmarket Servizi S.p.A.	Standing Auditor
Marco Bronzato		
(Alternate Auditor)	Aletti Fiduciaria S.p.A.	Chairman of the Board of Statutory Auditors
	Aletti Gestielle SGR S.p.A.	Chairman of the Board of Statutory Auditors
	Calzedonia Holding S.p.A.	Chairman of the Board of Statutory Auditors
	Calzedonia S.p.A.	Chairman of the Board of Statutory Auditors
	Calzificio Trever S.p.A.	Standing Auditor
	Catalina S.p.A.	Standing Auditor
	Effegi Style S.p.A.	Chairman of the Board of Statutory Auditors
	Erreci S.r.l.	Standing Auditor
	Ferrari Group S.r.l.	Sole Auditor
	Filmar S.p.A.	Standing Auditor
	3° dei F.lli Antonini S.p.A.	Standing Auditor
	Holding di Partecipazioni Finanziarie BP S.p.A.	Chairman of the Board of Statutory Auditors
	Intimo 3 S.p.A.	Chairman of the Board of Statutory Auditors
	Panasonic Electric Works Italia S.r.l.	Chairman of the Board of Statutory Auditors
	Uteco Converting S.p.A.	Chairman of the Board of Statutory Auditors
Paola Simonelli	Finlombarda S.p.A.	Director
(Alternate Auditor)	Bruker Italia S.r.l.	Chairman of the Board of Statutory Auditors
	E-Group Italia S.p.A.	Chairman of the Board of Statutory Auditors
	Actavis Italy S.p.A.	Standing Auditor
	Aliserio S.r.l.	Standing Auditor
	Cremonini S.p.A.	Standing Auditor
	Chef Express S.p.A.	Standing Auditor
	Roadhouse Grill Italia S.r.l.	Standing Auditor
	Chemiplastica S.p.A.	Standing Auditor
	Emme Esse S.p.A. in liquidazione	Standing Auditor
	Errevi S.p.A. in liquidazione	Standing Auditor
	Intersider Acciai S.p.A. in liquidazione	Standing Auditor
	Fondo Pensione di Previdenza Bipiemme	Standing Auditor
	Fratelli Gotta S.r.l.	Standing Auditor
	Pusterla 1880 S.p.A.	Standing Auditor

Ge.Se.So. Gestione Servizi Sociali S.r.l.	Standing Auditor
Perani & Partners S.p.A.	Standing Auditor
Posa S.p.A.	Standing Auditor
Saras S.p.A.	Standing Auditor
UBS Fiduciaria S.p.A.	Standing Auditor
Biotecnica Instruments S.p.A.	Standing Auditor

The business address of each member of the Board of Statutory Auditors is Piazza Filippo Meda, n. 4, 20121, Milan, Italy.

GENERAL MANAGER

The Issuer has a General Manager, Mr. Maurizio Faroni, and two Deputy General Managers, Mr. Domenico De Angelis and Mr. Salvatore Poloni.

CONFLICT OF INTEREST

Members of the Board of Statutory Auditors, Board of Directors, General Management and Deputy General Managers of Banco BPM hold offices also in other companies of the Banco BPM Group as well as companies outside the Banco BPM Group, in compliance with relevant limitations set out in Article 36 of Legislative Decree No. 201 of 6 December 2011 governing interlocking directorships. As such, they may have interests that conflict with the duties arising from the position held within Banco BPM. However, such conflicts of interest are dealt with by the By-laws in the following manner:

Article 35.3 of the By-laws provides that: "*Members of the Board of Statutory Auditors must comply with the limits to the holding of multiple administration and control offices, established by Consob regulations and other applicable provisions of the law*.".

Article 35.4 of the By-laws provides that: "*Furthermore (i) the Statutory Auditors may not hold offices in company bodies other than those having controlling functions in other companies of the Group as well as in companies in which the Company holds, also indirectly, a participating interest of strategic relevance (also if not belonging to the Group); and (ii) candidates holding the office of Member of the Board of Directors, executive or officer in companies or entities directly or indirectly performing banking activity in competition with that of the Company and of the relating Group, with the exception of that related to trade associations, may not be appointed and, if appointed, shall cease to hold office.*".

Members of the administrative, managerial and supervisory bodies of Banco BPM must comply with the following rules aimed at regulating instances where there exists a specific potential conflict of interest concerning the completion of an operation:

- Article 136 of the Italian Banking Act imposes an authorisation procedure (an unanimous decision by the Board of Directors and the positive vote of all members of the Board of Statutory Auditors, without prejudice to the provisions of Italian Civil Code concerning the conflicts of interest of the members of the administrative body and transactions entered into with related parties) to be followed should a bank contract obligations of any kind or enter, directly or indirectly, into purchase or sale agreements with relevant company officers;
- Article 2391 of the Italian Civil Code obliges directors to notify fellow directors and the board of statutory auditors of any interest that they may have, on their own behalf or on behalf of a third party, in a specific company transaction. If the interested director is the CEO of the company, such director is prevented from carrying out the transactions in question and should submit the matter to the Board;

- Article 2391-*bis* of the Italian Civil Code and CONSOB implementing regulations No. 17221 of 12 March 2010 and No. 17389 of 23 June 2010 require companies whose shares are listed or broadly disseminated to adopt particular procedures to ensure the transparency and substantial and procedural fairness of transactions entered into with related parties. Also, on 12 December 2011 the Bank of Italy, in its role as bank supervisor, issued special rules on risk assets and conflicts of interest with related entities, implementing Resolution No. 277 dated 29 July 2008 of the CICR (the Interministerial Credit & Saving Committee). In respect of these rules and in compliance with international accounting standards, the Issuer has adopted specific "*Rules for related parties*" which, in particular, these rules:
    - set out the criteria for the identification of the Banco BPM Group related parties (the "**Related Parties**");
    - define the quantitative limits for the assumption by the Banco BPM Group of risk-weighted assets of Related Parties, determining the relevant means for their computation;
    - establish the manner in which transactions with Related Parties are approved, differentiating between lesser and more significant transactions and defining in this context the role and the duties of an independent member of the Management Board, assisted by a competent independent expert;
    - set out cases for exemptions and exceptions for certain types of transactions with Related Parties; and
    - lay down the disclosure (and accounting) requirements as a result of entering into related parties transactions.
- Article 150 of the Italian Finance Act, requires the directors to report to the Board of Statutory Auditors promptly, and at least quarterly, on their activity and on any significant transaction carried out with such bank or its subsidiaries; in particular, the directors are required to report on any transactions in which they have an interest, for their own or on behalf of third parties, or that are influenced by the person who performs the activity of direction and coordination.
- According to Article 148, Paragraph 3 and Paragraph 4-*bis* of the Italian Finance Act directors and auditors of a listed company cannot be (i) a person who is in the conditions referred to in Article 2382 of the Italian Civil Code; (ii) spouses, relatives and similar up to the fourth degree of kinship of the directors of the relevant company or of the companies controlled by the relevant company, the company(ies) that control(s) the relevant company and those subject to common control; and (iii) person who are linked to the company, the companies controlled by the relevant company, the company(ies) that control(s) the relevant company and those subject to common control or linked to the directors of any company or person referred to at (ii) by self-employment or employee relationship or by other relationships of an economic or professional nature that might compromise their independence.

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 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 17, first Paragraph, of Legislative Decree No. 39 of 2010.

PricewaterhouseCoopers S.p.A., is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree n. 39/2010 as implemented by MEF (Decree n. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is at Via Monte Rosa, 91, Milan, Italy.

RATING

As at the date of this Base Prospectus, the Issuer is assigned ratings by the international agencies Moody's Investors Services and DBRS Ratings Limited. On 31 October 2011, such rating agencies were 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.

On 3 January 2017, Moody's Investors Services assigned the following ratings to the Issuer: (i) deposit ratings of Ba1/Not Prime; (ii) a long-term Issuer rating of Ba2; (iii) a standalone baseline credit assessment (BCA) and adjusted BCA of b1; and (iv) Counterparty Risk Assessments (CR Assessment) of Ba1 (cr)/Not Prime (cr). The outlook is Stable on the long-term deposit rating and Negative on the Issuer rating.

On 5 January 2017, DBRS Ratings Limited has assigned the following ratings to the Issuer: (i) Issuer rating of BBB (low); (ii) Senior Long Term Debt & Deposit rating of BBB (low); (iii) Short-Term Debt & Deposit rating of R-2 (middle); and Long and Short Term Critical Obligations Ratings of BBB (high)/ R-1 (low). All ratings have a Stable trend. The Intrinsic Assessment of the Group is BBB (low). The Support Assessment is SA3, implying no uplift from systemic support.

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 increased its business over the early 1900s through the opening of new branches in northern Italy. Since 1950s-60s, BPM has grown considerably by 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 have seen the birth of the group Bipiemme – Banca Popolare di Milano ("**BPM Group**"), of which BPM was the parent company, performing, in addition to the banking activities, the role of strategic guidance, governance and supervision of its financial and instrumental subsidiaries. The BPM Group operated mainly in Lombardy (where 63% of its branches are situated), but also in Piedmont, Lazio, Puglia and Emilia Romagna, providing predominantly commercial banking services to both 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. Since 1999 BPM has operated an online banking service called WeBank.

BANCO POPOLARE

Banco Popolare was formed 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 group of Banco Popolare ("**Banco Popolare Group**").

BPVN was funded in 2002 as a result of the merger between Banca Popolare di Verona – Banco S. Geminiano e S. Propsero 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 has been listed on the MTA since 1998. In June 2005, BPI changed its name from Banca Popolare di Lodi S.c. a r.l. to Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa.

Banco Popolare operated abroad through an international network made up of banks, representative offices and international desks. It also boasted relations 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.

THE MERGER

On 23 March 2016, Banco Popolare and BPM, following approval by their respective Boards, signed the Memorandum of Understanding for the Merger to be carried out through the incorporation of a new banking holding company in the form of a joint-stock company (*i.e.*, Banco BPM).

In the context of the Merger, the following steps were envisaged:

- the approval and execution by Banco Popolare of a capital increase for a total amount of Euro 1,000,000,000 (the "**Capital Increase**"); and
- a spin-off of certain assets, including the branches of BPM and Banco Popolare located in some of the historical provinces of reference of BPM, in favour of a banking subsidiary which to be controlled by Banco BPM (the "**Spin-off**").

In execution of the Memorandum of Understanding, on 24 May 2016 the Management Board of BPM, after obtaining the favourable advice of the surveillance board, and the Board of Directors of Banco Popolare approved the merger plan related to the Merger, pursuant to and for the purposes of Article 2501-*ter* of the Italian Civil Code. Under the merger plan, the share capital of the Issuer should be owned 54.626% by the shareholders of Banco Popolare and 45.374% by the shareholders of BPM.

Capital Increase of Banco Popolare

In order to provide the Group with an adequate capital base in light of its prospective role and relevance within the Italian and European banking sectors, Banco Popolare carried out the Capital Increase, for a total amount of Euro 1,000,000,000 ahead of the approval of the Merger by the Extraordinary General Meetings.

The Capital Increase was completed on 1 July 2016 with full subscription of the resolved amount of Euro 996,343,990.56 and the issuance of a total of 465,581,304 shares of Banco Popolare. Upon completion of the Banco Popolare's share capital increase and based on the relative contributions ratios applicable to each bank and the formula set forth in the Merger Proposal, the Merger exchange ratios were determined as follows:

- 1 (one) share of the Banco BPM for every share of Banco Popolare outstanding at the time the Merger becomes effective;
- 1 (one) share of the Banco BPM for every 6.386 BPM shares outstanding at the time the Merger becomes effective.

The Spin-off

In the context of the Merger transaction and subject to consummation of the same, it was provided that BPM would carry out the Spin-off. The Spin-off of certain assets will be in favour of a banking subsidiary to be controlled by Banco BPM and will include the branches of BPM located in the provinces of Milan, Monza e Brianza, Como, Lecco and Varese.

BPM and Banco Popolare agreed that the beneficiary company of the Spin-off (i) will have the form of a joint-stock company ("*società per azioni*") and the company name of "Banca Popolare di Milano – Società per Azioni"; (ii) will be controlled by Banco BPM; (iii) will carry out the function of network-bank under the direction and coordination of Banco BPM; and (iv) will have its registered and administrative offices in Milan.

Within a reasonable period of time from the consummation of the Spin-off and, in any case, with effect starting from the third year following the effective date of the Merger, the beneficiary company of the Spin-off will be incorporated into Banco BPM.

BPM has designated Banca Popolare di Mantova S.p.A., with registered office in Mantua, at Piazza Martiri di Belfiore, 7 ("**BP Mantova**"), as the beneficiary company of the Spin-off.

The Spin-off has been carried out by means of: (i) the resolution by BP Mantova of a share capital increase reserved to the contribution carried out by BPM (and, therefore, reserved entirely to BPM, without any pre-emptive right being granted to the other shareholders of BP Mantova); and (ii) the subscription and payment of the aforementioned share capital increase by BPM by means of a contribution in favour of BP Mantova of the business branch involved in the Spin-off.

On 5 August 2016 the Board of Directors of BP Mantova resolved to initiate the formal analyses and preparatory activities connected with carrying out the Spin-off (including the activities connected with the procedure for related-parties transactions applicable to the Spin-off).

The companies involved in the Spin-off submitted to the Supervisory Authorities the applications for the authorisation required by the Spin-off transaction and the consequent amendments to the by-laws of BP Mantova; these last amendments to the by-laws of BP Mantova have been made pursuant to Article 56 of the Italian Banking Act by the Bank of Italy on 8 September 2016.

On 12 December 2016, the Extraordinary General Meeting of BP Mantova approved a capital increase of Euro 4,000,000 through the issuance of No. 125,498,070 of new shares to be subscribed and paid by BPM by means of a contribution of the business branch involved in the Spin-off.

On 13 December 2016, BPM and BP Mantova entered into a deed governing the contribution by BPM to BP Mantova of a business unit consisting of branches pertaining to BPM (as well as the assets and liabilities strictly connected to these branches' customer relationships and operations). Such contribution came into effect on 1 January 2017.

Employee related issues

Within the framework of the Merger, the Strategic Plan presented to the market on 16 May 2016 called, *inter alia*, for the downsizing of the redundant staff of the two corporate organisations by a total of 1,800 employees.

On 26 September 2016, BPM announced that it signed important agreements with the trade unions regarding the overall architecture of employee assistance options and access to the industry Solidarity Fund for 585 employees. On 23 December 2016, Banco Popolare and BPM announced that they had reached an agreement with the trade unions with regard to the 1,800 redundancies declared in the Strategic Plan concerning the possibility of accepting up to 2,100 applications for voluntary redundancy benefits, thereby making it possible to exceed the planned and declared objectives in this area under the Strategic Plan.

Banco BPM

Banco BPM is entrusted to carry out, at the same time, the functions of bank and holding company, with operating functions as well as coordination and unified management functions in respect of all the companies comprising the Banco BPM Group, as resulting from the Merger.

Banco BPM has two headquarters, one in Milan and one in Verona. The registered office is in Milan and the administrative office is in Verona.

The main functions of the head office units are located at the Milan and Verona offices, although the functions of Banco Popolare that were located in Lodi (Human and Institutional Resources, Public Entities and Third Sector, and Investments) and Novara (Division & Banks of the Territory) will be moved to the two offices in Milan and Verona in a gradual manner and on the basis of a program that shall take into account criteria of efficiency and cost savings targets and, in any event, so as to retain significant organisational structures in Lodi and Novara. In particular, at the date of this Base Prospectus, the functions of the central and administrative structures are allocated as follows: (i) the following functions of the central structures are located in Verona: Accounting & Tax, Audit, Compliance, Credits, Divisional Banking Activities, Institutional/Public and Other Clients, Planning and Control, Retail Clients, Risks, General and Corporate Secretary, Equity Investments and Leasing; (ii) the following functions of the central structures are located in Milan: Communication, Corporate, Finance, Private & Investment Banking, Investor Relations, Legal, M&A and Corporate Development, Operations/Organisation, Human Resources, IT, Asset Management and Bancassurance.

Pursuant to Article 2504-bis of the Italian Civil Code, as a result of the Merger, Banco BPM is assigned the rights and obligations of the companies participating in the Merger, succeeding in all of their relationships, including court actions, existing prior to the Merger. Moreover, pursuant to Article 57, Paragraph 2, of the Italian Banking Act, the liens and guarantees of any sort granted by anyone or otherwise existing in favour of the banks participating in the Merger remain valid and maintain their relative degree, without any formality or annotation being necessary, in favour of Banco BPM.

The admission to listing on the MTA has been requested for the shares of Banco BPM issued as a result of the Merger, seamlessly following the listing of the shares of BPM and Banco Popolare and starting from the date of effectiveness of the Merger.

In relation to the admission to listing, the Issuer published a "*Documento di Registratione*", drafted pursuant to the CONSOB Regulation No. 11971 of 14 May 1999, as subsequently amended and supplemented, and Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council, which was filed with and approved by CONSOB on 23 December 2016 (No. 0113422/16).

Through the Merger (and as a result of the resolution approving the Merger) both BPM and Banco Popolare – companies that have ascertained that they have assets exceeding the threshold of Euro 8 billion pursuant to Article 29, Paragraph 2-bis, of the Italian Banking Act – transformed themselves from "*società cooperative*" (cooperative companies) into "*società per azioni*" (joint-stock companies), in compliance with the requirements of Article 29, Paragraph 2-ter, of the Italian Banking Act.

On 16 May 2016 the management boards of BPM and Banco Popolare approved a strategic plan for Banco BPM Group for the period of 2016-2019 ("**Strategic Plan**"). The Strategic Plan aims to leverage the distinctive features of the Banco BPM Group, including its unique positioning in the banking sector, and to unlock profitability through an optimised business model in order to offer a better service to the customers by providing a complete range of high value products.

OVERVIEW OF FINANCIAL INFORMATION OF BPM AND BANCO POPOLARE

Alternative Performance Measures

In order to better evaluate the Banco Popolare and BPM financial management performance (based on the consolidated financial statements of Banco Popolare Group and BPM Group for the years ending 31 December 2015 and 2016) the management has identified several Alternative Performance Measures ("**APM**"). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the same, because they facilitate the identification of significant operating trends and financial parameters. This Base Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority's Guidelines on Alternative Performance Measures (ESMA/2015/1415), which are used by the management of the Issuer to monitor our financial and operating performance:

- "ROA" is calculated as the ratio between Net income and Total assets.
- "ROE" is calculated as the ratio between Net income and Shareholders' equity net of Net income.
- "Cost/income ratio" is calculated as the ratio between (i) Operating expenses, net of non-recurring expenses and (ii) Net income, net of non-recurring income.

It should be noted that:

i. The APMs are based exclusively on the BPM and Banco Popolare Group historical data and are not indicative of the future performance;

ii. The APMs are not derived from IFRS and, as they are derived from the consolidated financial statements of BPM and Banco Popolare Group prepared in conformity with these priciples, they are not subject to audit;

iii. 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 measure derived in accordance with IFRS or any other generally accepted accounting principles;

iv. The APMs should be read together with financial information for BPM and Banco Popolare Group taken from the consolidated financial statements for the year 2015 and 2016;

v. Since all companies do not calculate APMs in an identical manner, the presentation of BPM and Banco Popolare may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on these data;

vi. The APMs and definitions used herein are consistent and standardised for all the period for which financial information in this Base Prospectus are included.

BPM

Shown below are the main financial highlights of BPM, together with its consolidated subsidiaries, (the "**BPM Group**"), as at and for the year ended 31 December 2016, with comparative data as at and for the year ended 31 December 2015.

Key Income Statement Figures	Year 2016	Year 2015	Change (%)
		(millions of Euro)	
Interest margin	788	807	-2.3%
Operating income	1,604	1,667	-3.8%
Operating expenses (*)	(1,002)	(1,020)	-1.8%
of which: personnel expenses (*)	*(607)*	*(612)*	-0.8%
Operating profit	335	647	-48.3%
Net adjustments for impairment of loans and other activities	(420)	(342)	-22.8%
Income (loss) before tax from continuing operations	25	353	-92.8%
Net Income (loss) for the period attributable to the Parent Company	73	289	-74.8%

(*) The figure at 31 December 2016 excludes "Solidarity Fund" costs and extraordinary expenses for the merger.

Key Balance Sheet Figures	31/12/2016	31/12/2015	Change
		(millions of Euro)	%
Loans to customers	34,771	34,187	1.7%
of which: net bad loans	*1,583*	*1,491*	*6.2%*
Fixed assets	1,031	1,199	-14.0%
Direct Deposits (*)	36,471	37,602	-3.0%
Indirect customer deposits:	32,626	34,060	-4.2%
of which: assets under administration	*10,480*	*13,159*	*-20.4%*
of which: assets under management	*22,146*	*20,901*	*6.0%*
Total assets	51,131	50,203	1.8%
Shareholders' equity (excluding net income (loss) for the period))	4,292	4,338	-1.1%
Own funds	4,730	5,021	-5.8%
of which: Common Equity Tier 1	*4,058*	*4,037*	*0.5%*

(*) This item consists of: due to customers, securities issued and financial liabilities designated at fair value through profit and loss.

Operating structure	31/12/2016	31/12/2015	Change
			%
Headcount (employees and other personnel)	7,673	7,743	-0.9%
Number of branches	652	655	-0.5%

Asset Quality	31/12/2016		31/12/2015	
Gross loans to customers	(millions of Euro)	*%*	(millions of Euro)	*%*
Non-performing exposures	**6,260**	**16.7%**	**5,997**	**16.3%**
(a) Bad loans	3,496	9.3%	3,276	8.9%
(b) Unlikely to pay	2,730	7.3%	2,622	7.1%
(c) Past due	34	0.1%	99	0.3%
Performing loans	**31,287**	**83.3%**	**30,748**	**83.7%**
Total gross loans to customers	**37,547**	**100.0%**	**36,745**	**100.0%**
Adjustments	*(millions of Euro)*	*Coverage %*	*(millions of Euro)*	*Coverage %*
Non-performing exposures	**2,624**	**41.9%**	**2,373**	**39.6%**
(a) Bad loans	1,913	54.7%	1,785	54.5%
(b) Unlikely to pay	707	25.9%	579	22.1%
(c) Past due	4	11.6%	9	9.3%

Asset Quality	31/12/2016		31/12/2015	
Gross loans to customers	(millions of Euro)	%	(millions of Euro)	%
Performing loans	**152**	**0.49%**	**185**	**0.60%**
Total adjustments	**2,776**	**7.4%**	**2,558**	**7.0%**
Net loans to customers	(millions of Euro)	%	(millions of Euro)	%
Non-performing exposures	**3,636**	**10.5%**	**3,624**	**10.6%**
(a) Bad loans	1,583	4.6%	1,491	4.4%
(b) Unlikely to pay	2,023	5.8%	2,043	6.0%
(c) Past due	30	0.1%	90	0.3%
Performing loans	**31,135**	**89.5%**	**30,563**	**89.4%**
Total net loans to customers	**34,771**	**100.0%**	**34,187**	**100.0%**

Financial Ratios and other Data of BPM

The tables below set out the BPM Group's main financial and economic ratios calculated on figures extracted from the audited annual consolidated financial statements of BPM for the years ended 31 December 2016 and 31 December 2015.

Key Ratios	31/12/2016	31/12/2015
Structure Ratios (%)		
Loans to customers/Total assets	68.0%	68.1%
Fixed assets/Total assets	2.0%	2.4%
Direct deposits/Total assets	71.3%	74.9%
Funds under management/Indirect deposits	67.9%	61.4%
Loans to customers/Direct deposits	95.3%	90.9%
Profitability Ratios (%):		
Net income (loss)/Shareholders' equity (excluding net income (loss) for the period) (ROE) (*)	1.7%	6.7%
Net income (loss)/Total assets (ROA)	0.1%	0.6%
Cost/income ratio (**)	62.4%	61.2%
Risk Ratios (%):		
Net bad loans/Loans to customers	4.55%	4.36%
Coverage of gross bad loans to customers	54.7%	54.5%
Coverage of gross performing loans to customers	0.49%	0.60%
Productivity Ratios (Eur/000) (***):		
Direct deposits per employee	4,753	4,856
Loans to customers per employee	4,532	4,415
Assets under management per employee[)]	2,886	2,699
Assets under administration per employee	1,366	1,699

Key Ratios	31/12/2016	31/12/2015
Capital adequacy ratios (%) (***):		
Common Equity Tier 1 Ratio	11.48%	11.53%
Tier 1 ratio	11.84%	12.06%
Total capital ratio	13.38%	14.33%
Information on BPM Stock (*****)		
Number of shares:	4,391,784,467	4,391,784,467
- outstanding	4,390,260,208	4,390,260,208
- treasury shares	1,524,259	1,524,259
Official stock price at the end of the period - ordinary shares (Euro)	0.362	0.925

(*) Shareholders's equity at the end of the period.
(**) Excluding non-recurring expense relating to the "Solidarity Fund" and extraordinary expenses for the merger.
(***) Number of employees at the end of the period including personnel with other types of contract.
(****) The ratios at 31 December 2016 do not include the result for the period.
(*****) The figures refer to BPM shares. The new Banco BPM S.p.A. shares were first listed on 2 January 2017. As a result on the basis of the number of outstanding BPM shares and the exchange ratio (6.386 shares of the old entity for each BPM share) 687,482,024 new Banco BPM shares were issued for the old BPM shares.

Banco Popolare

Shown below are the main financial highlights of Banco Popolare, together with its consolidated subsidiaries, (the "**Banco Popolare Group**"), as at and for the year ended 31 December 2016, with comparative data as at and for the year ended 31 December 2015.

Income statement figures	31/12/2016	31/12/2015	Change (%)
		(in millions of Euro)	
Financial margin	1,442.6	1,686.9	(14.5%)
Net fee and commission income	1,318.2	1,425.4	(7.5%)
Operating income	3,060.1	3,663.0	(16.5%)
Operating expenses	(2,487.7)	(2,404.8)	3.4%
Income (loss) from operations	572.4	1,258.2	(54.5%)
Income (loss) before tax from continuing operations	(2,294.4)	344.9	Not significant
Net income (loss) without FVO	(1,685.9)	426.8	Not significant
FVO Impact	4.2	3.3	27.3%
Net income (loss)	(1,681.7)	430.1	Not significant

Balance sheet figures	31/12/2016	31/12/2015 (*)	Change (%)
		(in millions of Euro)	
Total assets	117,411.0	120,509.6	(2.6%)
Loans to customers	83,181.7	85,337.7	(2.5%)

Balance sheet figures	31/12/2016	31/12/2015 (*)	Change (%)
		(in millions of Euro)	
Financial assets and hedging derivatives	25,650.4	27,531.0	(6.8%)
Shareholders' equity	7,575.3	8,493.6	(10.8%)
Customers' financial assets			
Direct funding	80,446.7	82,141.4	(2.1%)
Indirect funding	69,201.8	71,094.8	(2.7%)
- Asset management	36,425.6	35,371.9	3.0%
- Mutual funds and SICAVs	21,107.4	20,297.3	4.0%
- Securities and fund management	4,866.0	4,828.7	0.8%
- Insurance policies	10,452.1	10,245.8	2.0%
- Administered assets	32,776.3	35,722.9	(8.2%)
Information on the organisation			
Average number of employees and other staff	16,626	16,972	
Number of bank branches	1,731	1,848	

(*) The figures have been reclassified to provide a like-for-like comparison. The attachments contain a statement of reconciliation between the reclassified balance sheet schedule published in the annual financial report as at 31 December 2015 and that restated in this schedule.

	31/12/2016		31/12/2015	
	(in millions of Euro)	%	(in millions of Euro)	%
Gross exposure				
Non-performing exposures	**19,653.9**	**23.6%**	**20,645.1**	**24.2%**
(a) Bad loans	10,916.0	13.1%	10,470.6	12.3%
(b) Unlikely to pay	8,618.7	10.4%	9,911.1	11.6%
(c) Past due	119.2	0.1%	263.4	0.3%
Other assets	**63,527.8**	**76.4%**	**64,692.5**	**75.8%**
Total gross loans to customers	**83,181.7**	**100.0%**	**85,337.6**	**100.0%**
Provisions				
Non-performing exposures	**-7,085.5**	**96.5%**	**-6,588.1**	**95.3%**
(a) Bad loans	-4,677.1	63.7%	-4012.3	58.0%
(b) Unlikely to pay	-2,384.5	32.5%	-2521.3	36.5%
(c) Past due	-23.9	0.3%	-54.5	0.8%
Other assets	**-256.0**	**3.5%**	**-327.9**	**4.7%**
Total provisions	**-7,341.5**	**100.0%**	**-6,916.0**	**100.0%**
Net exposure				
Non-performing exposures	**12,568.4**	**16.6%**	**14,057.0**	**17.9%**
(a) Bad loans	6,238.9	8.3%	6,458.3	8.2%

	31/12/2016		31/12/2015	
	(in millions of Euro)	%	(in millions of Euro)	%
Gross exposure				
(b) Unlikely to pay	6,234.2	8.2%	7,389.8	9.4%
(c) Past due	95.3	0.1%	208.9	0.3%
Other assets	**63,271.8**	**83.4%**	**64,364.6**	**82.1%**
Total net loans to customers	**75,840.2**	**100.0%**	**78,421.6**	**100.0%**

Financial Ratios and other Data of Banco Popolare

The tables below set out the Banco Popolare Group's main financial and economic ratios calculated on figures extracted from the audited annual consolidated financial statements of Banco Popolare for the years ended 31 December 2016 and 31 December 2015.

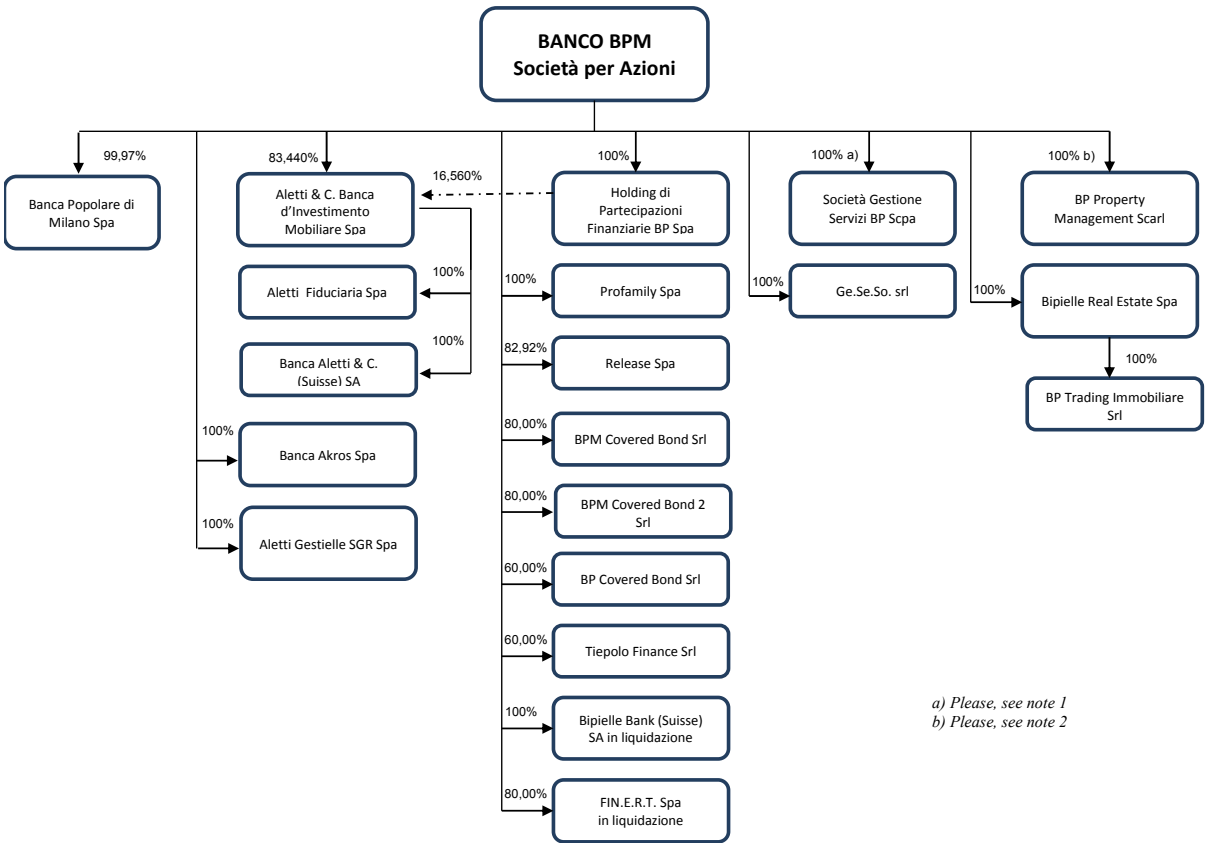
	31/12/2016 (*)	31/12/2015 (*)
Alternative performance measures		
Profitability ratios (%)		
ROE (**)	Not significant	5.33%
Return On Assets (ROA) (**)	Not significant	0.36%
Financial margin / Operating income	47.14%	46.05%
Net fee and commission income / Operating income	43.08%	38.91%
Cost income - Operating expenses / Operating income	81.29%	65.65%
Operational productivity figures (000s of Euro)		
Loans to customers per employee	5,003.1	5,028.1
Operating income per employee[)]	184.1	215.8
Operating expenses per employee	149.6	141.7
Credit risk ratios (%)		
Net bad loans / Loans to customers (net)	8.23%	8.24%
Unlikely to pay / Loans to customers (net)	8.22%	9.42%
Net bad loans / Shareholders' equity	82.36%	76.04%
Regulatory capitalisation and liquidity ratios		
Common equity tier 1 ratio (CET1 capital ratio)	12.97%	13.15%
Tier 1 capital ratio	13.08%	13.15%
Total capital ratio	16.17%	15.91%
Tier 1 capital ratio / Tangible assets	4.39%	4.98%
Liquidity Coverage Ratio (LCR)	219.88%	180.95%
Leverage Ratio	4.23%	4.98%
Other ratios		
Financial assets / Total assets (***)	21.85%	22.85%
Gross loans / Direct funding	103.40%	103.89%

	31/12/2016 (*)	31/12/2015 (*)
Banco Popolare stock		
Number of outstanding shares	827,760,910	362,179,606
Official closing prices of the stock		
- Maximum	9,15 (****)	16.33
- Minimum	1,79 (****)	8.91
- Average	3,54 (****)	13.89
Basis EPS	(2.774)	1.173
Diluted EPS	(2.774)	1.173

(*) The ratios were calculated excluding the economic effect of the FVO. The figures relating to the previous period have been restated to provide a like-for-like comparison.
(**) ROE and ROA are defined by management also ROE and ROA annualised.
(***) For the year ended 31 December 2016, such indicator represents also the ratio: financial assets and derivatives / total assets.
(****) During the year, a share capital increase operation was concluded; the prices of Banco Popolare stock prior to 6 June 2016 (start date of share capital increase and detachment of the relative rights) have been amended by applying the adjustment factor provided by Borsa Italiana (0.741939).

STRUCTURE OF BANCO BPM AND THE BANCO BPM GROUP

The structure of the Banco BPM banking group, as at the date of this Base Prospectus, is as follows:



Note 1

Società Gestione Servizi BP, *Società Consortile per Azioni*
The share capital of the company rapresented as follows:

Società Gestione Servizi BP	**%**
Banco BPM S.p.A.	87,50
Aletti & C. Banca d'Investimento Mobiliare S.p.A.	10,00
Banca Popolare di Milano S.p.A.	1,00
Aletti Gestielle SGR S.p.A.	0,50
Bipielle Real Estate S.p.A.	0,50
Holding di Partecipazioni Finanziarie BP S.p.A.	0,50
Total	**100,00**

Note 2

BP Property Management, *Società Consortile a responsabilità limitata*
The share capital of the company rapresented as follows:

BP Property Management	**%**
Banco BPM S.p.A.	92,31
Bipielle Real Estate S.p.A.	4,61
Aletti & C. Banca d'Investimento Mobiliare S.p.A.	1,00
Società Gestione Servizi BP Soc. Cons.p.A.	1,00
Aletti Gestielle SGR S.p.A.	0,54
Holding di Partecipazioni Finanziarie BP S.p.A.	0,54
Total	**100,00**

Activities of the Banco BPM Group

Banco BPM is entrusted to carry out, at the same time, the functions of bank and holding company, with operating functions as well as coordination and unified management functions in respect of all the companies comprising the Banco BPM Group.In accordance with the Strategic Plan, the activities of the Banco BPM Group will comprise the following businesses:

- **Retail Banking**: this segment comprises banking and investment services offered to private, small and medium business customers through the retail branches of BPM and Banco Popolare; there will be a focus on client development and cross selling through differentiated product offering by sub-segment and simplified processes;
- **Corporate and Investment Banking**: the creation of a dedicated division for corporate investment banking is expected to lead to an increased "share of wallet" in value added services, the growth of the Hedging & Advisory corporate, the development of synergies with the Private Banking area and an enhancement of the competencies of Banca Akros and Banca Aletti;
- **Private Banking**: the Banco BPM Group intends to offer a compelling customer proposition through a unified and extensive product/service catalogue, encompassing investment and wealth advisory, and leveraging referral and cross-selling with corporate and entrepreneurs segments. The private banking

activities will be developed under the brand of Banca Aletti which as such will be the third largest private bank in Italy by number of clients and assets administered;

- **Asset Management, Bancassurance and Consumer Credit**: a commercial model focused on the core segments ("Private" and "Affluent") aimed at increasing productivity through the sharing of production capacity and the commercial practices developed by the BPM Group and Banco Popolare Group, including commercial partnerships with external entities.

The Banco BPM Group has over 4 million customers and is among the leading Italian banking groups in high-growth and high-return business sectors including Asset Management, Private Banking, Corporate & Investment Banking, Bancassurance, Debt & Equity Brokerage and Consumer Credit. The Banco BPM Group, as at 23 December 2016:

- was the third largest banking group in Italy, with a national market share equal to approximately 8% by number of branches (sportelli), with a focus on the Northern Italy, and the third largest operator with a market share of 11% and with a leading position in particular in the industrial regions such as Lombardy, Veneto and Piedmont;
- had total assets of approximately Euro 171 billion, with direct deposit taking of approximately Euro 120 billion against loans of approximately Euro 113 billion;
- had indirect deposits of approximately Euro 105 billion of which approximately Euro 56 billion under management; and
- had over 25,000 employees;
- in terms of liquidity position the Issuer expects that the Group's Liquidity Coverage Ratio and Net Stable Funds Ratios will both exceed 100% throught the period of the Strategic Plan.

The business model of Banco BPM Group is articulated along three major axes:

(i) a commercial bank dedicated to small business customers, high net worth individuals ("*affluent*") and the mass market, characterised by a highly intergrated muilti-channel distribution model and a complete and coherent product and banking service offering;

(ii) a service model for Corporate and Business (*Corporate e Imprese*) clients founded on a dedicated Business Unit and close collaboration with the new investment bank of the Banco BPM Group under the Banca Akros brand; and

(iii) a bank dedicated to servicing all the private clients of the Banco BPM Group which will leverage the Banca Aletti brand.

Distribution Network

Prior to the Merger both BPM and Banco Popolare had for some time developed a multi-channel distribution approach, using the branch network for services such as customer centres, digital distribution channels and distance-selling activities. In particular, BPM has an advanced integrated digital platform for retail clients (WeBank), while Banco Popolare has recently invested in strengthening its digital platform for businesses. The Banco BPM Group will continue this evolution toward a completely integrated multi-channel model under which each client segment will be able to access the various services of the bank via its preferred method of contact and communication.

The distribution network of the bank is expected to develop in line with three key principles: (i) rationalisation of the branch network; (ii) specialisation of the "value proposition" and increased penetration

of digital distribution channels; (iii) development of new "physical" service models that are more flexible and better meet client needs.

The branch network will undergo significant development in line with the changed customer acquisition strategies of the Banco BPM Group. The organisation model for the network will 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 diverse areas.

The evolution of the Banco BPM Group's distribution model will be supported by investment in digital distribution channels, with the objective of transferring the majority of transactional and computer-based contacts to such channels, continuing the migration of cash transactions to electronic cash and providing new distance-based consultancy services. Particular focus will be placed on the availability of distance-selling of the products and services of the Banco BPM Group.

Finally, the new distribution model envisages the creation and/or strengthening of mobile "physical" channels intended to bring the bank closer to its clients. Five new forms of mobile services are envisaged: (i) distance-selling, 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; (v) financial promoters which are already part of the BPM distribution network.

LEGAL PROCEEDINGS OF THE BANCO BPM GROUP

The main legal and administrative proceedings in which the Banco BPM Group is involved are the following proceedings in which the Banco Popolare Group and BPM Group are involved.

Legal Proceedings of the BPM Group

The main legal and administrative proceedings in which the BPM Group is involved as are as follows.

Dispute pertaining to compound interest (Anatocismo)

According to Article 1283 of the Italian Civil Code, in respect of a monetary claim or a receivable, accrued interest can be capitalised after at least six months under an agreement subsequent to such accrual or from the date when the relevant legal proceedings are commenced in respect of that monetary claim or receivable; according to Article 1283 of the Italian Civil Code the aforesaid provisions only can be derogated through recognised customary practices ("*usi*"). Banks in the Republic of Italy have traditionally capitalised accrued interest on a three-month basis on the grounds that such practice should be characterised as a customary rule ("*uso normativo*"). Pursuant to judgments no. 2374/1999 and 3096/1999, the Supreme Court , overturning its previous decision, declared the practice of compounding interest charges on current accounts on a quarterly basis unlawful, re-characterising such practice as a customary clause ("*uso negoziale*") and as such not to enable banks to derogate from the aforesaid provisions of the Italian Civil Code. This interpretation has been confirmed by recent rulings by the Supreme Court (the ruling no. 24418/2010 and order no. 20172/2013).

Subsequently, Italian Legislative Decree No. 342/99 affirmed the lawfulness of infra-annual compounding of interest in bank current accounts, provided payable interest is compounded with the same periodicity as receivable interest. The dispute arising from this jurisprudence thus involves agreements entered into before the date of entry into force of Italian Legislative Decree No. 342/99.

Article 2, Paragraph 61, of Law Decree 225 of 29 December 2010 (the so called "One thousand extensions" decree), converted, with amendments, by Italian Law No. 10/2011, on the matter of compound interest, introduced a rule for the authentic interpretation of Article 2935 of the Italian Civil Code which, with respect

to the statute of limitations of legal actions for the reimbursement of interest unduly paid, set the initial date of the 10-year term from the time the transaction was recorded on the account, rather than from the date of closure of the current account. This article was declared unconstitutional by the Constitutional Court, with its judgment no. 78 of 5 April 2012.

The above decision gave new impetus to the compound interest dispute. However, as at the date of this Base Prospectus, the total number of pending cases has not reached unusual levels, and is subject to ongoing monitoring. The related risks are managed through timely and precautionary allocations to the related provision.

Article 1, Paragraph 629 of Law No. 147 of 27 December 2013 (the so-called "**2014 Stability Law**") amended Article 120, Paragraph 2 of the Italian Banking Act as follows: "*The CICR (Comitato interministeriale per il credito e il risparmio) lays down the rules and criteria for the accrual of interest in the context of banking transactions, providing in each case that: a) in the current account transactions the same frequency of calculation of interest is ensured for both credit interest and debit interest; b) periodically capitalised interest cannot produce further interest; in subsequent capitalisation transactions, interest is calculated solely on the principal*".

Article 31 of Law Decree No. 91 of 24 June 2014 introduced an amendment to Article 120, Paragraph 2 of the Italian Banking Act, by delegating to CICR the authority to set the terms and criteria pursuant to which interest may accrue on interest, with a frequency not exceeding once a year, in transactions implemented in the exercise of normal banking and financial activities. Furthermore, it required that bank account contracts ensure the same frequency of calculation of interest for both credit and debit interest, which must be calculated on 31 December of each year. The Law Decree was never converted into law.

On 23 December 2014 the Consumer Group Association filed a claim against BPM with the Court of Milan with the aim of obtaining injunction against all forms of capitalisation of interest, including against the application of compound interest, with all the consequent appropriate measures to eliminate the effects of such application. Similar proceedings have been brought before the Court of Milan by the same Consumer Group Association against two other banks. Two of the proceedings pending before the Court of Milan, including the one against BPM, have been subsequently joined. On 12 January 2015 the claim was declared inadmissible by the Court of First Instance.

The decision of the Court of First Instance was subsequently appealed by the Consumer Group Association. The Court of Milan allowed the appeal brought by the Consumer Group Association against BPM and on 3 April 2015, issued an order pursuant to which, in accordance with the provisions of the 2014 Stability Law which amended Article 120, Paragraph 2 of the Italian Banking Act, the Court ordered the bank to refrain from proceeding with the application of any form of compounding of interest with reference to the contracts related to the current accounts that have been executed already or will be entered into in the future with the consumers.

BPM has complied with the provisions of the order and acted in due course to challenge the order and obtain the correct interpretation of Article 120 of the Italian Banking Act. On 23 November 2016 the judgment no. 21951/16 of the Court of Rome was published. Such judgment rejected the claim brought by BPM and confirmed the ruling previously given by the Court of Milan. On 30 December 2016, BPM appealed the decision of the Court of Rome.

In August 2015, the Bank of Italy submitted for public consultation a proposed resolution of CICR pursuant to Article 120, Paragraph 2 of the Italian Banking Act as provided by the 2014 Stability Law to implement Article 120, Paragraph 2 of the Italian Banking Act as amended by Law No. 147/2013. The resolution was not adopted.

Article 17-*bis* of Law Decree No. 18 of 14 February 2016 as converted into Law No. 49 of 8 April 2016 amended Article 120, Paragraph 2 of the Italian Banking Act as follows: "*the CICR lays down rules and criteria for the accrual of interests in transactions carried out in the exercise of banking activity, providing, however, that: a) in the current account or payment account transactions the same frequency of calculation is ensured for both credit interest and debit interest, and in any event at least once a year; the interest is calculated on 31 December of each year and, in any case, upon termination of relationship for which such interest is due; b) accrued debit interest, including interest on credit card payments, cannot produce further interest, save for interest on arrears, and is calculated solely on the principal; in case of current account credit facilities and overdraft facilities without a credit line or in excess of the overdraft limit: (1) interest must be calculated on 31 December, and will become due and payable on 1 March of the following year; in case of termination of relationship, accrued interest will become immediately due and payable; (2) client can authorise, also in advance, the debiting of accrued interest on its current account as soon as such interest becomes due and payable; in such event, the relevant interest amount is considered as principal; authorisation can be revoked at any time before the interest is debited*.".

On 4 August 2016, the CICR resolution was adopted. Under the CICR resolution 1 October 2016 was stipulated as the date by which banks was required to comply with the new regime. BPM has implemented all the relevant steps required to meet the new requirements. As of 30 June 2017, 447 proceedings pertaining to compound interest (anatocismo) are pending for an overall amount of Euro 43,588,149.80.

Dispute pertaining to financial instruments

BPM's internal policies require the evaluation of complaints and lawsuits pertaining to financial instruments, such as bonds in default, on a case by case basis. Particular consideration is given to the appropriateness with respect to the position of each individual investor, to the disclosure provided and to the completeness of the contractual documentation. Provisions are determined analytically, taking into consideration the specific circumstances of individual cases.

In particular, complaints and lawsuits pertaining to financial instruments issued by the Argentine Government are managed in accordance with the ordinary procedure for any other type of financial product, by means of a case by case assessment of the individual position. Equally, as for the assessment of other legal risks, provisions are determined analytically, taking into consideration the specific circumstances of individual cases.

Disputes with the Tax Authority

Bipiemme Immobili (incorporated in BPM) – 2005: Following initial assessment notices (*processi verbali di constatazione*) in respect of tax verification of Bipiemme Immobili S.p.A. (incorporated in BPM in 2007) in relation to 2005, the related summonses for assessment (*avvisi di accertamento*) were issued on 9 December 2010 contesting the increased IRES of Euro 230 thousand, IRAP of Euro 29 thousand and VAT of Euro 93 thousand plus fines. Appeals were filed against these summonses for assessment. On 24 May 2012, the provincial tax commission of Milan upheld the appeal submitted by BPM in relation to VAT. The tax authority has not appealed the decision of the provincial tax commission of Milan and therefore this decision has become final. The appeals submitted in relation to IRES and IRAP were rejected and BPM has appealed against this decision. These appeals have been accepted in most parts by the regional tax commission of Milan which, by the judgment no. 2911/28/14 deposited on 29 May 2014, reformulated the first degree decision. This decision has been appealed by the tax authorities before the Supreme Court.

BPM – registration tax on the purchase of branches: During 2010, BPM received three payment requests (*avvisi di liquidazione*) for registration tax on the purchase of branches from UniCredit in 2008. The payment requests (avvisi di liquidazione) dispute the BPM's application of different rates in calculating registration tax. Tax amounting to a total of Euro 4,061 thousand is being claimed. Appeals have been duly filed. Two

disputes were concluded with the final judgments handed down in favour of BPM. As at the date of this Base Prospectus, there is only one dispute that remains pending for a total amount of Euro 422 thousand as a result of an appeal filed by the tax authorities with the Supreme Court. BPM has filed an appearance.

Piero Luigi Montani

On 23 February 2016, BPM submitted its defence in the proceeding brought by the former managing director of the bank, Mr Piero Luigi Montani (who resigned on 31 October 2013), in order to obtain the indemnity provided for in case of resignation for just cause. BPM has challenged the claims of the plaintiff and the proceedings. The parties, following the recommendation of the court, settled the case on 28 February 2017.

Inspection by Supervisory Authority

On 24 August 2015, BPM received a report from the Bank of Italy on the outcome of a transparency investigation conducted by the Bank of Italy at a number of BPM's branches in the fourth quarter of 2014. The investigation revealed certain limited critical shortcomings related to credit contracts, fees, overdraft facilities and notices to the customers. Upon the request of the Bank of Italy, BPM provided the Bank of Italy with a plan of actions taken to address the emerged failings. In May and July 2016, in compliance with the requirement of the Bank of Italy to provide updates on the measures aimed at resolving the failings that arose during the inspection, BPM provided to the authority an update on the status of ongoing activities aimed at resolving detected failings, some of which relate to areas under ongoing investigation by the Bank of Italy.

As part of ongoing supervision of the major European banking groups, the ECB announced, on 17 September 2015, its intention to start routine inspection of BPM (so-called, on-site inspection) related to the BPM Group and market risk, liquidity and interest rate risk in its banking book ("**IRRBB**"). This inspection was concluded in January 2016. On 19 July 2016, the ECB communicated to BPM the result of inspection and recommendations on the areas of improvement, and in particular: (i) strengthening of coordination mechanisms at a Group level; (ii) adoption of a pricing models validation plan; (iii) adoption of a formal IRRBB policy; (iv) strengthening of the current fair value policy; (v) improvement of methods and tools of monitoring and measuring risks; and (vi) strengthening of dedicated resources (human and information technology). The ECB further specified that certain measures can be phased in taking into account the business plan related to the Merger. The ECB has been quarterly updated upon progresses and the most of envisaged remedial activities have been already completed.

On 18 January 2016, the ECB commenced an assessment of the non-performing loans strategy, governance, processes and methodology of former BPM as a part of the ongoing supervision process which involves, among other Italian and European banks, BPM; in the meantime, ECB published a draft Guidance to banks on non-performing loans, promoting a consultation upon it; former BPM, among others banks, participated in such consultation. On 20 March 2017, the final Guidance following the consultation has been published, while on 21 July 2017 Banco BPM received the follow up letter related to the assessments conducted on the former BPM and the former Banco Popolare at the beginning of 2016. As the ECB prepared just one report in order to address outcomes stemming from two different inspections (one for former BPM and one for former Banco Popolare) the corresponding results are described in "*Recent Events of Banco BPM and the Banco BPM Group*".

On 30 May 2016, the ECB started an inspection related to the credit risks of the BPM Group, and in particular the inspection focused on the management of credit and counterparty risk and the risk control system of BPM. In this case, the phase on-site of this inspection was completed at the end of September 2016, and on 29 September 2016 preliminary and provisional results have been discussed with top management; on 18 May 2017, Banco BPM received the final follow-up letter containing the recommendations from the ECB. Again, as the ECB prepared just one report in order to address outcomes stemming from three different inspections

(two for former BPM and one from former Banco Popolare), the corresponding results are described in "*Recent Events of Banco BPM and the Banco BPM Group*".

Again on 30 May 2016, the Bank of Italy commenced an inspection aimed at evaluating the procedures and processes of fee charging for credit lines and overdrafts in former BPM. The on-site phase of the inspection was concluded on 1 July 2016. On 29 November 2016, the Bank of Italy presented the results of the inspection report in which, despite various improvements to transparency, there were certain critical elements in the operational processes and controls, particularly in relation to (i) the process for the definition of overdraft fees ("CIV – Commissione Istruttoria Veloce") and timely resolution of issues raised by the above-mentioned communication on 24 August 2015 and (ii) the strengthening of compliance controls. The related remedial activities are now substantially completed.

Moreover, on 4 July 2016, the ECB started an inspection into the accuracy of the calculation of the BPM Group's financial position. In this case, the phase on-site of this inspection was completed in early October 2016, and on 10 October 2016 the preliminary and provisional results have been discussed with top management; on 18 May 2017, Banco BPM received the final follow-up letter containing the recommendations from the ECB. As the ECB prepared just one report in order to address outcomes stemming from three different inspections (two for former BPM and one for former Banco Popolare) the corresponding results are described in "*Recent Events of Banco BPM and the Banco BPM Group*".

Finally, between November 2016 and January 2017 the Bank of Italy conducted, upon 10 agencies of BPM s.c.a r.l and eventually BPM S.p.A., an inspection aimed at evaluating the compliance with Anti Money Laundering regulation. On 26 May 2017 the Bank of Italy sent to Banco BPM the feedback letter, highlighting few weaknesses regarding Know Your Client procedures, personal data registration, evaluation of suspect operations and employees training. A comprehensive remedial plan was sent on 26 July 2017 and the related activities, following the recent IT integration, are substantially completed and will be tested in the next weeks.

Legal Proceedings of the Banco Popolare Group

The main legal and administrative proceedings in which the Banco Popolare Group is involved are as follows.

Dispute pertaining to compound interest (Anatocismo)

As of 30 June 2017, 2,199 proceedings pertaining to compound interest (anatocismo) are pending for an overall amount of Euro 296,990,852.55.

Raffaele Viscardi S.r.l.

The lawsuit notified on 30 April 2009 and which has a *petitum* of approximately Euro 46 million, concerns the operations of a branch in Salerno relating to the grant of agricultural loans to the plaintiff company, which alleges that it was led to subscribe Banco Popolare's bonds to guarantee the sums disbursed and claims damages to its image due to reporting in the Italian Central Credit Register. On 5 May 2015, the Court of Salerno ruled in favour of Banco Popolare. An appeal was submitted by the counterparty.

Extraordinary Administration of Maflow S.p.A.

On 14 April 2014, Maflow S.p.A. ("**Maflow**"), formerly Man Automotive Components S.p.A., which is subject to the extraordinary administration procedure, filed a petition against Banco Popolare and several other persons requesting (i) compensation for the damages allegedly caused for a total of Euro 199 million on the grounds that Banco Popolare is responsible for Maflow's financial problems, and (ii) the refund of the amount allegedly received by Banco Popolare unlawfully from loans granted to Maflow from establishment to default. The allegations against Banco Popolare relate to the alleged exercise by Banco Popolare of significant influence over Maflow's affairs, having in particular the power to direct and coordinate the affairs

of Maflow. On 14 December 2016, the Court of Milan rejected the requests of Maflow and ordered the same to pay the legal expenses. An appeal was submitted against the ruling of the Court of first instance.

Giovanni Potenza

This dispute stems from relations between the former Istituto di Credito delle Casse di Risparmio Italiane ("**ICCRI**"), a company subsequently acquired by BPL, and a company called CRIA S.r.l. ("**CRIA**") and in relation to the renovation of a large building complex in Milan. In 1984, ICCRI granted various credit facilities, all secured with mortgages. The shareholder of CRIA at the time was Mr. Giovanni Potenza, who, due to economic difficulties being experienced by the company, agreed with ICCRI to transfer 87% of the company's shareholding to IMMOCRI S.p.A. (ICCRI's real estate company) by means of a shareholder's agreement. Following the sale of the real estate assets of CRIA to the Norman Group, Mr. Giovanni Potenza filed, starting on 22 November 2001, a series of lawsuits to demonstrate the damages incurred by the sale of said real estate assets by ICCRI and IMMOCRI at a price he considered inadequate, as well as to obtain the annulment of the settlement agreements between the Norman Group and ICCRI and the relative contract of sale of the assets.Pending the outcome of the civil court of first instance, the plaintiff also initiated criminal proceedings accusing officials of ICCRI and associated companies of extortion. The accusations were then dismissed by the Public Prosecutor's Office. On 25 May 2017, the Rome Court of Appeal delivered a judgment rejecting the appeal and confirming the logical and legal grounds of the ruling in the first instance.

The Ministry of Economy and Finance

On 17 July 2014, the Italian Tax Authority notified to Banco Popolare a report of notification (*verbale di contestazione*), for the alleged breach of the anti-money laundering law (Italian legislative Decree No. 231/2007) due to the failure to report a transaction retained as suspicious, following inspections conducted by the Italian Tax Authority (*Guardia di Finanza*). The alleged offences date back to 2009 and relate to the payment of 41 non-transferrable cashier's cheques for an amount equal to approximately Euro 10.1 million.

Fallimento Porta Vittoria S.p.A.

By a judgment published on 29 September 2016, the Court of Milan declared Porta Vittoria S.p.A. insolvent (*fallito*). By a judgment delivered on 22 March 2017 the delegated judge, in agreement with the insolvency official, recognised the debt in an amount equal to Euro 219,481,890, but subject to being subordinated (in accordance with Article 2497 *quinquies* of the Italian Civil Code) to the other creditors, and recognised the mortgage security but effective only as against the other subordinated creditors. The judge further recognised an unsecured claim in an amount of Euro 5.6 million. The court's decision was based on the assumption that Banco Popolare was able to exert a strong degree of control and influence over Porta Vittoria's operations by virtue of being lender under the financing agreement. Banco Popolare considers that the basis of the decision is flawed and has appealed requesting that it be allowed to prove in the insolvency on a non-subordinated basis on the basis that the bank did not exert any management or control influence over the company.

Ittierre S.p.A.

Ittierre S.p.A. was placed under extraordinary administration. By means of a summons, both BPL and the former BPN were requested to return, pursuant to Article 67 of the Royal Decree No. 267 of 16 March 1942, the total sum of approximately Euro 16.6 million for the principal creditor and Euro 4.9 million for the secondary creditor. An objection was raised by Banco Popolare as to the erroneous duplication of the request, which in reality referred to the same current account migrated from BPL to BPN following an exchange of branches. Furthermore, the grounds of the request were challenged, due to the imprecision of the same insofar as the counterparty had not specified which remittances were being disputed.

As regards the former BPN dispute, the judge is currently being replaced, as regards the other, a court-appointed expert witness in accounting admitted in September 2015, excluded the existence of revocable

remittances to return the amounts, which was a positive development for the outcome of the case, the final hearing for conclusions was scheduled for 14 April 2017 and then postponed until 24 October 2017.

In a separate proceeding, by means of a summons, both BPL and the former BPN were requested to return, pursuant to Article 67 of the Royal Decree No. 267 of 16 March 1942, the total sum of approximately Euro 30.9 million. A court-appointed expert witness in accounting found revocable remittances to return the amounts for only Euro 35,000, which was a positive development for the outcome of the case. The final hearing for conclusions is scheduled to take place in December 2017.

Impresa S.p.A.

Impresa S.p.A. was placed under extraordinary administration. A bank group, the economic interests of which the Issuer represents 8 per cent., has been ordered to appear before the Court of Rome, together with the company's directors, in relation to a claim for damages in the aggregate amount of 166.9 million. A hearing has been scheduled for October 2017.

Send S.r.l.

The current set of proceedings relating to Send S.r.l. arose from a loan granted to Send S.r.l. – a company that went bankrupt in 2009 – by a pool of banks headed by UniCredit for a total amount of approximately Euro 49.5 million, aimed at the construction of a shopping centre in Vicenza and guaranteed by a mortgage on such property. Banco Popolare's quota was equal to 28.80 % of the loan. The bankruptcy administration brought an action against the pool of banks requesting them to compensate, jointly and severally, damages allegedly caused, for an amount equal to the loan. In August 2015, the set of proceedings was interrupted for lack of jurisdiction and in November the receivership proceedings resumed before the Court of Venice, business section. The trial was adjourned with closing arguments to be presented at the hearing scheduled for October 2017.

Tikal S.r.l. / Release S.p.A.

On 5 April 2017 the insolvency proceeding relating to Tikal S.r.l. (in liquidation), being the tenant of the premises of the Hotel Cicerone of Rome, commenced proceedings against Release and Cicerone S. à r.l. (a company established under Luxembourg law which is part of the Coppola Group) in tortious damages in an aggregate amount of Euro 19.9 million for having not recognised the value of goodwill resulting in a reduced value of the business and for being required to forfeit the lease on the premises earlier than as provided under contract. The early forfeiture was a result of the termination of the leasing contract between Release S.p.A. and Cicerone S. à r.l. Banco BPM, having examined all available documents on a preliminary basis, considers that it has a solid defence to the claims made against it. At the request of Release S.p.A. following commencement of the proceedings, there shall be proven in the bankruptcy a claim for adequate compensation for occupation. This request was accepted by the Court of Milan, which recognised such debt, partially on a preferential basis.

Civil and criminal proceedings involving the bankruptcy of the companies being part of the Dimafin Group

Banco Popolare Group has been involved in certain civil proceedings brought by the bankruptcy administration, the previous members of the board of directors and the shareholders of the Dimafin Group, as well as in the criminal proceedings involving the insolvency of Dimafin S.p.A. ("**Dimafin**").

The Dimafin bankruptcy administration has asked to declare null and void the "termination agreement by mutual consent" related to the finance lease contract for the property located in Palazzo Sturzo in Rome. By virtue of the annulment request, the judge has been asked to declare that the original finance lease contract is fully in force and effective for the parties, therefore requiring the defendants to immediately make the property available again or, if this is not possible, to pay a corresponding amount in cash, as well as return all

instalments of the commercial lease received or to be received as of 1 July 2010. In a ruling dated 22 April 2013, the Court of Rome rejected the requests made by the Dimafin bankruptcy administration, ordering it to pay legal expenses. An appeal was submitted against the ruling of the Court of first instance.

In June 2015, Banco Popolare was summoned along with other defendants, by means of actions brought by the Dimafin Group bankruptcy administration, requesting compensation in respect of damages of approximately Euro 179 million, founded essentially on the alleged damages caused to the Dimafin Group as a consequence of the restructuring plans entered into by the Dimafin Group with the defendants.

In December 2016, the bankruptcy administrations brought an action against the pool of banks (including Banca Italease) which have funded the restructuring transaction, in order to obtain: (i) the revocation of the related acts under which Dimafin Group transferred its real estate properties to the Diaphora 1 Fund (managed by SGR Raetia); and (ii) a declaration of nullity of the mortgages granted in connection with the above. Such proceedings represented a resubmission of the lawsuits submitted by the same bankruptcy procedures in 2013. These were concluded in 2015 with a judgment confirming that the proceedings could not be continued due to the supervening winding-up of the Diaphora 1 Fund. The counterparty contends that the pool of banks acted unlawfully in order to be able to prove in the insolvency of Dimafin Group. On these basis of the above arguments, the plaintiffs claimed damages against the pool of banks in a total amount of Euro 88.5 million.

At the beginning of 2016, Banco Popolare was summoned along with other defendants by means of an autonomous action brought by Mr. Lucio Giulio Capasso (former sole director of the companies being part of the Dimafin Group), requesting compensation for damages of approximately Euro 3.7 million, founded essentially on the alleged damages caused to the Dimafin Group as a consequence of the restructuring plans entered into by the Dimafin Group with the defendants.

In March 2016, two companies being part of Banco Popolare Group were summoned along with 21 other defendants (mainly financial institutions), by means of an action brought by Mr Raffaele di Mario (former owner of the Dimafin Group), requesting for compensation of damages of approximately Euro 700 million, founded essentially on the alleged damages caused to the Dimafin Group and linked to its bankruptcy.

With regard to the criminal proceedings relating to the default of the Dimafin Group which is pending before the Court of Rome, the judge for the preliminary hearing committed the members of the Executive Committee and Board of Statutory Auditors of the former Banca Italease (in office as at January 2009 for trial). According to the plaintiff, the mortgage loan granted in 2009 by Banca Italease, in a pool with UniCredit and Cassa di Risparmio di Bolzano, to Raetia SGR S.p.A., is presumed to constitute the criminal provision of fraudulent and preferential bankruptcy.

On 20 June 2012, during the investigation, Banca Italease also received a preventive seizure notice for Euro 7.9 million, corresponding to the sum that is alleged to be preferential or groundless with relation to the said pool operation.

Furthermore, at the end of 2014, an additional summons was served to Banca Italease from the Diemme Costruzioni S.p.A. bankruptcy administration with regard to three mortgage loans entered into with the Gruppo di Mario (Dimafin and Dimatour) requesting to declare null and void an acquisition agreement for a real estate property located in Pomezia as well as to declare null the related to the finance lease contract, therefore requiring the defendants to pay the total amount equal to Euro 21.2 million. As a consequence of the transfer to Release of the going concern related to the mortgage loans, the Diemme Costruzioni S.p.A. bankruptcy administration summoned Release as third party. A hearing for conclusions was scheduled for 14 March 2019.

Inspections by the Supervisory Authority

On 21 December 2015 the ECB commenced an assessment of the bank's strategy, corporate governance, processes and methodologies relating to non-performing loans which as part of its general review of Italian and European banks, also involved Banco Popolare. Following this review no specific observations were made by the ECB in relation to Banco Popolare. The ECB published a draft Guidance to banks on non-performing loans, promoting a consultation on it. On 20 March 2017, the final Guidance following the consultation has been published, while on 21 July 2017 Banco BPM received the follow up letter related to the assessments conducted on the former BPM and the former Banco Popolare at the beginning of 2016. As the ECB prepared just one report in order to address outcomes stemming from two different inspections (one for former BPM and one for former Banco Popolare) the corresponding results are described in "*Recent Events of Banco BPM and the Banco BPM Group*".

On 16 May 2016, the ECB commenced an inspection of the bank's credit risk management, risk control procedures and the accuracy of the asset calculation methodologies of the Banco Popolare Group. The on-site phase of such inspection has been completed and the preliminary results of the same were discussed with Banco Popolare on 4 November 2016. As the ECB prepared just one report in order to address outcomes stemming from three different inspections (two for former BPM and one for former Banco Popolare), the corresponding results are described in the Banco BPM inspections' section.

Disputes with the Tax Authority

Banco Popolare, the companies that merged into Banco Popolare, the incorporated subsidiary companies and the subsidiary companies underwent various inspections by the Tax Authorities in 2017 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. Following such inspections, the Banco Popolare Group has been involved in numerous legal proceedings.

The potential liabilities relating to tax disputes underway that involve Banco Popolare and its subsidiaries amounted as of 30 June 2017 to Euro 351.5 million (compared to Euro 470.9 million as of 31 December 2016), of which potential tax liabilities for an amount of approximately Euro 313.5 million relate to notices of assessment, tax demands and payment notices and approximately Euro 38.0 million relate to formal reports on findings served or to be served to Banco Popolare. Such estimate of the potential liabilities relating to the mandatory payments and tax demands does not consider any interest (with exception of the assessments relating to year 2005 of the former Banca Popolare Italiana and for liabilities classified as likely), while the estimate of potential liabilities relating to formal reports on findings does not include interest or fines, insofar as they are not indicated in the latter document (with the exception of liabilities classified as likely).

Details of pending disputes as of 30 June 2017: The following is a description of the major pending tax disputes as of 30 June 2017 (whose potential liability is equal to or exceeds Euro 1 million):

A) Disputes relating to Banco Popolare

- Banco Popolare (formerly, 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 Euro 7.1 million. An appeal has been submitted for this tax demand. The Provincial Tax Commission partially admitted the appeal and declared that the fines requested were not due. The Regional Tax Commission confirmed the ruling of the court of first instance, therefore cancelling the tax claim relating to higher IRAP regarding the Tuscany Regional Authority. An appeal submitted to the Supreme Court is still pending.

- Banco Popolare (formerly, BPI): notice of settlement regarding registration tax relating to the reclassification of the disposal of a portfolio of securities made in 2002 between Cassa di Risparmio di Pisa S.p.A. and BPI as a business segment disposal. The claim amounts totalling approximately Euro 14.5 million (including interest and other charges). In a ruling dated 18 October 2011, the Regional Tax Commission of Florence fully upheld the appeal submitted by Banco Popolare. As of the date of this Base Prospectus, the relevant proceedings are still pending, awaiting the ruling of the Supreme Court.

- Banco Popolare (former BPI): notices of assessment relating to tax year 2005 regarding the claimed non-deductibility for IRES and IRAP purposes of costs and value adjustments to receivables relating to facts or actions classified as offences (it regards offence of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by BPI with relation to the attempted takeover of Banca Antonveneta). The claims amount to Euro 199.8 million (including interest and collection commission). In separate rulings filed on 15 October 2014, no. 8562 (IRES) and no. 8561 (IRAP), the Provincial Tax Commission of Milan, Section 22, fully rejected the appeals submitted by the Bank, although providing no reasons underlying its confirmation of the tax claim. We have appealed against the above ruling to the Regional Tax Commission of Lombardy. On 6 May 2015, the appeals lodged on 3 February 2015 were heard before the Milan Regional Tax Commission, section 2. By ruling no. 670 handed down on 19 May 2015, the Commission rejected the combined appeals submitted and confirmed the challenged rulings. An appeal has been submitted to the Supreme Court.

- Banco Popolare (formerly, BPI): notices of assessment served on 22 December 2014 relating to the formal report on findings dated 30 June 2011 for tax years 2006-2009. These notices also regard the claimed non-deductibility for IRES and IRAP purposes of costs retained as relating to facts or actions classified as offences. More specifically, they regard value adjustments on loans already disputed with reference to tax year 2005. Said value adjustments, although recognised by BPI in its financial statements for 2005, were deductible on a straight line basis over the following 18 financial years pursuant to the version in effect at the time of art. 106, paragraph three, of Italian Presidential Decree No. 917 of 22 December 1986. The notices of assessment services therefore dispute the claimed non-deductibility of the quotas of the above-cited adjustments on loans deducted in 2006, 2007, 2008 and 2009. The claims amount in total to Euro 15.8 million. An appeal was presented to the Provincial Tax Commission.

- Banco Popolare: notices of assessment and formal written notices of the sanctions relating to the finding regarding the failure to apply the withholding tax set forth in art. 26, paragraph 5 of Italian Presidential Decree 600/1973, to interest due on deposits made by foreign subsidiaries resident in the US State of Delaware relating to 2012, 2013, 2014 and 2015. The claims amount to Euro 33.5 million. These disputes are included in the out-of-court settlement made with the Tax Authority, which in 2016 resulted in the closure of similar disputes relating to other years and other incorporated companies without the application of any fine.

- Banco Popolare: notices of assessment served on 23 December 2014 disputing the tax deductibility of the loss on valuation of certain bond issues relating to 2009 for the former subsidiaries Banca Popolare di Lodi, Credito Bergamasco and Efibanca. The total claim amounts to Euro 58.4 million. The Provincial Tax Commission has upheld all of the appeals submitted, cancelling the notices of assessment. The Tax Authority has lodged an appeal.

- Banco Popolare (former Banca Italease): settlement notices to recover the mortgage and cadastral taxes on a loan stipulated in 2006. The claim amounts to a total of Euro 3.2 million. The appeal

submitted by Banca Italease was upheld in the first and second instance. An appeal submitted to the Supreme Court is still pending.

B) Disputes relating to other subsidiary companies are as follows:

- Bipielle Real Estate: notices of assessment regarding VAT and IRAP taxes for tax year 2005 served to Basileus S.r.l., (a subsidiary company sold in 2008, for which Bipielle Real Estate is fiscally liable for the years prior to the disposal). The claim amounts totalling approximately Euro 11.3 million. In January 2012, the ruling of the Provincial Tax Commission of Lodi was filed. The ruling annulled the notices of assessment issued against the company, ordering the Tax Authority to pay legal expenses. In a ruling issued in May 2013, the Regional Tax Commission of Milan, changing the ruling in the first instance, upheld the appeal submitted by the Tax Authority, confirming all of the claims. An appeal has been submitted before the Supreme Court.

- Aletti Fiduciaria: notice to recover taxes due by the fiduciary company pursuant to the personal liability of the shareholder under Article 36, Paragraph 3, of the Italian Presidential Decree no. 602/1973. The claim amounts totalling approximately Euro 7.9 million. The company's appeal was fully upheld in the first and second instance. In January 2013, the Tax Authority submitted an appeal to the Supreme Court which is still pending.

C) Potential disputes linked to the tax dispute regarding the claimed non-deductibility of costs relating to the attempted takeover of Banca Antonveneta by BPI:

The potential liability estimated for Banco Popolare relating to the year 2005 is equal to approximately Euro 199.8 million in addition to the potential liability estimated relating to the years 2006, 2007, 2008 and 2009 which is equal to approximately Euro 15.8 million (excluding interest and other charges).

As at 30 June 2017 in connection with such dispute there are credits as against the Tax Authority for Euro 201.9 million following payments made to it on a provisional basis. The amount paid is recorded in the balance sheet under "Other assets". It is not considered that such payments are liable to influence the outcome of the dispute, and its evaluation was undertaken in accordance with IAS 37: indeed, such payment is made on the basis of an automatic mechanism which is entirely independent of the merits or demerits of the related tax claims which will become known only following final judgment.

The above potential liabilities have also been evaluated in the light of unfavourable outcomes of both the initial proceedings and the first appeal.

From an examination of the reasoning and content of the judgment of the Regional Tax Commission it emerges that the decision of the Commission has no specific reasoning in relation to the specific facts of the case and instead is based on acceptance of the case made by the Tax Authority without giving any reasons for its not accepting the arguments of Banco Popolare in support of its appeal. On this basis, Banco Popolare decided to appeal the decision before the Supreme Court enabling it to re-present in court all the defence-related arguments concerning aspects of legitimacy which were not considered by the judges of first and second instance. On 18 December 2015, therefore, appeal was made to the Supreme Court.

The investigations undertaken have led on the one hand to a strengthened conviction of the bank that the Tax Authority's claim is not legitimate and as to the likelihood that the court will take a favourable view of the arguments in its defence of Banco Popolare before the Supreme Court, and on the other hand to the Board of Directors of Banco Popolare confirming the classification of the potential liability as possible but not probable.

In the light of the above considerations, no provision has been made in the 30 June 2017 balance sheet in relation to the potential liabilities in relation to this contentious matter.

D) Other potential tax liabilities:

As of 30 June 2017, the remaining potential tax liabilities linked to the disputes relating to Banco Popolare and disputes relating to other subsidiary companies totalled Euro 135.9 million.

With regard to all of the afore-mentioned disputes, as at 30 June 2017, tax credits amounting to Euro 15.8 million were due from the Tax Authority, following payments made provisionally. This amount is also recognised in the financial statements under "Other assets".

In the light of the successful outcomes in the courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the Tax Authority with regard to proceedings underway and also considering the specific opinions issued by authoritative external firms, the potential liabilities classified as possible but unlikely amount to a total of Euro 90.3 million.

The potential liabilities classified as probable amount in total to Euro 45.6 million and were fully debited from the income statement when the tax demands received were paid or are entirely covered by provisions allocated to the item "other provisions for risks and charges – other".

Tax inspections

As of the date of 30 June 2017, an inspection into Banco Popolare, regarding IRES, IRAP and VAT for fiscal years 2013, 2014 and 2015 (up to 15 September) is still pending. The inspection, which started on 16 September 2015 by the Veneto regional headquarters of the Inland Revenue, was extended:

- on 21 September 2015, to tax years 2010 (a year that incidentally had already been the subject of an inspection by the Tax Authority), 2011 and 2012;
- on 16 February 2016, to tax years 2010, 2011 and 2012 relating to the incorporated Banca Italease;
- on 15 March 2016, it was extended to 31 December 2015.

Inspections are continuously monitored by Banco Popolare personnel. The findings contained in the daily inspection reports mostly regard the previously-mentioned allegations of the failure to apply the withholding tax set forth in art. 26, paragraph 5 of Italian Presidential Decree 600/1973, to interest due on deposits made by foreign subsidiaries resident in the US State of Delaware. These findings have been carefully examined and in line with the assessments already made as regards similar liabilities relating to assessment notices already received, the relative potential likely liabilities are covered by specific provisions.

LICENSES AND TRADEMARKS

The only licenses or trademarks registered for the Banco BPM Group are (i) the trademarks and logos relating to BPM and other companies of the BPM Group and to the BPM Group's products, including WeBank, and (ii) the trademarks and logos relating to Banco Popolare and other companies of the Banco Popolare Group.

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 to manage risks in comprehensive and integrated way. The RAF is deemed as a strategic tool to define in advance how much risk the bank 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 extremely important role in managing the bank in a sound and prudent way.

The RAF represents the framework which sets out, in line with maximum permissible risks, the business model and strategic plan, attitude to risk, tolerance thresholds, risk 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 of overseeing the processes required to identify, quantify, monitor and manage the risks to which the Banco BPM Group is or may be exposed, in line with the strategies and policies of the Banco BPM Group's corporate bodies.

In pursuance of the principal risk management 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, comprehensive system of values and business incentives and suitably effective and efficient organisational model, aiming at 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 relating to enable the risk control and management will be active as a unitary system upon completing the migration to the IT systems of the Banco BPM Group.

RECENT EVENTS OF BANCO BPM THE BANCO BPM GROUP

Events concerning Banco BPM

Sale without recourse of Euro 641 million of bad loans

On 20 January 2017, Banco BPM effected the sale without recourse of a portfolio of unsecured bad loans. The disposed portfolio includes about 1,800 positions for a total nominal value of about Euro 641 million, with no negative effect in the profits and losses of Banco BPM. The disposal was effected pursuant to Law 130/99 and resulted in the actual and irrevocable transfer of credit risk associated with the sold loans away from the Banco BPM Group. The portfolio was purchased by Marte SPV.

Supervisory Review and Evaluation Process ("SREP") – Banco BPM

The outcome of the annual Supervisory Review and Evaluation Process (SREP) undertaken by the ECB under the Single European Supervision, pursuant to Article 97 of Directive 2013/36/EU, in relation to Banco BPM was notified by the ECB on 24 February 2017, following completion of the Merger itself.

Based on the individual assessments of the two predecessors of Banco BPM (Banco Popolare and BPM) and on all the relevant information on the two predecessors of Banco BPM received since then (notably information related to the authorisation processes as well as any other information relevant for the supervisory review and evaluation process gathered in the course of 2016) the ECB requires Banco BPM to maintain on a consolidated basis, for the year 2017: (i) an 8.15% Common Equity Tier 1 ratio, pursuant to the transitional criteria in place for the year 2017; (ii) a 10.40% Total SREP Capital requirement, pursuant to the transitional criteria in place for the year 2017; and (iii) an 11.65% Total Capital ratio.

The Banco BPM Group satisfied these prudential requirements, with a Common Equity Tier 1 ratio as at 30 June 2017 of 11.07% at phase-in level (10.40% fully-phased) and a Total Capital ratio equal to 13.43 % at phase-in level. (Pursuant to art. 26, paragraph 2, of Regulation EU no. 575/2013 of 26 June 2013 ("**CRR**"), year-end profits may be included in Common Equity Tier 1 Capital (CET1) only with the prior permission of the competent authority (ECB), which requires profits to be verified by the auditing firm. Pending the completion of the authorisation process, the capital ratios shown herein have been calculated by including the full H1 2017 net income in CET1.

Legislative reforms on popular banks

Legislative Decree 3/2015 "*Urgent measures for the banking system and investments*" (the "**Decree**") published in the *Official Gazzette* on 24 January 2015, converted into Law No. 33 of 24 March 2015, came into force on 27 June 2015. The Decree has introduced a number of important changes for popular banks. In particular, popular banks with assets in excess of Euro 8 billion (including BPM and Banco Popolare) have had a period of 18 months from 27 June 2015 to either reduce their assets to below such threshold or convert into a joint stock company. The Decree also has introduced restriction on shareholders' right to redemption in case of withdrawal following the bank's conversion into a joint stock company.

Cash tender offer for the buy-back of subordinated notes (originally issued by Banco Popolare)

On 16 March 2017 Banco BPM announced its intention to launch a voluntary cash tender offer for the buy-back of the "Banco BPM S.p.A. Serie 359 Obbligazioni Subordinate Lower Tier II a Tasso Fisso con ammortamento periodico, 18.11.2013-18.11.2020" (ISIN IT0004966823) originally issued by Banco Popolare and listed on the *Mercato Telematico delle Obbligazioni* ("**MOT**") of Borsa Italiana (the "**Existing Tier 2 Notes**"), having an overall nominal amount outstanding on such date equal to Euro 639,914,400. The tender offer was aimed at the rationalisation and optimisation of the funding originally accounted for as Tier 2 by the Issuer, also taking into consideration the applicable regulatory framework. The aggregate nominal amount of the Existing Tier 2 Notes validly tendered during the offering period (as extended) (being 20 March 2017 to 14 April 2017) and accepted for purchase by Banco BPM was equal to Euro 199,725,600, corresponding to 31.21% of the overall nominal amount outstanding of the Existing Tier 2 Notes. The purchase by Banco BPM of such Existing Tier 2 Notes took effect on 19 April 2017.

Proceeding by the AGCM

At the end of April 2017, the Italian Antitrust Authority ("**AGCM**"") notified Banco BPM, as universal successor to Banco Popolare (as well as to another bank) the extension of the proceeding started In January 2017 toward Intermarket Diamond Business S.p.A. and IDB Intermediazioni S.r.l., with a simultaneous request for information. The proceeding is intended to ascertain the occurrence of an alleged incorrect commercial practice in relation to the purchase of diamonds through the banking channel and, toward the mentioned specialised companies, of an alleged violation of consumers' right of withdrawal and the ambiguous wording of the provisions regarding on the competent Court in the event of a dispute. The proceeding is pending at the date of this Base Prospectus.

Cash tender offer for the buy-back of notes (originally issued by BPM, Banca di Legnano and Cassa di Risparmio di Alessandria)

On 11 May 2017 Banco BPM announced its intention to launch a voluntary cash tender offer for the buy-back of certain series of notes originally issued by BPM, Banca di Legnano and Cassa di Risparmio di Alessandria (the "**Existing Notes**"), distributed to retail clients up to a nominal maximum buyback amount equal to Euro 200,000,000. The offer was made on the terms and the conditions set forth in the relevant offer memorandum. The Existing Notes that are held by either Banco BPM or other companies belonging to the Banco BPM Group are not subject to the offer. Pursuant to the combined provisions of article 101-*bis*, paragraph 3-*bis*, of the Legislative Decree No. 58/1998, and article 35-*bis*, paragraph 4, of the CONSOB Regulation No. 11971/1999, the offer is exempt from the application of the rules governing public tender offers and exchange offers, as set forth in the aforementioned rules. The offering period began on 12 May 2017 (inclusive) at 9.30 a.m., and will end on 9 June 2017 (inclusive), at 4.00 p.m., unless an early termination, an extension, or a reopening of the offer takes place. The Existing Notes that will be validly tendered and accepted under the offer will be purchased by Banco BPM subject to the terms and conditions set forth in the relevant offer memorandum at the purchase price set out for each series of Existing Notes. Where Existing Notes are tendered and accepted under the offer, their holders will receive consideration in the amount equal to the sum of (A) (i) the repurchase price for the relevant series of Existing Notes set forth in the table above and in the

relevant offer memorandum, multiplied by (ii) the aggregate nominal amount of the Existing Notes of the relevant series tendered for acceptance under the offer, and settled by the offeror (plus, where relevant, the repurchase price due in relation to any other series of Existing Notes tendered and accepted under the offer by the same investor, calculated using the method stated above); and (B) (i) the interest accrued on each Existing Note tendered and repurchased by the offeror under the offer, calculated for the period starting from the most recent interest payment date for the relevant series of Existing Notes (inclusive), to the payment date established under the offer (exclusive), multiplied by (ii) the aggregate nominal amount of the Existing Notes of the relevant series tendered for acceptance under the offer, and settled by the offeror. The payment date under the offer will be (unless the offer is extended or reopened) 14 June 2017 including in the event of the early termination of the offering period. In the event that the offering period is extended or the offer reopened, the offeror will set a specific payment date for settlement of the tenders received in the course of such extension or reopening of the offer, following termination of the offering period, as originally established. Such payment date will be made public through the announcement, whereby the offeror will communicate its intention to exercise the right to extend or reopen the offering period. In the event that the nominal amount of the Existing Notes validly tendered exceeds Euro 200,000,000, the offeror will be in any case entitled to proceed with the purchase of the Existing Notes validly tendered, even if exceeding the cap. The offer will be made in Italy, to the express exclusion of the United States of America, Canada, Japan and Australia, and of any other State in which the offer is not permitted in the absence of the authorisation from relevant authorities.

Resolution of Banco BPM to limit partially the reimbursement of the shares for which the right of withdrawal has been exercised

On 11 May 2017, the Board of Directors of Banco BPM resolved to limit partially the reimbursement of the shares for which the right of withdrawal has been exercised following the Merger. In particular, the Board of Directors – having noted that, as a result of the option and pre-emptive offer in favour of the members and shareholders of Banco Popolare and BPM and of the offer on the MTA, carried out in accordance with Article 2437-*quarter*, paragraphs from 1 to 4, of the Italian Civil Code, the Residual Shares have an aggregate amount of approximately Euro 205,626,175 – resolved to limit the reimbursement of the Residual Shares to the total amount of Euro 14,571,850.27 (the "**Amount for the Reimbursement**"), to be used in order to purchase a part of the abovementioned Residual Shares pursuant to Article 2437-*quarter*, paragraph 5, of the Italian Civil Code. In accordance with the relevant law and the criteria set out in the reports (relazioni illustrative) of Banco Popolare and BPM made available to the shareholders prior to the respective shareholders' meetings called to approve the Merger, the decision to limit partially the reimbursement of the Residual Shares has been taken by comparing the fully loaded CET1 ratio of Banco BPM on 31 March 2017, as adjusted in order to take into account further non-recurring charges estimated in the exercise to pursue the 2016-2019 Strategic Plan objectives and a minimum floor, equal to 10.88%, determined taking into consideration the average between the fully loaded CET1 ratio values of a representative sample of the major European banks (source EBA) and the CET1 ratio for 2017 required by the ECB within the SREP process concerning Banco BPM. The partial reimbursement of the Residual Shares may be performed only upon condition of obtaining from the required authorisation for the reduction of own funds from the ECB, pursuant to Articles 77 and 78 of the Capital Requirements Regulation and to the applicable provisions set in Chapter IV, Section 2, of the Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014.

In the event that the abovementioned authorisation of the ECB is granted, the Amount for the Reimbursement will be allocated amongst the former members and shareholders of Banco Popolare and BPM that have exercised the right of withdrawal on the basis of the "Relative Contributions" agreed in the context of the Merger, according to the provisions set out in paragraph 11.2.3 of the abovementioned reports and, therefore, as follows (without prejudice to the due or appropriate rounding): (i) the Amount for the Reimbursement will be allocated for 54.626% to the partial reimbursement of the former members and shareholders of Banco

Popolare that have exercised the right of withdrawal (in favour of which an amount equal to Euro 7,960,018.93 will therefore be allocated) and for 45.374% to the partial reimbursement of the former members and shareholders of BPM that have exercised the right of withdrawal (in favour of which an amount equal to Euro 6,611,831.34 will therefore be allocated); (ii) the amounts calculated pursuant to the previous point (i) will be used to reimburse only a part of the Residual Shares, which will be calculated dividing (a) the amount available to the former members and shareholders of Banco Popolare that have exercised the right of withdrawal and to the former members and shareholders of BPM that have exercised the right of withdrawal, respectively, by (b) the withdrawal price applicable to each of these two groups of members and shareholders (Euro 3.156 for the former members and shareholders of Banco Popolare and, taking into account the exchange ratio of the Merger, Euro 3.1406 for the former members and shareholders of BPM).

Therefore, without prejudice to the reimbursement of the shares in respect of which the right of withdrawal has been exercised and which have been purchased during the option and pre-emptive offer already carried out and without prejudice also to rounding – Banco BPM, subject to the required authorisations, will reimburse, by means of the Amount for the Reimbursement, a total amount of 4,627,461 Residual Shares, of which (i) 2,522,185 Residual Shares resulting from the exercise of the right of withdrawal by the former members and shareholders of Banco Popolare (representing 6.68% of the shares of Banco Popolare for which the right of withdrawal has been exercised) and (ii) 2,105,276 Residual Shares resulting from the exercise of the right of withdrawal by the former members and shareholders of BPM (representing 7.50% of the shares of BPM for which the right of withdrawal has been exercised).

The Residual Shares that will not be reimbursed pursuant to the above will be made available to the members and shareholders that have exercised the right of withdrawal as soon as possible, thereby releasing the unavailability restriction currently in force pursuant to Article 2437-bis, paragraph 2, of the Italian Civil Code.

Banco BPM has also scheduled to perform the settlement of the sale and purchase of (i) 178,859 Banco BPM shares, resulting from the exchange of Banco Popolare shares subject to withdrawal, with respect to which the option and the pre-emptive rights have been exercised during the option and pre-emptive offer made by Banco Popolare from 25 November 2016 to 27 December 2016 and (ii) 343,800 Banco BPM shares, resulting from the exchange of the BPM shares subject to withdrawal, with respect to which the option and the pre-emptive rights have been exercised during the option and pre-emptive offer made by BPM from 25 November 2016 to 27 December 2016. The payment of the purchased shares and the assignment of the shares in favor of the purchasers will take place, by end May 2017, through Monte Titoli and the respective intermediaries.

At the same time, Banco BPM is due to liquidate and settle in cash, in favour of the withdrawing members and shareholders, the aforementioned shares with respect to which the option and the pre-emptive rights have been exercised, by allocating (and deducting) those shares among the withdrawing members and shareholders of Banco Popolare and BPM in proportion to the respective number of shares for which the right of withdrawal has been exercised (with the outcome of such calculation to be rounded down to the nearest whole number and allocation of the shares that are not assigned on completion of the procedure, among withdrawing shareholders to be determined on the basis of the criterion of the largest remainder).

Sale without recourse of approximately Euro 693 million of bad loans

On 13 June 2017, the Board of Directors of Banco BPM approved the sale without recourse of a portfolio of secured bad loans (the so-called "Project Rainbow" portfolio) with a gross total nominal value of approximately Euro 693 million as at 31 March 2017. The sale was set to be finalised by 30 June 2017, after signing the agreement with a SPV of Algebris, one of the most active financial institutions in the NPL sector. The deal is aimed to raise the total bad loans sale volume since the beginning of 2016 to about Euro 2.5 billion (Euro 2.7 billion when adding the "single name" disposals in the pipeline pending completion), that are part of the de-risking programme included in the 2016-2019 Strategic Plan, providing for the sale of Euro

8 billion NPLs by 2019. The composition (entirely secured by mortgages) and the size of the portfolio make this transaction stand out on the Italian NPL market; moreover, the valuation assigned to the sold loans is well above that envisaged under the Strategic Plan. The portfolio under disposal, made up of loans backed by commercial, tourism/hotel and residential property, shows a balanced distribution in terms of single asset valuations. The deal was reached at the end of a competitive bidding process with the participation of roughly 30 international investors.

Banco BPM launches a strategic reorganisation process in the Bancassurance Sector - Agreements with Gruppo Unipol and Gruppo Aviva terminated

On 30 June 2017, in line with its Strategic Plan and in light of the natural expiration of the former Banco Popolare Group's partnerships with the Unipol Group for the Life business ("Life JV") and with the Aviva Group for the protection business ("Protection JV"), respectively, the Banco BPM Group has started a global process to rationalize its product factories. The expiration of the term to revoke the Bancassurance agreements of the former Banco Popolare Group on 30 June 2017 offered the opportunity to review the rationale underlying such partnerships with our current partners, Unipol for the life business (Life JV) and Aviva for the protection business (Protection JV.)

Such discussions led to the decision to terminate both partnerships. The termination of the two partnerships (which in both cases is triggered by the cancellation of the distribution agreements, expiring on 31 December 2017) offers Banco BPM the opportunity to launch a new strategic process aimed at identifying a new strategic setup in the Bancassurance sector, in line with the Banco BPM Group's goals in terms of business development in the insurance sector and achievement of efficiency gains, with ongoing attention to customers. As part of the outlined process, primary insurance companies have expressed their interest in evaluating such partnership with Banco BPM.

On 29 June 2017, the Board of Directors of Banco BPM acknowledged the termination by Popolare Vita of the distribution agreement with the former Banco Popolare network.

Popolare Vita is the insurance company dedicated to the Life JV between Gruppo Unipol, which owns 50%+1 of Popolare Vita's shares through UnipolSai Assicurazioni, and Banco BPM Group, which holds the remaining share capital. Popolare Vita owns 100% of the share capital of The Lawrence Life Dac, an Irish-based life-insurance company. In 2016, the two companies collected roughly Euro 2.1 billion of GWP, with total technical reserves of about Euro 10.3 billion.

Also on 29 June 2017, Unipolsai Assicurazioni announced the exercise of the put option on its stake in Popolare Vita versus Banco BPM; such exercise is based on the terms of the shareholders' agreement entered on 7 September 2007 by the former Banco Popolare (now Banco BPM) and Fondiaria - Sai (now UnipolSai Assicurazioni). Under this agreement, the purchase price will be defined through a regulated procedure, which, among other, foresees that two independent experts (an investment bank or an international accounting firm, and an actuarial firm) will be selected from a shortlist of candidates to define the strike price, based on agreed methodologies. The parties may, instead, agree on a mutually shared valuation, thereby avoiding such process.

On 29 June 2017, the Board of Directors of Banco BPM also approved and communicated to Avipop Assicurazioni and Avipop Vita the termination of the distribution agreements.

Avipop Assicurazioni is an insurance company dedicated to the Protection JV between Gruppo Aviva, which owns 50%+1 of Avipop Assicurazioni's shares through Aviva Italia Holding, and Banco BPM Group, which holds the remaining share capital. In 2016, Avipop Assicurazioni collected GWP for Euro 77 million, and the company owns 100% of the share capital of Avipop Vita, a life-insurance company, whose GWP in 2016 amounted to Euro 92.4 million.

Under the shareholders' agreement entered on 14 December 2007 by the former Banco Popolare and Aviva, Aviva has the right to exercise a put option over the entire stake held in Avipop Assicurazioni. As for the partnership in the life business, the agreements require that the price will be defined on the basis of agreed criteria and methodologies by two independent experts (an investment bank or an international accounting firm, and an actuarial firm) selected from a shortlist of candidates. Also in this case, the parties may, however, agree on a mutually shared valuation and avoid such process. The transfer of the shares, following the exercise of the above-mentioned put options, is subject to the standard authorisations by the competent authorities.

The impact on the Banco BPM capital position, once the entire Bancassurance reorganisation process is completed, will, on one hand, depend on the prices that shall be determined for the exercise of the put options with our current partners and, on the other hand, by the price recognised by the new strategic partner/s that will be selected for the new Bancassurance agreements. Based on the bank's preliminary estimates and on the current discussions ongoing with interested parties, and in the light also of the levers available to set up the new partnerships, as things stand, the overall impact on the Banco BPM Group's capital ratios upon completion of the rationalisation process is expected to be not significant.*Sale of Aletti Gestielle SGR to Anima Holding*

On 4 August 2017, Banco BPM signed a binding Memorandum of Understanding to sell 100% of Aletti Gestielle SGR's capital to Anima Holding. The agreed transaction price has been set at Euro 700 million, to be fully paid in cash at the closing, plus a deferred amount to be paid in 180 days after the closing, corresponding to the extra net equity and net income for the period accrued up to the closing, which indicatively has been estimated to add up to approx. € 250 million. The sale of the stake in Aletti Gestielle SGR will generate a capital gain for Banco BPM of approximately 700 million, gross of tax effect. The Issuer estimates that the recognition of the capital gain, including also the pro-rated subscription of the capital increase of Anima Holding up to the agreed maximum ceiling, will increase the fully-loaded CET1 ratio by 91 bps on which basis the pro-forma fully-loaded CET1 ratio would be 11.3% as at 30 June 2017. Moreover, the groundwork was laid to launch a project that may further expand the scope of the partnership, through the transfer to Gruppo Anima of the insurance sub-advised managed assets currently managed by Banca Aletti on behalf of certain insurance joint-ventures of which Banco BPM is currently a partner. The transfer of these sub-advised managed assets presupposes the positive closing of a separate negotiation of the transfer terms and conditions between the parties: should the project be implemented, it would in any case contribute about 11-billion-euro worth of mandates to Gruppo Anima (via Aletti Gestielle SGR), which based on current measurements reflect an additional amount of € 150 million. Based on the agreement, the strategic partnership between Banco BPM and Anima and the associated product distribution agreements are applicable across the entire scope of Gruppo Banco BPM for 20 years after the closing. The binding Memorandum of Understanding provides for the final agreements on the sale of Aletti Gestielle SGR to be signed as soon as possible, with the aim of closing by 31 December 2017, the date by which the binding agreements in relation to the transfer of sub-advised managed assets could also be signed. The transaction, which was approved on 4 August 2017 by the Boards of Directors of Banco BPM and Anima, is subject to certain conditions precedent (including approvals by regulatory authorities). Banco BPM will still hold a significant share in Anima Holding and has undertaken to subscribe - on a pro-rata basis - a possible capital increase by Anima Holding, of a total maximum amount estimated at Euro 300 million, to fund the transaction, which will allow Banco BPM to maintain a significant presence within the Asset Management sector. The agreement is expected to maximize the potential of Banco BPM's sales network, leveraging the capabilities and resources of Aletti Gestielle SGR and Anima SGR, maximizing synergies while avoiding overlaps.

In addition to generating a significant capital strengthening, the transaction brings with it also a strategic add-on from an industrial perspective, as it may represent a key steppingstone to the creation of a national asset management hub. Banco BPM will gain significant benefits from a commercial point of view, in terms of

expansion of its product range and rebates to the distribution networks, and in terms of support to its assets-under-management growth strategy. At the same time, through the stake held in Anima Holding and its expected value creation, Banco BPM expects the transaction to make a solid contribution to the Group's future profitability. The above described sale represents a transaction with related parties pursuant to Consob's Resolution no. 17221/10 (the "**Consob RPT Regulation**") and to corporate rules adopted by the Bank (the "**Banco BPM Procedure**"), as Anima Holding, according to the above regulations, is considered a company over which Banco BPM exercises a significant influence. In this regard, it should be noted that – under the above-mentioned regulations and company rules – the sale may be eligible to qualify as a "major transaction"; however, as it is a transaction with an "associate", and since Anima Holding holds no significant interest in other related parties of Banco BPM, the exemptions provided for under the Consob RPT Regulation and under the Banco BPM Procedure could be applied, without prejudice to the obligation to provide the required information on the deal in compliance with applicable regulations.

Inspections by Supervisory Authority

As regards the non-performing loans Banco BPM, in the context of the grant of the banking licence by the ECB, has been requested to send the ECB a plan relating to the reduction of such loan positions and to update the Authority of the progress of the implementation of such plan on a quarterly basis. Such implementation plan is been complied on schedule, and the ECB has been updated accordingly.Moreover, the ECB in the assessment letter sent on 21 July 2017 recognised that the bank made improvements with respect to enhancing its operational capabilities, yet needs to continue to improve both work out and restructuring given the large volume of NPLs; shortcoming and weaknesses identified were mainly addressed in the outcomes of the OSIs related to credit risk (see below); further residual actions will be completed, according to supervisory expectations, within 2017.

On 18 May 2017, the ECB sent Banco BPM a letter containing recommendations on the actions that the Supervisory Body expects to be made by Banco BPM in relation to the findings made on the outcome of the inspections concerning the two former banks during 2016, i.e.: *Credit and counterparty risk management and risk control system-Capital position calculation adequacy* for former Banco Popolare, and *Capital position calculation adequacy as well as Credit and Counterparty Credit Risk* for former BPM.

As per the Credit related matters, the recommendations regarded several weaknesses and areas of improvement found about governance, internal control system, management processes, credit monitoring, classification and rating of the two previous banks.The various assessments made by the ECB's inspection teams in relation to exposures subject to "quantitative findings" have been closely scrutinised since the preparation of the financial statements at 31 December 2016 of the two Banco BPM mergers originated. These exposures have been carefully monitored during the first half of the year. All new information and events occurring during the first half of the year have been duly taken into account in updating the valuations made for the preparation of the half-yearly financial report. The ECB also expressed qualitative recommendations on the processes adopted by previous banks in the classification and valuation of loans. In response to these recommendations, Banco BPM has set up a specific action plan aimed to achieve the corrective actions required by the Supervisory Body that has already been submitted to ECB and is currently being implemented. The completion and operational implementation of such actions are well on track, and are expected by the current year.

In the light of the foregoing, it is worth mentioning that the implementation of the corrective actions recommended and at the date not yet realised, may involve changes in procedures and policies regarding loan classification and measurement, including any new monitoring criteria or different methods, parameters or assumptions in the process of estimating the recoverable value of credit exposures as best explained in the paragraph "Uncertainties with regard to the use of estimates for drawing up the consolidated condensed interim financial statements" of the Consolidated interim Report as at 30 June 2017. As per the Capital

position calculation adequacy, the recommendations regarded some residual improvements related to policies and procedures upon monitoring on reciprocal holdings and controls on purchase of capital instruments.

On 16 June 2017 the ECB, following the Bank's application, communicated the start of an internal model investigation, regarding Banco BPM S.p.A. and BPM S.p.A., aimed to assess the approval of internal models roll-out plan related to credit risk and connected extension to the subsidiary; on 23 June 2017, the related investigation commenced, and at the date of this Base Prospectus the investigation phase is still on course.

ECB has granted the authorisation to include half-year profits in Banco BPM Group CET1 capital

On 19 August 2017, Banco BPM received from the ECB the authorisation to include the entire amount of half-year net consolidated profits in CET1 capital, thus confirming the CET1 ratio phase-in of 11.07% and the CET1 ratio fully loaded of 10.40% (11.31% Pro-forma including the positive effect arising from the agreement to sell Aletti Gestielle SGR to Anima Holding), as previously disclosed to the market on 4 August 2017.

The issuance of the aforesaid authorisation terminates the procedure related to the inclusion in Banco BPM's CET1 capital of the portion of interim profits arising from the recognition of the badwill resulting from the merger between Banco Popolare and BPM, which − following the conclusion of the Purchase Price Allocation process ("**PPA**") required by IFRS 3 – amounts to EUR 3,076.1 million.

In particular, ECB has granted the authorisation to include the 1st half 2017 interim profits in CET1 capital in the total amount of EUR 3,205.3 million, of which: (i) EUR 2,684.1 million, on 26 July 2017, related to the 1st quarter 2017, considering also the preliminary nature of the PPA as at the date of the approval of the results at 31 March 2017 (thus comparing the capital ratios published in the press release on 11 May 2017, which were computed including the entire amount of 1st quarter 2017 interim profits, the Banco BPM capital ratios at 31 March 2017 are equal to: CET1 ratio phase-in of 10.68% and the CET1 ratio fully loaded of 10.07%); (ii) EUR 521.2 million, in today's date, related to the 2nd quarter 2017, thus confirming the capital ratios at 30 June 2017, already disclosed to the market on 4 August 2017.

Aviva exercises put option on stake in Avipop Assicurazioni

On 25 August 2017 Aviva notified Banco BPM of the exercise of the put option on the entire stake held in Avipop Assicurazioni. The exercise of the put option follows the non-renewal of the distribution agreement with Avipop Assicurazioni and Avipop Vita announced by the Bank to the market on 30 June 2017 (for more details on the reorganisation of the bancassurance sector and the put option refer above - *Banco BPM launches a strategic reorganisation process in the Bancassurance Sector - Agreements with Gruppo Unipol and Gruppo Aviva terminated*).***Events concerning BPM since 1 January 2016 and prior to the Merger***

Participation of BPM in the "Atlante" Project

On 15 April 2016, the Management Board of BPM gave a mandate to the CEO to formulate a binding commitment, for a maximum contribution of up to Euro 100 million, to the alternative closed-end investment fund called "Atlante", created and managed by Quaestio Capital Management SGR S.p.A. for providing support to banks with a critical management of non-performing loans and a back stop facility in the context of capital increases.

Sale of Anima Holding S.p.A.

In the context of the acquisition by Poste Italiane S.p.A. from Banca Monte dei Paschi di Siena S.p.A its 10.3% participation in Anima Holding S.p.A. ("Anima"), which acquisition was completed on 25 June 2015, BPM has undertaken: (i) to sell, within 12 months from completion of the acquisition, to third parties that are not connected with BPM and/or Poste Italiane S.p.A. shares held in Anima that are in excess of the threshold established by Article 106 of the Italian Finance Act for the launch of compulsory takeover bids; and (ii) not

to exercise the voting rights in relation to such shares, unless CONSOB confirms the absence of an obligation to launch a compulsory takeover bid on all shares of Anima, in which case the aforementioned undertaking shall become automatically void. The parties have submitted a request for clarification from CONSOB in this connection.

On 16 June 2016, CONSOB communicated to BPM that, pursuant to Article 106, Paragraph 1-bis of the Italian Finance Act, the threshold applicable to the takeover bid of Animashares was 25% of its entire share capital. On 27 June 2016, BPM complied with the commitment to sell its shareholding in Anima in excess (considering the shareholding of Poste Italiane S.p.A.) of the threshold set forth in Article 106 of the Italian Finance Act. The transaction had a positive impact on the BPM's Common Equity Tier 1 phase-in and fully phased ratio of 7 basis points and 3 basis points, respectively.As at the date of this Base Prospectus, Banco BPM's total interests in Anima amounts to 14.67%.

Events concerning Banco Popolare since 1 January 2016 and prior to the Merger

Inspections by CONSOB

On conclusion of an inspection, CONSOB, in resolution No. 19368 dated 17 September 2015, notified on 26 January 2016, resolved to apply administrative fines, totalling Euro 261,500 to several representatives of Banco Popolare and, as jointly liable, to the company itself, for alleged violations of Article 21 of the Italian Finance Act, with specific regard to the obligation to act with diligence, correctness and transparency, to best serve the interests of its customers, the obligation to adopt all reasonable measures to identify conflicts of interest and to manage the same in order to avoid them having a negative influence on the interests of the customer and the obligation to implement procedures that are able to ensure the correct provision of investment services. The Board of Directors of Banco Popolare resolved to file an appeal to the local Court of Appeal to revoke the provision and return the fines paid in the meantime by the Banco Popolare's representatives. CONSOB appeared before the court as the opposing party, requesting the rejection of the appeal. In an order dated 7 October 2016, the Court of Appeal invited the appellants (Banco Popolare and the company representatives) to summarise in a brief the reasons for the opposition in question stated in the appeal per *relationem*. To this end, the appellants were given until 15 November 2016 to respond and CONSOB was given until 15 December 2016 to respond. Following the submission of the respective briefs by the appellants and by CONSOB, on 12 January 2017, a hearing for discussion was held, after which the Court decided to take the case under advisement.

Agreements relating to employees

Given the positive outcome of the process of voluntary adherence to pension plans and for access to the Solidarity Fund, with a view to rebalance the numbers of employees in terms of professional areas and middle management (*quadri direttivi*), as set forth in the agreement dated 3 November 2015, in January 2016, it was agreed with the Trade Unions to extend the maximum number of employees able to leave Banco Popolare, regarding exclusively workers with a right to work overtime.

The total number of employees expected to leave the bank, also based on such extension, is four hundred. The total estimated expense of this commitment was recorded in the balance sheet and income statement as at 31 December 2015.

The transfer of Banco Popolare Luxembourg S.A. to Banque Havilland S.A. has been completed

On 29 February 2016, the transfer of the entire share capital of Banco Popolare Luxembourg S.A. to Banque Havilland S.A. has been completed.

The preliminary price for transfer amounted to around Euro 21.5 million and will be adjusted to take account of the profit in the process of being formed until 29 February 2016. In accordance with the agreements

between the parties, Banco Popolare Luxembourg S.A. – prior to the completion of the transaction – has distributed available reserves and repaid the principal to the shareholder Banco Popolare for a total amount of Euro 55 million.

The transaction does not cover the transfer of the stake in Aletti Suisse which was transferred to Banca Aletti S.p.A. on 4 January 2016 or the risks and benefits relating to the portfolio of receivables of Banco Popolare Luxembourg S.A. which remain with Banco Popolare.

The transaction did not entail any significant impact on Banco Popolare either from an economic or financial point of view in respect of the position of the Banco Popolare as at 31 December 2015.

The transaction, in line with the strategic priorities of the Banco Popolare Group, allows Banco Popolare to continue to focus on the domestic banking core business. At the same time, the transaction provides the possibility for the private and institutional clients of Banco Popolare to keep active their investment and deposit relations within a framework of service continuity in Luxembourg.

Merger by incorporation of Tiepolo Finance 2 S.r.l. into Banco Popolare: signing of the deed of merger

On 31 March 2016, Banco Popolare announced that it received the authorisation from the Bank of Italy for the merger of Tiepolo Finance 2 S.r.l. into Banco Popolare.

On 30 May 2016, in accordance with the resolutions passed by the shareholders at the extraordinary general meeting of Tiepolo Finance 2 S.r.l. and by the Board of Directors of Banco Popolare – the latter prepared in compliance with Article 2505, Paragraph 2, of the Italian Civil Code and article 33.2, Paragraph 5, of the By-laws - Tiepolo Finance 2 S.r.l. and Banco Popolare signed a deed of merger.

From a civil law perspective, the merger and the ensuing dissolution of the merged company shall take effect on 1 June 2016, or, if subsequent, on the date when the last registration of the deed of merger with the competent companies' registry is completed; from an accounting and fiscal point of view, its effectiveness is brought forward to 1 January. The merger does not involve any share swap nor new share issue by Banco Popolare.

Early redemption of the Additional Tier 1 instruments with perpetual maturity called "Euro 150,000,000 Aggregate Liquidation Preference of Non-cumulative Guaranteed Floating Rate Perpetual Trust Preferred Securities" issued by Banca Italease Capital Trust (ISIN code XS0255673070)

On 6 June 2016, Banco Popolare exercised early redemption of the Additional Tier 1 instruments with perpetual maturity called Euro "150,000,000 Aggregate Liquidation Preference of Non-cumulative Guaranteed Floating Rate Perpetual Trust Preferred Securities" issued by Banca Italease Capital Trust (ISIN code XS0255673070), representing an equal number of "Non-cumulative Guaranteed Floating Rate Perpetual LLC Preferred Securities" issued by Banca Italease Funding LLC.

The redemption had no meaningful impact on either the Banco Popolare Group's capital ratios or its liquidity position, given that the amount of outstanding securities' market value was around Euro 17 million.

Sale without recourse of approximately Euro 152 million of bad loans to Banca IFIS

On 20 June 2016, Banco Popolare announced the sale without recourse of a portfolio of unsecured bad loans to Banca IFIS S.p.A.. The disposed portfolio includes roughly 9,000 borrowers, with a total nominal value of approximately Euro 152 million and it mostly composed of account overdrafts. The disposal was effected pursuant to Law 130/99 and resulted in the actual and irrevocable transfer of credit risk associated with the sold loans away from the Banco Popolare Group. The disposal had an insignificant impact on the income statement.

Sale without recourse of Euro 33.9 million of bad loans

On 21 June 2016, Banco Popolare announced the sale without recourse of a portfolio of bad loans mostly composed of medium-long term secured loans. The disposed portfolio, with underlying real estate collateral, amounts to Euro 33.9 million, of which secured Euro 29.4 million and unsecured Euro 4.5 million. The disposal was effected pursuant to Law 130/99 and resulted in the actual and irrevocable transfer of credit risk associated with the sold loans away from the Banco Popolare Group. The disposal had an insignificant impact on the income statement.

Sale without recourse of Euro 53.7 million of bad loans

On 28 June 2016, Banco Popolare announced the sale without recourse of a portfolio of leasing-related bad loans, for a total nominal value of Euro 53.7 million. The disposal was effected pursuant to Art. 58 of TUB and resulted in the actual and irrevocable transfer of credit risk associated with the sold loans away from the Banco Popolare Group. The disposal had an insignificant impact on the income statement.

Banco Popolare's Results in the 2016 EU-Wide Stress Test: CET 1 baseline at 14.61% and CET 1 adverse at 9.05%

On 29 July 2016, the European Banking Authority (EBA) announced the results of its EU-wide stress test. Banco Popolare was subject to the 2016 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Bank of Italy, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB). Banco Popolare has taken note of the announcements made on 29 July 2016 by the EBA on the EU-wide stress test and confirms the outcomes of this exercise. The resilience and strength demonstrated by Banco Popolare under the conditions imposed by the 2016 stress test scenarios is confirmed in the following results:

- CET1 ratio 2018 in the baseline scenario at 14.61%;
- CET1 ratio 2018 in the adverse scenario at 9.05%.

Sale without recourse of Euro 618 million of bad loans

On 14 October 2016, Banco Popolare effected the sale without recourse of a portfolio of unsecured bad loans. The disposed portfolio includes roughly 9,000 loan positions with an aggregate nominal value of approximately Euro 618 million, with no negative effect in the profits and losses of Banco Popolare. The disposal was effected pursuant to Law 130/99 and resulted in the actual and irrevocable transfer of credit risk associated with the sold loans away from the Banco Popolare Group. The loans were purchased by Marte SPV, a vehicle owned by Hoist Finance, a leading financial institution operating in the pan-European non performing loan market that is listed on NASDAQ Stockholm ("Marte SPV").

DESCRIPTION OF THE GUARANTOR

The Guarantor has been established as a special purpose vehicle for the purpose of guaranteeing the Covered Bonds

Name and Legal Form of the Guarantor

BP Covered Bond S.r.l. (the "**Guarantor**") was incorporated in the Republic of Italy on 5 June 2008, as a limited liability company incorporated under Law 130, with VAT number, Fiscal Code number and registration number with the Milan Register of Enterprises No. 06226220967, belonging to the Banco BPM Group registered with the Bank of Italy pursuant to article 64 of the Banking Law under number 237 and subject to the direction and coordination of Banco BPM. On 11 November 2008, the Bank of Italy has authorised the purchase by the Issuer of up to 60 per cent. of the quota capital of the Guarantor. The Guarantor has a duration until 31 December 2070.

The Guarantor has its registered office at Milan, Foro Buonaparte, n. 70, 20121, Italy and the telephone number of the registered office is +39 02 861914.

The authorised, issued and paid in quota capital of the Guarantor is Euro 10,000.

The Guarantor operates under Italian legislation.

Business Overview

The exclusive purpose of the Guarantor is to purchase from banks (belonging either to the Banco BPM Group or to other banking groups), against payment, receivables and securities also issued in the context of a securitisation, in compliance with Article 7-*bis* of Law 130 and the relevant implementing provisions, by means of subordinated loans granted or guaranteed also by the selling banks, as well as to issue guarantees for the covered bonds issued by such banks or other entities. Pursuant to the Guarantor by-laws the Guarantor may carry out the above mentioned activities in the context of one or more covered bond transactions or issuance programme other than this Programme.

Within the limits allowed by the provisions of Law 130, the Guarantor can carry out the ancillary transactions for purposes of the performance of the guarantee and the successful conclusion of the issue of banking covered bonds in which it participates or, however, auxiliary to the aim of its purpose, as well as the re-investment in other financial activities of the assets deriving from the management of the credits and the securities purchased, but not immediately invested for the satisfaction of the Covered Bondholders' rights.

In addition to the purchase of the Receivables from the Seller and the issue of the Covered Bond Guarantee securing the payment obligations of the Issuer under the Covered Bonds issued under this Programme, the Guarantor has also engaged in the €5,000,000,000 covered bond programme established by Banco BPM in January 2012 (the "**Commercial CB Programme**"). In connection with the Commercial CB Programme, the Guarantor has acquired, and may from time to time acquire, portfolios of eligible assets and integration assets in accordance with the master transfer agreement entered into on 13 January 2012. The Guarantor issued, in the context of the Commercial CB Programme, a covered bond guarantee and entered into certain other agreements.

Under the terms of articles 7-bis and 3 paragraph 2 of the Law 130, the assets relating to each covered bonds transaction carried out by a company are stated to be segregated from all other assets of the company and from those related to each other covered bonds transaction, and, therefore, on a winding-up of such a company, such assets will only be available to holders of the covered bonds issued in the

context of the respective transaction and to certain creditors claiming payment of debts incurred by the company in connection with the respective transaction.

The Guarantor will covenant to observe, *inter alia,* those restrictions which are detailed in the Intercreditor Agreement.

Administrative, Management and Supervisory Bodies

The Guarantor is currently managed by a sole director. The sole director of the Guarantor is

Name	*Appointment*	*Address*	*Principal Activities*
Mr Francesco Soresina	Sole Director	Foro Buonaparte 70, 20121 Milan, Italy	Manager

The Company did not appoint a Board of Statutory Auditors, pursuant to Article 2447 of the Italian Civil Code.

Conflict of interest

There are no potential conflicts of interest between the duties of the sole director and its private interests or other duties.

Quotaholders

The Guarantor is a limited liability company having its capital divided into quotas.

The quotaholders of the Guarantor (hereafter together the "**Quotaholders**") are as follows:

Banco BPM 60 per cent. of the quota capital;

Stichting Barbarossa 40 per cent. of the quota capital.

The Quotaholders' Agreement

The Quotaholders' Agreement contains, *inter alia*, a call option in favour of Banco BPM to purchase from Stichting Barbarossa and a put option in favour of Stichting Barbarossa to sell to Banco BPM, the quota of the Guarantor held by Stichting Barbarossa and provisions in relation to the management of the Guarantor. Each option may only be exercised from the day on which all the Covered Bonds have been redeemed in full or cancelled.

In addition the Quotaholders' Agreement provides that no Quotaholder of the Guarantor will approve the payments of any dividends or any repayment or return of capital by the Guarantor prior to the date on which all amounts of principal and interest on the Covered Bonds and any amount due to the other Secured Creditors have been paid in full.

Please also see the section headed "*Description of the Transaction Documents – The Quotaholders' Agreement*" below.

No material litigation

During the 12 months preceding the date of this Base Prospectus, there have been no governmental, legal or arbitration proceedings, nor is the Guarantor aware of any pending or threatened proceedings of such kind, which have had or may have significant effects on the Guarantor's financial position or profitability.

Financial Information concerning the Guarantor's Assets and Liabilities, Financial Position, and Profits and Losses and Report of the Auditors

The statutory audited financial statements of the Guarantor as at and for the years ended 31 December 2015 and 31 December 2016, respectively, prepared in accordance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union under Regulation (EC) 1606/2002, are incorporated by reference into this Base Prospectus. See the section headed "*Documents incorporated by reference*", below.

As at the date of this Base Prospectus, PricewaterhouseCoopers S.p.A., the address of which is at via Monte Rosa 91, Milan, Italy, are the independent auditors of the Guarantor. PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree n. 39/2010 as implemented by MEF (Decree No. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is at Via Monte Rosa, 91, Milan, Italy.

PricewaterhouseCoopers S.p.A. was appointed to perform the audit of the annual financial statements of the Guarantor for the year ending on 31 December 2017 until the year ending on 31 December 2019.

Deloitte & Touche S.p.A. was the independent auditor of the Guarantor for the annual financial statements for the year ending on 31 December 2016.

Deloitte & Touche S.p.A., with registered office in Milan, Via Tortona No. 25, is registered in the Register of Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010, as implemented by MEF (Decree No. 144 of 20 June 2012).

The financial statements of the Guarantor, as at and for the year ended on 31 December 2016, was audited by Deloitte & Touche S.p.A.

EY S.p.A., (prior to 30 June 2016, Reconta Ernst & Young S.p.A.) the address of which is at via Po 32, Rome, Italy, was the independent auditor of the Guarantor for the period 2013-2015. EY S.p.A. is authorised and regulated by the MEF registerd on the special register of auditing firms held by the MEF.

The financial statements of the Guarantor, as at and for the year ended on 31 December 2015, were audited by EY S.p.A.

Copy of the financial statements of the Guarantor for each financial year since the Guarantor's incorporation will, when published, be available in physical form for inspection free of charge during usual office hours on any Business Day (excluding public holidays) at the registered office of the Guarantor.

The Guarantor's accounting reference date is 31 December in each year.

Capitalisation and Indebtedness Statement

The capitalisation of the Guarantor as at the date of this Base Prospectus is as follows:

Quota capital issued and authorised

Banco BPM has a quota of Euro 6,000 and "Stichting Barbarossa" has a quota of Euro 4,000 each fully paid up.

Total capitalisation and indebtedness

Save for the foregoing, the covered bond guarantee and the subordinated loan entered into in connection with the Commercial CB Programme and for the Covered Bond Guarantee and the Subordinated Loan in accordance with the Subordinated Loan Agreement, at the date of this Base Prospectus, the Guarantor

has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

DESCRIPTION OF THE ASSET MONITOR

The BoI Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Covered Bond Guarantee.

Pursuant to the BoI Regulations, the asset monitor must be an independent auditor, enrolled with the register of Certified Auditors held by the Ministry of Economy and Finance 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.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed also to the statutory auditors of the Issuer.

Pursuant to an engagement letter, the Issuer has appointed BDO Italia S.p.A., a company incorporated under the laws of Italy, fiscal code, VAT number and enrolment number with the companies' register of Milan no. 07722780967 and enrolled under number 167911 with the register of statutory auditors (*Registro Dei Revisori Legali*) maintained by the Minister of Economy and Finance, having its registered office at Viale Abruzzi, 94, 20131 Milan, Italy, acting in its capacity 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,* (a) compliance with the eligibility criteria set out under the MEF Decree with respect to the Eligible Assets and Integration Assets included in the Cover Pool; (b) the arithmetical accuracy of the calculations performed by the Calculation Agent in respect of the Mandatory Tests; (c) the compliance with the limits to the transfer of the Eligible Assets set out under the MEF Decree and the BoI Regulations; (d) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme; and (e) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of CRR.

The engagement letter is in line with the provisions of the BoI 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.

DESCRIPTION OF THE COVER POOL – COLLECTION AND RECOVERY PROCEDURES

The Cover Pool is and/or will be comprised of (a) Mortgage Loans transferred pursuant to the Master Transfer Agreement, (b) other Eligible Assets, in accordance with Law 130, the MEF Decree and the BoI Regulations; and (c) any Integration Assets.

The Cover Pool has characteristics that demonstrate capacity to produce funds to service any payment due and payable on the Covered Bonds.

As at the date of this Base Prospectus, the Eligible Assets consist only of Mortgage Loans transferred by the Seller to the Guarantor in accordance with the terms of the Master Transfer Agreement, as more fully described under "*Description of the Transaction Documents – Master Transfer Agreement*".

As at the date of this Base Prospectus, the Mortgage Loans from which the Eligible Assets arise mature between 15 April 2017 (inclusive) and 31 January 2049 (inclusive).

The composition of the Cover Pool will be dynamic over the life of the Programme. In particular, assets comprised in the Cover Pool will change over time as a result, *inter alia*, of the purchase of any Subsequent Receivables and the repurchase of any Receivables in each case in accordance with the terms of the Master Transfer Agreement.

For the purposes hereof:

"**ABS**" means securities issued in the framework of securitisations having as underlying assets Mortgage Loans or Public Assets, pursuant to Article 2, paragraph 1, letter (d) of the MEF Decree and provided that such asset backed securities comply with all the following: (a) the cash-flow generating assets backing the securitisation transactions securities meet the criteria laid down in Article 129(1)(d) to (f) of Regulation (EU) No 575/2013 in respect of securitisation transactions securities backing covered bonds, (b) the cash-flow generating assets were originated by an entity closely linked to the issuer of the covered bonds, as described in Article 138 of the Guideline of the European Central Bank dated 19 December 2014 ((UE) 510/2015), (c) they are used as a technical tool to transfer mortgages or guaranteed real estate loans from the originating entity into the cover pool of the respective covered bond; and (d) the requirements provided by Circular No. 285 of 17 December 2013 of the Bank of Italy (Supervisory Guidelines for the Banks).

"Eligible Assets" means the Mortgage Loans, the Public Assets and the ABS;

"Initial Receivables" means the first portfolio of Eligible Assets transferred by the Seller to the Guarantor pursuant to the Master Transfer Agreement;

"Mortgage Loans" means Italian residential mortgage loans *(mutui ipotecari residenziali)* pursuant to Article 2, paragraph 1, letter (a), of the MEF Decree;

"Public Assets" means loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, letter (c) of the MEF Decree;

"Subsequent Receivables" means the further portfolios of Eligible Assets and/or Integration Assets, transferred by the Seller to the Guarantor pursuant to the Master Transfer Agreement (other than deposits with banks residing in Eligible States pursuant to Article 2, para. 3 of the MEF Decree).

The Receivables transferred and to be transferred from time to time to the Guarantor pursuant to the Master Transfer Agreement will meet the following criteria on each relevant Transfer Date.

The General Criteria

Receivables arising from Mortgage Loans

Each of the Receivables deriving from the Mortgage Loans forming part of the Cover Pool shall comply with all of the following criteria (the "**Mortgage Loans General Criteria**"):

1) mortgage loans disbursed by the Seller or disbursed by other banks which were subsequently transferred to the Seller either by way of merger *(fusione),* demerger *(scissione),* contribution of going concern *(conferimento di ramo d'azienda);*

2) mortgage loans whose principal debtors (even as consequence of apportionment *(frazionamento)* and novation *(accollo)*) are individuals who are resident in Italy;

3) mortgage loans which are entirely disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

4) mortgage loans denominated in Euro;

5) mortgage loans for which at least an instalment inclusive of a principal component has felt due and has been paid;

6) mortgage loans having a loan-to-value ratio (the LTV) not exceeding 80 per cent., being the LTV calculated by dividing (i) the outstanding principal amount of the relevant loan at the date of the relevant Evaluation Date and (ii) the "appraised value of the mortgaged real estate" listed in the following point 8, as determined on or before the execution of the relevant mortgage loan agreement. For the purposes of such criterion, "appraised value of the mortgaged real estate" means the estimated value used by the bank during the course of the origination process of the same mortgage loan. In order to assess as to whether the relevant mortgage loan is identified by such criterion, each borrower is entitled, unless otherwise available, to require the relevant appraised value to the branch being the addressee of the relevant payment date;

7) mortgage loans governed by Italian Law;

8) mortgage loans the payment of which is secured by a mortgage on real estates situated in Italy having residential characteristics, for those are meant the real estates which fell under one of the following categories, at the date of the execution of the relevant loan: Al, A2, A3, A4, A5, A6, A7, A8, A9, A10, and A11 (including mortgage loans the payment of which is secured by a mortgage on, in addition to the real estates falling on the aforesaid categories, the ancillary properties which fall under one of the following categories: C2, C6 and C7);

9) mortgage loans in respect of which the contractual interest rate falls under on of the following categories:

   (d) fixed rate mortgage loans "*Fixed rate mortgage loans*" mean those loans whose interest rate applied, agreed by contract, does not provide for any variation during the duration period of the loan;

   (e) variable rate mortgage loans "*Variable rate mortgage loans*" mean those loans whose variable interest rate varies according to the Euribor;

   (f) so called mixed mortgage loans "*Mixed mortgage loans*" means those loans that require a mandatory change agreed by contract from a modality of calculation of the fixed rate interests to a modality of calculation of the variable interest rates variable according to the euribor;

(g) so called modular mortgage loans. "*Modular mortgage loans*" means those loans that ascribe to the borrower the option to modify, even more than one time during the residual length of the loan, the modality of calculation of the interests (i) from a modality of calculation variable according to the Euribor to (B) a fixed rate modality equal to the sum between (i) the swap rate of the referring period (IRS), registered by the borrower at the date of exercise of the power to modify the modality of calculation till the expiry date of the application period of the modality of calculation of fixed rate interests chosen by the borrower (ii) the increase (or spread), agreed by contract, above the referring index as determined according to the preceding paragraph (i).

However the Receivables deriving from the Mortgage Loans do not comprise any receivables which, although meeting the criteria set out above, also meet, as of the relevant Evaluation Date (unless otherwise provided), one or more of the following criteria:

1) mortgage loans which have one or more defaulted instalments (i.e. instalments that have either expired or that have not been entirely paid at the relevant Evaluation Date);

2) mortgage loans that have been granted to people that at the relevant Evaluation Date were employees of Banco BPM, or of any other Company belonging to the *Gruppo Banco BPM*, even in quality of co-receiver of the relevant loan;

3) mortgage loans that have been granted under any applicable law (regional and/or local) or any legislation that provides for contributions and/or capital facilities and/or interests (so called concessional loans *(mutui agevolati);*

4) mortgage loans registered as agricultural loans at the date of its execution under articles 43,44 and 45 of the Banking Law;

5) mortgage loans that have been granted to clerical entities;

6) mortgage loans in relation to which (i) the relevant borrower has adhered, by mail delivery or through the delivery at a branch of the lending bank to the proposal of renegotiation formulated according to Law Decree No. 93 of 27 May 2008 converted into Law No. 126 of 24 July 2008 and to the convention entered into between the Ministry of Economy and Finance and the Italian Banks Association (ABI) and (ii) such renegotiation is being processed as at relevant Evaluation Date.

With reference to the above mentioned, "date of execution" means the original date of the execution of the mortgage loan, regardless of any novation *(accollo)* perfected after such date or, in relation to mortgage loans arising from the apportionment *(frazionamento),* the date of the relevant apportionment.

Receivables arising from Public Assets

Each of the Receivables deriving from the Public Assets forming part of the Cover Pool shall comply with all of the following criteria (the "**Public Assets General Criteria**"):

Loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, subparagraph (c) of the MEF Decree.

The Receivables shall also comply with the Specific Criteria.

"**Specific Criteria**" means the criteria for the selection of the Receivables to be included in the portfolios to which such criteria are applied, set forth in Annex 1 part II to the Master Transfer Agreement for the Initial Receivables and in the relevant Offer for the Subsequent Receivables.

"**General Criteria**" means the Mortgage Loans General Criteria and/or the Public Assets General Criteria.

"**Criteria**" means jointly the General Criteria and the Specific Criteria.

Features of the Securities

Pursuant to the OBG Regulations, the Cover Pool can be comprised of all such securities that, apart from (by way of an example) duration, the coupon payment date, currency or instalment redemption method, meet the following features:

(a) if securities issued by public administrations of States comprised in the European Economic Space and the Swiss Confederation (the "**Admitted States**"), including any ministries, municipalities *(enti pubblici territoriali),* national or local entities and other public bodies, if such securities attract a risk weighting factor not exceeding 20 per cent. under the "Standardised Approach";

(b) if securities issued by public administrations of States other than Admitted States, if such securities attract a risk weighting factor equal to zero per cent. under the "Standardised Approach";

(c) If securities issued by municipalities and national or local public bodies not carrying out economic activities *(organismi pubblici non economici)* of States other than Admitted States, if such securities attract a risk weight factor not exceeding 20 per cent. under the "Standardised Approach";

(d) asset backed securities issued in the context of securitisation transactions, meeting the following requirements:

(i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., loans agreement; and

(ii) attract a risk weighting factor not exceeding 20 per cent. under the "Standardised Approach".

The securities, set out under paragraphs b) and c), can be comprised in the Cover Pool within the limit of the 10 per cent. of the nominal value of the residual debt of the others Eligible Assets included in the Covered Pool (or within a different amount in accordance with the OBG Regulations).

The above mentioned characteristics might be subsequently amended on the basis of the amendments or integration of the OBG Regulations.

1 Credit policies

Mortgage Loans are entered into by each Seller as *mutui residenziali.*

The Debtor pay either a monthly, quarterly and semi-annually loan instalment by direct debit from their accounts, or by cash payment or by MAV.

The decision to enter into and advance a Mortgage Loan is taken at the appropriate decision-making level in the relevant Seller.

The relevant Seller's internal rules call for a maximum loan amount of 80 per cent. of the property value (unless the borrower provides the relevant Seller with further guarantees) and a mortgage over real estate properties (which is first ranking in an economic sense) double than the loan amount.

After the approval, the preparation of the documentation and the conclusion of the Mortgage Loans are delegated to the Special Credits Department *(Funzione Crediti Speciali),* which:

- enter the transaction in the internal mortgage procedure;
- appoint a surveyor to valuate the property;
- verify that the property insurance is in favour of the relevant Seller;
- prepare the minutes of the mortgage loan;
- check property documentation received by the notary;
- upon successful completion of the previous activity checks, update the mortgage loan status to "payable".

Once the notary stipulates the mortgage agreement, relevant documents are sent to the Special Credits Back Office Department that stores them.

The Special Credits Back Office Department, based on the necessary feasibility analyses and in compliance with the applicable credit/authorisation decision, is also responsible for:

- waiver of economic conditions;
- issuance of specific certifications requested by the borrowers, in particular the certifications concerning the amount of interest to be paid/expenses sustained;
- pre-payment of the Mortgage Loans, which involves the reduction to nil of the outstanding balance of the loan and is often accompanied by a request for the release of the Mortgage;
- preparation of amendments and other acts ancillary to the Mortgage Loans agreements, such as:
    - the extension of the Mortgage Loan, following a restructuring of the transaction or an extension of payments;
    - the taking over *(accollo)* of the loan, customarily requested by the purchaser of the real estate asset, as a method to pay part of the purchase price;
    - the reduction/cancellation of the mortgage, or the partial or total release of the mortgage;
    - any request made to the insurance companies for the release of the *vincolo* on the insurance policies.

2 Collection policies

The monitoring of Credit Risk is also carried out by defining processes for monitoring and managing performing loans as well as loans with the initial signs of irregularity (watch list) and non-performing loans. For each of these processes, Banco BPM uses IT procedures in support of the activities of the Managers. The Collection Policies are described below in line with the credit standing.

Monitoring and managing performing loans

This process places the Customer Relationship Manager, who is responsible for managing the customers in his or her own portfolio, in a principal role.

The Relationship Manager is responsible for handling relationships with customers while working to maintain and improve credit quality, by closely monitoring the evolution of relationships.

The process of monitoring and managing performing loans consists of the set of activities carried out by the Relationship Manager and by others within the company who are responsible for credit monitoring and control to guarantee that the credit relationship established with the counterparty remains in performing status and to promptly detect any signs of tension and/or irregularity.

In particular, with respect to mortgage loans, the systematic examination of information reported by automatic instruments for performance assessment and the monitoring of compliance with commitments assumed makes it possible for the Relationship Manager to take rapid action to find concrete solutions to emerging issues, facilitating the timely implementation of measures to keep the position in performing status.

Particularly with regard to the latter, a “credit warning” system is in place in which the “overdraft reporting” section shows all accounts on a daily basis that have either overdrafts on current account credit lines or instalments past due and not paid for loans with payment by instalment.

In response to such events, the Relationship Manager contacts the customer to identify the reasons for non-payment or partial payment and, on this basis, proposes the most suitable actions (accepting the overdraft as it will be covered in a brief period of time, proposing a renegotiation to decrease the instalment, proposing a payment suspension for a specific period of time, etc.).

In any event, the "ELISE" IT system, dedicated to the management of loans, mortgage loans and personal loans, used by the central Special Loans office and by the entire Network, sends communications to the debtor on a regular basis, at each instalment past due and not paid. The automatic alerts are sent on the last working day of the month in which the instalment was past due, provided that this date is at least 3 working days before the end of the month; otherwise, the alerts start the last working day of the month following the maturity of the instalment.

For performing positions, the Bank in any event grants a 3-day period of time within which the payment may be made with no consequence; in fact, default interest is not applied to payments made within this period of time and the instalment is charged with a value date equal to the original maturity date.

However, the default interest established by contract, applied within the maximum limit defined by provisions on the matter of usury, starts accruing after that time. The “usurious” interest rate is defined by a decree of the Ministry of Economy and Finance on a quarterly basis (the current regulations envisage that the default interest rates are checked to verify whether or not they are usurious, as with interest payments, at the time of the agreement and not at the time of payment).

Irrespective of the Relationship Manager’s actions, the IT system automatically intercepts, i.e., in a manner not influenced by the Relationship Manager’s discretion, positions that have the initial symptoms of irregularity and includes them on a special watch list.

Monitoring and managing watch list loans

Positions classified as performing, on which irregularities are reported through performance risk indicators, the assessment expressed by the counterparty rating and other particularly serious events regarding credit quality are entered into a "watch list".

The process of monitoring and managing watch list loans consists of the set of activities carried out by the Relationship Manager and by others within the company who are responsible for credit monitoring and control to promptly detect any signs of tension and/or irregularity and to carry out any interventions required to restore the position to performing status or, when this is not possible, take the necessary actions to protect the Bank’s credit claims.

The process involves the Relationship Manager's maintenance of responsibility for the management of customers belonging to his or her portfolio, with the aim of carrying out the interventions required to restore the position to performing status.

Assessment objectivity is ensured by a system of rules meant to guarantee, when an internal process classification is attributed as well as when the associated interventions are identified, adequate mechanisms of organisational interaction between the roles responsible for relationship management (Relationship Manager) and credit quality control (Business Area).

The phases of the process, with the support of the GANC procedure, involve:

i. the automatic identification on a monthly basis of positions with irregularities such so as to require the adoption of dedicated interventions;

ii. the Relationship Manager's analysis in order to properly classify the risk, taking into due account any participation in Risk Groups, as well as relationships in place with the various Banking Group Companies;

iii. the analysis of the consistency of the rating calculated and the assessment of the need to activate any rating override process;

iv. classification, within the process, in an "operational class" consistent with the type of irregularity found;

v. the definition of behaviours and actions, within a pre-determined period of time, the result of which is measured;

vi. the maintenance of performing classification and automatic removal from the watch list if the reasons for the intercept are eliminated, or by specific decision made by the Bodies defined in the "Regulations of the limits of autonomy and powers for loan granting and management" if it is found that the customer is not in financial difficulty and there are no exposures benefitting from a measure of tolerance;

vii. automatic increase in the risk classification if conditions are identified for classification as Past Due, or by a specific decision of the Bodies defined in the "Regulations of the limits of autonomy and powers for loan granting and management" made based on the proposal generated automatically by the IT system in specific situations or at the proposal of a proposing Body for positions subject to events compromising the possibility for the relationship to continue to be classified as performing.

To support the recovery of exposures with payment by instalment with respect to "Private" customers, there is also a "Delinquency management" process in place that is triggered at the first payment delay of the loan repayment instalment (delay of one month compared to the contractual maturity date).

This process pursues the objective of promptly taking the actions required to restore the position to performing status, avoiding customer default and simultaneously maintaining the relationship with the customer.

The process is supported by a specific IT procedure named GE.MO., which governs a series of actions, beginning from the written reminder to the borrower, to continue with telephone contact via the Bank's internal Contact Centre and the assignment of debt collection to two different external field collection companies if the unpaid instalments continue not to be paid.

The management of positions with payment delays is assigned based on the aging of the past due instalments:

i. to the Relationship Manager inside the Bank, with support by the Contact Centre, up to 90 days from the first past due instalment;

ii. if the debt is not collected, to a first external field collection company, 91 to 150 days from the first past due instalment;

iii. if the debt is still not collected, after consulting with the Relationship Manager, to a second external field collection company, 151 to 240 days from the first past due instalment.

Two different field collection companies are used as they have different specialisations in debt collection.

The management of positions within the "Delinquency management" process is reported by the Relationship Manager to ensure that the actions of the external collection company do not overlap with those established in internal Bank processes. In addition, the GE.MO. procedure continuously provides a list of positions under management along with the relative level of insolvency, updated accounting data, the party concerned and the action under way at the time, as well as the outcomes of reminders sent by the Contact Centre and by the external collection companies.

Exposures with unpaid instalments are in any event subject to the monitoring established by the MoCED procedure to verify whether temporal and materiality thresholds for automatic classification as past due have been met.

Monitoring and managing forbearance positions

Banco BPM defined during the first half of 2015 the methods of identification and management of forbearance or forborne loan.

The amendment of the contractual agreements of a loan, granted to a customer to enable it to meet its commitments despite the financial difficulties it is going through, is a measure of forbearance by Banco BPM.

The decision-making bodies of the watch list/non-performing loans chain are liable for certifying, when deciding on the loan proposal, the consistency or inconsistency, compared to the examined valuation elements, of the valuation made by the "Proposing Party" with regard to the financial difficulties of the customer and to the identification of the concession as a forbearance measure in relation to each granted credit facility.

After classifying them as forborne, exposures are managed as part of the processes of reference ("Monitoring and managing non-performing loans" for "Impaired forbearance exposures" and "Watch list loan monitoring and management" for "Other forborne exposures").

Following the concession of forbearance, the exposure is monitored in order to:

a) ensure the regular performance of relations with customers and the existence of conditions for (i) the termination of the forborne status with reference to customers classified as performing, or (ii) the reclassification as performing, by maintaining the forbearance measure (under probation), for customers already classified as "Impaired forbearance exposures";

b) understand and evaluate the events that may foreshadow the ineffectiveness of granting forbearance, referring to the failure to comply with the new maturities agreed or to the occurrence of an overdraft, or to the deterioration of the creditworthiness resulting from events that could compromise the full collection of the credit.

With reference to points a) and b), the following 2 cases are observed:

The position has a regular trend

Termination of the forborne loan condition for performing positions

The Customer Relationship Manager checks for the following conditions to be able to declare the end of the condition of forborne loan and consequently activates the process of reclassification as performing of the exposure already identified as "Other forborne exposures":

- at least 24 months must have elapsed from the granting of forbearance as part of the classification of the position as performing;
- the debtor must not have positions close to becoming past due (considering the tangible threshold in force) for more than 30 days;
- the payment of the amount due, as required by the concession of forbearance, must have been made on a regular basis in the past 12 months and must have involved a "more than trivial" portion of the principal or interest;
- no elements must lead to classify the position as non-performing loans.

The decision concerning the end of the forborne loan condition and the subsequent reclassification as performing of the exposure already identified as "Other forborne exposures" can be taken by the Customer Relationship Manager, regardless of the decision-making scopes, by means of a simplified process, checked procedurally, which allows to check the objective elements of regularity of the position and the declaration of the absence of subjective elements (including any valuation of "non insignificance" of the repaid loan).

Reclassification as performing of "Impaired forbearance exposures" maintaining the condition of forborne loan

Every day, the MOCED procedure reports the positions classified as Unlikely to pay that have benefitted from a forbearance measure for which it is found that at least 12 months must have elapsed from the granting of forbearance; and that the debtor has no exposures with any amount past due or overdraft.To initiate the proposal for performing classification, the Manager of the non-performing position checks for the absence of concerns regarding the full payment of the amount due, which is verified when any of the following conditions are met:

- the amount of the exposure that, when granting the forbearance, was past due or overrun, must have been paid in full;
- an amount equal to the possible loan written off as part of the restructuring agreement must have been paid; or
- the customer's ability to comply with the terms and conditions laid down by the granting of forbearance must be demonstrated.

The decision concerning the reclassification as performing of the "Impaired forbearance exposures" (non-performing positions), following a valuation of the financial situation of the debtor, is taken through resolution of the authorised Body, on a proposal of a proponent in line with what was defined for exposures classified as "Unlikely to pay".

Following the resolution of reclassification as performing, the position maintains the condition of forbearance (forbearance under probation) and the identification as "Other forborne exposures". This condition can, in turn, be declared as terminated only if the conditions indicated above exist with reference to the "*termination of the forborne loan condition for performing positions*".

The position has an irregular trend

If the position is at default following the granting of forbearance, the process immediately demands the customer to settle the position.

Upon expiry of the time for sending a reminder to the customer and assessing the default, the Customer Relationship Manager for the positions identified as "Other forborne exposures", or the Manager of the Non-Performing Position for "Impaired forbearance exposures", considers whether the events, also independent of the granted forbearance measure, require a more precautionary measure to protect the loan, including the classification proposal at greatest risk and, in particular:

- as "Unlikely to pay", for positions classified as performing;
- as "Unlikely to pay" with operational class "at repayment", with revocation of credit lines and notice to pay, for the positions classified as "Past Due" or already classified as "Unlikely to pay".

The decision concerning the classification as "Unlikely to pay" is taken through resolution of the authorised Body, on a proposal of a proponent (see what was defined in chapter "Classification of positions in non-performing loans categories").

If an exposure, already reclassified from non-performing ("Impaired forbearance exposures") to performing loan ("Other forborne exposures"), has had positions close to becoming past due (considering the tangible threshold in force) for more than 30 days, or benefits from an additional granting of forbearance (for example, a new postponement of the payment terms or a new refinancing), it is classified automatically as non-performing loan.

Classification in non-performing loans categories

The process of "Classification of positions in non-performing loans categories" lays down the rules and responsibilities of the Manager of the Non-performing Position aimed at ensuring the consistency of the operational state of the position with the deterioration of the risk profile of the customer and the compliance with the Supervisory provisions.

The process is also designed to make sure that the position goes back to its performing status when the causes that determined the classification in non-performing loans categories no longer exist.

The application of the new rules of the European Banking Authority ("**EBA**") on forbearance and non-performing exposures and of the Bank of Italy on new "classification in non-performing loans categories" (see update of Circular no. 272 "Accounts Matrix", Chap. II "Credit Quality") was gradually communicated to the Network and made operational during the first half of 2015 to coincide with the release of the required IT work.

The expected classifications are "Past due and/or overdue non-performing exposures" (Past Due), Unlikely to pay and Bad Loans. Past Due and Bad Loans are unchanged compared to the previous regulations, Unlikely to pay exposures include the previous Substandard loans and Restructured loans classifications.

The classification as Past Due is made automatically for the positions reaching the thresholds envisaged by the Supervisory provisions of the Bank of Italy (Circular no. 272, "Accounts Matrix", Chap. 2, "Credit Quality", "Past due and/or overdue non-performing exposures").

This automatic classification is managed by the MOCED procedure (Non-performing loans processing engine).

Exposures to parties experiencing temporary financial hardship are defined Unlikely to pay whereby the debtor is assessed by Banco BPM as unlikely to pay its credit obligations in full (for the principal and interest) without realisation of collateral.

This valuation is made by the Manager independently from the presence of any overdue amount or instalments past due and not paid. Therefore, it is not necessary to wait for the main sign of irregularity (non-redemption) if there are elements that imply a situation of risk of default of the debtor (for example, even a crisis of the industrial sector in which the debtor operates).

In any case, to guarantee the timeliness of the credit collection process, automatic methods of classification proposal as Unlikely to pay were envisaged for the positions that:

- are entered for more than two months in succession in the operational class "RC - Risk to be limited" of the watch list loan monitoring and management process without the risk indicators being back to normal;
- present past due instalments processed in the Management of Arrears GEMO according to the following rules:
  - mortgage loans: after 10 unpaid monthly instalments and 270 days from the first past due instalment
  - unsecured mortgage loans/personal loans: after 6 unpaid monthly instalments and 150 days from the first past due instalment
- persist as non-performing Past Due for more than 180 days.

These proposals must be assessed by the 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 intermediary Bodies, responsible for providing an opinion, and the competent decision-making body based on the amount.

The positions previously classified as "Restructured loans", are included in Unlikely to pay by pointing out that the forbearance measure was granted.

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 collateral or personal guarantee to protect the loans is not considered.

Monitoring and managing non-performing loans

The management of non-performing loans within the Banco Popolare Group is primarily based on a model that assigns the management of a defined set (portfolio) of positions to specialised 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 Division with which the general registry number is associated. In any event, it is possible to manage exceptions, through a controlled process, to assign a position to a different Manager from that identified automatically, as well as for temporary situations.

Processes for monitoring and managing non-performing loans are differentiated based on:

i. the exposure's classification status, which distinguishes between customers with positions classified as bad loans and customers with other non-performing loan statuses:

ii. the amount of the exposure, based on its extent (at the customer's Economic Group level);

iii. the product, distinguishing between leasing exposures and other types of exposure;

iv. the type of counterparty, with the management of Large Corporate or Institutional counterparties reserved to Loans Department structures, regardless of the total exposure amount.

Past Due and Unlikely to pay:

With reference to the exposure amount and the counterparty type, the responsibility for the management of positions, at the time of classification:

i. up to Euro 15,000, remains attributed to the Branches;

ii. more than Euro 15,000 and up to Euro 250,000, is transferred to specialised personnel in the "Area Loans" unit;

iii. more than Euro 250,000, is transferred to specialised personnel of the Non-Performing Loan and Watch List Functions of each Territorial Division.

The Loans Department is assigned positions belonging to the "Large Corporate" and "Institutional" segments regardless of the extent of the exposure.

In addition, it directly manages positions for which, due to size and/or characteristics, centralised management within specialised departments is deemed appropriate. This takes place for positions undergoing restructuring or restructured, the management of which is assigned to the Credit Restructuring Function, and for those classified as Past Due or Unlikely to pay, assigned to the Non-Performing Loans Office - Granting and management.

The size of the position is significant due to the need to allocate specialised resources of the Business Areas, the Divisions and the Loans Department to positions of progressively greater value and complexity.

With reference to smaller positions, which remain under the responsibility of the Branches, management is supported by a very detailed process, with time limits defined beforehand and with minimal discretion.

The process of monitoring and managing larger positions, which is always assigned to specialised managers, allows for greater discretion in identifying more flexible and customised solutions.

In any case, both processes are structured to govern the actions of the manager and to detect any inaction. The functioning of these processes is shown schematically in the attachment.

For positions classified as Past Due or Unlikely to pay, the non-performing loan Managers are responsible for operational 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 (commercial) of the Network to whose portfolio the relationship as well as the economic results achieved are attributed.

In addition, the management of instalment loans granted to Private parties is supported by a specific process that establishes standardised activities and the intervention of external collection companies (see what is specified above with reference to the "Delinquency management" process).

For legal requirements, the Managers of non-performing loans receive support from an internal legal structure, which reports to the Legal Service and is broken down to best perform its advisory activities for the central office structures and the Branch Network.

To ensure efficient loan management, the Decision-Making Bodies of the Branch, Area and Division structures are assigned powers in proportion with the above-mentioned operational limits and with the associated operational needs.

The system of levels of autonomy and operational powers is in any event structured to protect the Bank from conflicts of interest through the attribution of decision-making responsibilities with respect to 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 in amounts exceeding Euro 15,000 must be subject to a quarterly review by the Manager of the non-performing position in order to check on the progress of the relationship with the customer and its economic position, as well as to define the consistency of anticipated 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.

As part of the review, the Non-Performing Loan Manager can propose additional provisions against the perception of an increase in the perceived risk. Proposals to revise provisions are automatically subject to a decision-making process managed through the Electronic Management Procedure (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".

The PEG procedure also saves the information and opinions expressed on the position for decision tracking purposes.

Bad loans

All management responsibility is assigned to specialised managers, all of whom report directly to the Loans Department, who are identified from amongst resources with legal skills.

Depending on exposure amount, standardised actions are adopted for positions in amounts up to Euro 35,000, regardless of technical form, or those up to Euro 250,000 backed by real estate assets.

For those positions, after the Manager's first attempt at contacting the borrower and the guarantors without receiving payment of the amount due or defining a recovery plan, external companies are engaged to carry out debt collection activities.

For positions in amounts exceeding Euro 35,000, the Manager, after a first attempt at contacting the borrower and guarantors, defines, on a case by case basis, whether it is possible to collect the debt out of court, or whether legal actions must be taken, 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 reliance on external law firms for enforcement activities, which are contacted by the internal managers. The latter coordinate actions relating to the borrower and guarantors and send proposals to the competent decision-making Bodies.

All bad loans in amounts exceeding the relevant threshold (currently equal to Euro 100,000) must be subject to a periodical review by the Manager of the bad loan in order to verify the consistency of anticipated losses: the review has the purpose to apply the right provision using the internal LGD computed by the Risk Management, with exception for those position with an LGD equal or higher then 95%.

In particular, frequency for periodical review is differentiated based on the amount of estimated recoveries, the fair value of the real guarantees of the loan and the outstanding provisions:

i. for bad loans with an higher estimated recoveries, bigger than one million of Euros, at least every 12 months;

ii. for all the other position, at least every two years if:

   a) there are real guarantees whose market value, the minor between the fair values of the guarantees and the amount guaranteed, is at least equal to 100% of the borrower total exposition minus the outstanding provisions;

b) the outstanding provisions are at least equal to 70% of the borrower total exposition taking into consideration potential provisional losses

For all the other positions not included into the features above, frequency for periodical review is at least every two years for position with an estimated recoveries up to 500,000 Euros and every 12 months for those with an estimated recoveries higher then 500,000 Euros.

If necessary, the Manager of the bad loan could reassess the outstanding expected losses before the expiry of the scheduled revision.

The review will be required in advance if the IT system automatically detects the occurrence of certain pre-codified conditions such as the reduction of the market value of the guarantees or in case of grave detrimental events

As part of the review, the Bad Loan Manager can propose additional provisions against the perception of an increase in the perceived risk. Proposals to revise provisions are automatically subject to a decision making process managed through the Electronic Management Procedure, 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".

The PEG procedure also saves the information and opinions 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 the operational structures, in that they are first in charge of the process of risk management.

In compliance with this responsibility, during daily operations, the operational structures must identify, measure or evaluate, monitor and mitigate the risks deriving from the normal course of business in compliance with the process of risk management.

First-level line controls can take the form of "automatic" controls, i.e. carried out directly by application procedures, or hierarchical controls, implemented as part of the same chain of responsibility.

The second-level controls include those carried out by the loans offices of the Business Areas, by the loan monitoring structures placed in the Divisions and in the Loans Department, or by other structures that carry out the operations.

Through the second-level controls, the Loans Department exercises its overall responsibility on the results of the loan processes, preserving the autonomous ability to guide and control them. In particular, these checks envisage the intervention of the Loans Department on the operational structures to press for corrective actions, either directly or by means of the central Loan structures of the Divisions and of the Companies of the Banking Group.

The line controls (of first and second level) can be implemented systematically or by sampling.

These controls are defined in the regulations on loans issued with reference to each process, according to criteria and methods that guarantee that all exposures arising from irregularities or inaction are highlighted and examined.

Controls on risks and on compliance (level II)

Controls on risks and on compliance are aimed at ensuring the correct implementation of the risk management process put in place by the operational structures, the compliance with the operating limits assigned to various functions and the compliance of business operations with regulations, including self-regulation.

The essential element that characterises level II controls is that they are carried out by a risk control function different and independent from production functions. As a result, level II controls also include the aim of ensuring that level I controls are actually effective.

Level II controls on loans are assigned to the Risks Department through the "Loan Monitoring and Control Function".

This structure is responsible for checking the correct implementation of the credit processes by the operational structures in accordance with the established rules and, more specifically, with reference to:

- performance monitoring of exposures classified as performing loans;
- performance monitoring of exposures classified as non-performing loans;
- the consistency of classifications in the operational states of the process of "Watch list loan monitoring and management", as forbearance exposures, in non-performing loans categories;
- the appropriateness of the provisions;
- the adequacy of the credit collection process.

To ensure the effectiveness of level II controls, a set of "basic" controls has been identified and defined, without prejudice to the autonomy of the "Loan Monitoring and Control Function" in identifying and carrying out additional inspections considered useful for carrying out the assigned role.

The controls provide for the systematic application of irregularity indicators to the loan portfolio, the evaluation of the variations reported each time, the in-depth examination of each position and, if necessary, their adjustment.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer guaranteed by the Guarantor pursuant to the Covered Bond Guarantee. The Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default and service by the Representative of the Covered Bondholders on the Guarantor of a Notice to Pay. The Issuer will not be relying on payments by the Guarantor in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders:

(a) the Covered Bond Guarantee provides credit support to the Issuer;

(b) the Mandatory Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;

(c) the Asset Coverage Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds prior to the service of a Notice to Pay, applying for the purpose of such coverage an Asset Percentage factor determined in order to provide a degree of over-collateralisation with respect to the Cover Pool;

(d) the Pre-Maturity Test is intended to ensure that there is sufficient liquidity available to redeem each Series or Tranche of Hard Bullet Covered Bonds, if any, on the relevant Maturity Date;

(e) the Amortisation Test is periodically performed, following the occurrence of an Issuer Event of Default and service of a Notice to Pay, for the purpose of testing the asset coverage of the Guarantor's assets in respect of the Covered Bonds;

(f) the Swap Agreements are intended to hedge certain interest rate, basis, currency or other risks in respect of amounts received and amounts payable by the Guarantor;

(g) a Reserve Account will be established which will build up over time using excess cash flow from Interest Available Funds, in order to ensure that the Guarantor will have sufficient funds set aside to fulfil its obligation to pay interest accruing with respect to the Covered Bonds.

Certain of these factors are considered more fully in the remainder of this section.

Covered Bond Guarantee

The Covered Bond Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts on the Due for Payment Date in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason. In this circumstance (and until a Guarantor Event of Default occurs and an Acceleration Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts on the Scheduled Due for Payment Date.

For further details, see the section headed "*Description of the Transaction Documents – Covered Bond Guarantee*" below, as regards the terms of the Covered Bond Guarantee.

Pre-Maturity Liquidity test for Hard Bullet Covered Bonds

The Pre-Maturity Test is intended to provide liquidity for the Hard Bullet Covered Bonds when the Issuer's credit ratings fall below a certain level. The applicable final terms will set out whether the relevant Series or Tranche of Covered Bonds is a Series or Tranche of Hard Bullet Covered Bonds. On each Pre-Maturity Test Date prior to the occurrence of an Issuer Event of Default the Calculation Agent will determine if the Pre-

Maturity Test has been breached, and if so, it shall immediately notify the Issuer, the Representative of the Covered Bondholders and the Guarantor thereof.

The Issuer will fail and be in breach of the Pre-Maturity Test on a Pre-Maturity Test Date in relation to a Series or Tranche of Hard Bullet Covered Bonds if the Issuer's (a) short-term credit rating from Moody's falls to "Not Prime" (or lower) and the Maturity Date of the Series or Tranche of Hard Bullet Covered Bonds will fall within six months following the relevant Pre-Maturity Test Date; or (b) long-term credit rating from Moody's is lower than "Ba3" and the Maturity Date of the Series or Tranche of Hard Bullet Covered Bonds will fall within 12 months following the relevant Pre-Maturity Test Date; or (c) short-term credit rating from DBRS falls below "R-1(high).

If the Pre-Maturity Test is breached in respect of a Series or Tranche of Hard Bullet Covered Bonds within 12 months prior to the Maturity Date of that Series or Tranche, the Issuer and the Guarantor will be required to (A) ensure that, within 15 Business Days of the breach the Pre-Maturity Collateral Amount is accumulated in an amount equal to the Required Redemption Amount in respect of such Series or Tranche of Hard Bullet Covered Bonds, or, alternatively, (B) that a guarantee is provided in respect of the payment of the Final Redemption Amount on the relevant Maturity Date for that Series or Tranche of Hard Bullet Covered Bonds by a guarantor whose short-term senior, unsecured ratings are at least equal to "P1" by Moody's and "R-1(high)" by DBRS.

If any of the actions under (A) and (B) above is not taken, in order to ensure compliance with or cure a breach of the Pre-Maturity Test under above, the Guarantor may, among others:

(i) offer to sell Selected Assets in accordance with the Cover Pool Administration Agreement, and subject to any right of pre-emption enjoyed by the Seller; and/or

(ii) purchase Eligible Assets or Integration Assets from the Seller. Such purchase will be financed trough advances granted by the Seller under the Subordinated Loan and/or prior to the occurrence of an Issuer Event of Default, the Available Funds.

The Calculation Agent and the Guarantor shall ensure that the proceeds of any applicable sale of the Selected Assets shall be credited to a purposely-opened account, opened with an Eligible Institution (the "**Pre-Maturity Account**").

Following service of a Notice to Pay on the Guarantor, the Guarantor shall apply funds standing to the Pre-Maturity Account to repay the relevant Series or Tranche of Hard Bullet Covered Bonds on its Maturity Date.

If the Issuer fully repays the relevant Series or Tranche of Hard Bullet Covered Bonds on the Maturity Date thereof any amount of cash standing to the credit of the Pre-Maturity Account after such repayment shall be applied in accordance with the relevant Priority of Payments, unless:

(A) the Issuer is failing the Pre-Maturity Test in respect of any other Series or Tranche of Hard Bullet Covered Bonds, in which case the cash will be transferred to the relevant Series or Tranche Pre-Maturity Account in order to provide liquidity for that other Series or Tranche of Hard Bullet Covered Bonds; or

(B) the Issuer is not failing the Pre-Maturity Test in respect of any other Series or Tranche of Hard Bullet Covered Bonds, but the Board of Directors of the Issuer elects to retain the cash on the Pre-Maturity Account in order to provide liquidity for any future Series or Tranche of Hard Bullet Covered Bonds.

"**Pre-Maturity Test Date**" means any Business Day falling during the Pre-Maturity Rating Period, prior to the occurrence of an Issuer Event of Default. On each such date the Calculation Agent will determine if the Pre-Maturity Test has been breached in respect of any Series or Tranche of Hard Bullet Covered Bonds.

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

"**Pre-Maturity Collateral Amount**" means, at any given date, the aggregate of:

(i) the amounts standing to the credit of the Pre-Maturity Account;

(ii) 100 per cent. of the principal amount of the Assets in the Cover Pool which will mature within 180 days of the Pre-Maturity Test Date;

(iii) the market value of the Eligible Assets and Integration Assets not referred to in paragraph (ii) above, as calculated by the Calculation Agent in accordance with a methodology, and subject to a "haircut", agreed with the Rating Agencies from time to time.

Tests

Under the terms of the Cover Pool Administration Agreement, Banco BPM as Issuer and Seller must ensure that the Cover Pool is in compliance with the Tests described below.

See the section headed "*Description of the Transaction Documents – Cover Pool Administration Agreement*", below.

Mandatory Tests

For so long as the Covered Bonds remain outstanding, Banco BPM as Issuer and Seller shall procure on a ongoing basis (and, without prejudice of the OBG Regulations, such obligation shall be deemed to be complied with if the tests are satisfied on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the relevant tests are to be carried out pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be) and for the whole life of the Programme that each of the following tests is met:

(a) the outstanding aggregate principal balance of the Cover Pool from time to time owned by the Guarantor plus the aggregate amounts standing to the credits of the Accounts (in relation to the principal component only) up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the relevant Priority of Payments shall be at least equal to, or higher than, the aggregate principal amount of all Series of Covered Bonds at the same time outstanding (the "**Nominal Value Test**");

(b) the Net Present Value of the Cover Pool shall be at least equal to, or higher than, the Net Present Value of the Outstanding Covered Bonds (the "**NPV Test**");

(c) the Net Interest Collections from the Cover Pool shall be at least equal to, or higher than, the interest payments scheduled to be due in respect of all the outstanding Series of Covered Bonds (the "**Interest Coverage Test**"),

(the tests above are jointly defined as the "**Mandatory Tests**").

The Calculation Agent, on the basis of the information provided to it pursuant to the Transaction Documents, shall verify compliance with the Mandatory Tests on each Calculation Date and/or Monthly Calculation Date and/or on any other date on which the verification of the Mandatory Tests is required pursuant to the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be.

Prior to the occurrence of a Issuer Event of Default and the service of a Notice to Pay, the Nominal Value Test is deemed to be met if the Asset Coverage Test (as defined below) is met.

The calculations performed by the Calculation Agent in respect of the Mandatory Tests will be tested from time to time by the Asset Monitor in accordance with the provisions of the Asset Monitor Agreement.

Asset Coverage Test

Starting from the Issue Date of the first Series of Covered Bonds and until the earlier of:

(a) the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Conditions; and

(b) the date on which a Notice to Pay is served on the Guarantor,

Banco BPM as Issuer and Seller undertakes to procure that on any Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Outstanding Principal Balance of the Covered Bonds (the "**Asset Coverage Test**", and together with the Mandatory Tests, collectively, the "**Tests**").

For the purpose of calculating the Asset Coverage Test, "**Adjusted Aggregate Loan Amount**" means an amount equal to:

A + B + C + D – Z – Y – W

where:

"**A**" is equal to the lower of (i) and (ii),

where:

(i) means the aggregate 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 = 80 per cent. for all Mortgage Loans that are up to three months In Arrears, M = 40 per cent. for all Mortgage Loans that are more than three months In Arrears but not Non Performing Loans and M = 0 for all Non Performing Loans);

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 immediately preceding Calculation Period:

(1) a Mortgage Loan was, in the immediately preceding Calculation Period, in breach of the representations and warranties contained in the Warranty and Indemnity Agreement and the Seller has not indemnified the Guarantor or otherwise cured such breach, to the extent required by the terms of the Warranty and Indemnity Agreement (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 Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Transfer Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV

Adjusted Principal Balance of the Mortgage Loans in the 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 Seller to indemnify the Guarantor for such financial loss) (any such loss a "**Breach Related Loss**"); and/or

(3) the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree No. 185 of 29 November 2008, as converted into law through Law no. 2 of 28 January 2009, or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009, during the suspension period (any such Mortgage Loan a "**Renegotiated Loan**"). In this event, the aggregate of the LTV Adjusted Principal Balance of each Renegotiated Loan 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 = 80 per cent. for all Mortgage Loans that are up to three months In Arrears, M = 40 per cent. for all Mortgage Loans that are more than three months In Arrears but not Non Performing Loans and M = 0 for all Non Performing Loans);

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 (a) for all Mortgage Loans that are less than three months In Arrears or not In Arrears, N = 1, (b) for all Mortgage Loans that are more than three months In Arrears but not Non Performing Loans, N = 40 per cent. and (c) for all Non Performing Loans, N = 0);

minus

the aggregate sum of (1) the Asset Percentage Adjusted Principal Balance of any Affected Loan(s) and/or (2) any Breach Related Losses and/or (3) the aggregate of the Asset Percentage Adjusted Principal Balance of any Renegotiated Loan calculated as described above,

the result of which (ii) is multiplied by the "*Asset Percentage*" (as defined below);

"**B**" is equal to the aggregate amount of all amounts standing to the credit of Accounts up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the relevant Priority of Payments;

"**C**" is equal to the aggregate Outstanding Principal Balance of any Integration Assets (without duplication with the amounts standing to the credit of the Accounts under "B" above);

"**D**" is equal to the aggregate Outstanding Principal Balance of any Public Assets and ABS;

"**Z**" means the amount resulting from the multiplication of (i) the weighted average remaining maturity of all Covered Bonds then outstanding expressed in days and divided by 365, (ii) the Euro Equivalent amount of the aggregate Outstanding Principal Balance of the Covered Bonds, and (iii) 0.50 per cent. (the "Negative Carry Factor");

"**Y**" is equal to the higher of the DBRS Potential Set-Off Amount and the Moody's Potential Set-Off Amount;

"**W**" is equal to the higher of the DBRS Potential Commingling Amount and the Moody's Potential Commingling Amount;

"**DBRS Minimum Reference Ratings**" means the rating indicated in the table below under (1) prior to the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, column "DBRS Minimum Reference Rating Current" and (2) following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, column "*DBRS Minimum Reference Rating New*":

DBRS OBG Rating	***DBRS Minimum Reference Rating Current***	***DBRS Minimum Reference Rating New***
AAA (sf)	*"A"*	*"A"*
AA (high) (sf)	*"A"*	*"A (low)"*
AA (sf)	*"A"*	*"BBB (high)"*
AA (low) (sf)	*"A"*	*"BBB (high)"*
A (high) (sf)	*"BBB (high)"*	*"BBB"*
A (sf)	*"BBB"*	*"BBB (low)"*
A (low) (sf)	*"BBB (low)"*	*"BBB (low)"*
BBB (high) (sf)	*"BBB (low)"*	*"BBB (low)"*
BBB (sf)	*"BBB (low)"*	*"BBB (low)"*
BBB (low) (sf)	*"BBB (low)"*	*"BBB (low)"*

"**DBRS Potential Commingling Amount**" is an amount equal to:

(a) (i) nil, if the higher of (a) the DBRS Long Term Rating of the Issuer at the relevant date; (b) the DBRS Covered Bonds Attachment Point of the Issuer as at the relevant date and (c) exclusively following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the DBRS Critical Obligations Rating of the Issuer as at the relevant date, is at least equal to the then applicable DBRS Minimum Reference Rating on the basis of the then applicable rating assigned to the Covered Bonds by DBRS or if one of the remedies provided for under clauses 15.1 (i), 15.1 (ii) or 15.1 (iii) of the Servicing

Agreement has been put in place, otherwise (ii) 0.7 per cent. of the aggregate Outstanding Principal Balance of the Mortgage Loans included in the Cover Pool or such higher percentage determined by the Issuer from time to time and notified by the Issuer to DBRS and the Representative of the Covered Bondholders;

(b) for so long as the Covered Bonds are not rated by DBRS, nil,

provided that the DBRS Potential Commingling Amount will be updated in accordance with DBRS methodology on a quarterly basis on each Guarantor Payment Date;

"**Moody's Potential Commingling Amount**" is an amount equal to (i) nil, if the Issuer's short term rating is at least as high as "P1" by Moody's or if the Covered Bonds are not rated by Moody's or if one of the remedies provided for under clauses 15.1 (i), 15.1 (ii) or 15.1 (iii) of the Servicing Agreement has been put in place, otherwise (ii) 0.5 per cent. of the aggregate Outstanding Principal Balance of the Mortgage Loans included in the Cover Pool,

provided that the Moody's Potential Commingling Amount will be updated in accordance with Moody's methodology on a quarterly basis on each Guarantor Payment Date;

"**DBRS Potential Set-Off Amounts**" is an amount equal to:

(a) (i) nil, if the higher of (a) the DBRS Long Term Rating of the Issuer at the relevant date; (b) the DBRS Covered Bonds Attachment Point of the Issuer as at the relevant date; and (c) exclusively following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the DBRS Critical Obligations Rating of the Issuer as at the relevant date, is at least equal to the then applicable DBRS Minimum Reference Rating on the basis of the then applicable rating assigned to the Covered Bonds by DBRS , otherwise (ii) the aggregate Outstanding Principal Balance of the Mortgage Loans included in the Cover Pool that could be potentially lost as a result of the relevant Debtors exercising their set-off rights, and which in any case will never be lower than the DBRS Set-Off Exposure. Such amount will be calculated by the Calculation Agent on each Calculation Date and/or other date on which the Asset Coverage Test is to be carried out pursuant to the provisions of this Agreement and any other Transaction Documents, as the case may be. The DBRS Potential Set-Off Amount will be updated at least on a quarterly basis and after any transfer of Mortgage Loans to the Guarantor;

(b) for so long as the Covered Bonds are not rated by DBRS, nil;

"**DBRS Set-Off Exposure**" means, in respect of each Debtor and as at any Calculation Date and/or Monthly Calculation Date and/or on any other date on which the Asset Coverage Test is to be performed under the Transaction Documents, as the case may be, the lower of:

(i) the greater of (a) the lower of (1) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the Debtor with the Seller at the Transfer Date of the relevant Mortgage Loan and (2) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the Debtor with the Seller as at the relevant date, minus the DBRS Deposit Compensation and (b) zero; and

(ii) the aggregate of the Outstanding Principal Balance of the relevant Mortgage Loan as at the immediately preceding Collection Period;

"**DBRS Deposit Compensation**" means, in respect of each Debtor and as at any Calculation Date and/or Monthly Calculation Date and/or on any other date on which the Asset Coverage Test is to be performed under the Transaction Documents, as the case may be, the lower of:

(i) the greater of (a) the lower of (1) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the Debtor with the Seller at the Transfer Date of the relevant Mortgage Loan and (2) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the Debtor with the Seller as at the relevant date, minus an amount equal to the instalments due and paid under the relevant Mortgage Loan during the immediately preceding two months, and (b) zero; and

(ii) the DBRS Compensation Threshold;

"**DBRS Compensation Threshold**" means an amount equal to the amount covered under the deposit compensation scheme, currently being € 100,000, or such lower amount determined by the Issuer from time to time and notified by the issuer to DBRS and the Representative of the Covered Bondholders;

"**Transfer Date**" means, in respect of each Receivable arising under a Mortgage Loan, the later of (i) the date on which the relevant notice of assignment has been published in the *Gazzetta Ufficiale della Repubblica Italiana* and (ii) the date on which the relevant notice of assignment has been deposited with the relevant companies' register;

"**Moody's Potential Set-Off Amounts**" is an amount equal to:

(i) nil, for so long as either:

(a) the Covered Bonds are not rated by Moody's; or

(b) the Issuer's short term rating is at least as high as "P1" by Moody's;

otherwise

(ii) the aggregate Outstanding Principal Balance of the Mortgage Loans included in the Cover Pool that could be potentially lost as a result of the relevant Debtors exercising their set-off rights, and which in any case will never be lower than the Moody's Set-Off Exposure. Such amount will be calculated by the Calculation Agent on each Calculation Date and/or other date on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and any other Transaction Documents, as the case may be. The Moody's Potential Set-Off Amount will be updated at least on a quarterly basis and after any transfer of Mortgage Loans to the Guarantor;

"**Moody's Set-Off Exposure**" means, in respect of each Debtor and as at any Calculation Date and/or Monthly Calculation Date and/or on any other date on which the Asset Coverage Test is to be performed under the Transaction Documents, as the case may be, the lower of:

(i) the greater of (a) the lower of (1) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the Debtor with the Seller at the Transfer Date of the relevant Mortgage Loan and (2) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the Debtor with the Seller as at the relevant date, minus the Moody's Deposit Compensation and (b) zero; and

(ii) the aggregate of the Outstanding Principal Balance of the relevant Mortgage Loan as at the immediately preceding Collection Period;

"**Moody's Deposit Compensation**" means, in respect of each Debtor and as at any Calculation Date and/or Monthly Calculation Date and/or on any other date on which the Asset Coverage Test is to be performed under the Transaction Documents, as the case may be, the lower of:

(i) the greater of (a) the lower of (1) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the Debtor with the Seller at the Transfer Date of the relevant Mortgage Loan and (2) the aggregate amount of cash, certificates of deposit and saving accounts, deposited by the

Debtor with the Seller as at the relevant date, minus an amount equal to the instalments due and paid under the relevant Mortgage Loan during the immediately preceding two months, and (b) zero; and

(ii) the Moody's Compensation Threshold;

"**Moody's Compensation Threshold**" means an amount equal to:

(i) for so long as the Covered Bonds are rated as high as "Aaa" by Moody's, € 50,000;

(ii) for so long as the Covered Bonds are rated at least as high as "Aa3" by Moody's, € 75,000;

(iii) for so long as the Covered Bonds are rated below "Aa3" by Moody's, € 100,000;

"**Asset Percentage**" on any Calculation Date and/or Monthly Calculation Date and/or on each other day on which the relevant Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, shall be the lowest of:

(a) 93 per cent.;

(b) the percentage figure as selected from time to time by the Guarantor and/or the Calculation Agent and notified by the Guarantor and/or the Calculation Agent to the Representative of the Covered Bondholders on such Calculation Date and/or Monthly Calculation Date and/or other relevant date, as the case may be, or, where the Guarantor and/or the Calculation Agent has selected and (if the Representative of the Covered Bondholders so requests) the Representative of the Covered Bondholders has been notified of the minimum percentage figure on the relevant Calculation Date and/or Monthly Calculation Date and/or other relevant date, as the case may be, on the last date of such notification, if applicable, being the asset percentage required to ensure that the Covered Bonds maintain the then current ratings assigned to them by DBRS; and

(c) the percentage figure as selected from time to time by the Guarantor and/or the Calculation Agent on the basis of the figures provided (if any) by Moody's and notified by the Guarantor and/or the Calculation Agent (if the Representative of the Covered Bondholders so requests) to the Representative of the Covered Bondholders on such Calculation Date and/or Monthly Calculation Date and/or other relevant date, as the case may be, or, where the Guarantor and/or the Calculation Agent has selected and (if the Representative of the Covered Bondholders so requests) the Representative of the Covered Bondholders has been notified of the minimum percentage figure on the relevant Calculation Date and/or Monthly Calculation Date and/or other relevant date, as the case may be, on the last date of such notification, if applicable, being the difference between 100 per cent. and the amount of credit enhancement required to ensure that the Covered Bonds achieve an "Aaa" rating by Moody's using Moody's expected loss methodology (regardless of the actual Moody's rating of the Covered Bonds at the time).

For the avoidance of doubt, the Asset Percentage may not, at any time, exceed 93 per cent. unless (i) confirmation has been obtained from Moody's that the rating of the Covered Bonds would be maintained at the then current rating assigned from Moody's and (ii) DBRS having been notified thereof and the then current rating of the Covered Bonds by DBRS is not adversely affected.

Notwithstanding anything set out above, the Rating Agencies will not be required to provide a calculation of the Asset Percentage on a regular basis.

Prior to the date on which Moody's have provided the Calculation Agent with a new Asset Percentage, the Calculation Agent will be entitled to rely on the previously provided Asset Percentage.

"**In Arrears**" has the meaning ascribed to it in the Cover Pool Administration Agreement.

"Latest Valuation" means the most recent valuation of the relevant property performed in accordance with article 208, paragraph 3 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

"**Non Performing Loans**" means any receivable which either (i) qualifies as "non performing" in accordance with the EU Regulation No. 680/2014, as amended from time to time, as implemented in Italy under the "*Circolare della Banca d'Italia del 30 Luglio 2008, n. 272 (Matrice dei Conti)*", as amended, or (ii) has been referred to the Servicer's non performing loan division (the Servicer's "*contenzioso*" department) pursuant to the latest servicing and collection policies of the Servicer".

The Amortisation Test

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

For the purpose of calculating the Amortisation Test the "**Amortisation Test Aggregate Loan Amount**" means an amount equal to A+B+C+D-Z

where:

"**A**" is the lower of:

1) the actual Outstanding Principal Balance of each Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period; and

2) the Latest Valuation multiplied by M.

For the purposes of item (2) above, M = 100 per cent. for all Mortgage Loans that are up to three months In Arrears, M = 85 per cent. for all Mortgage Loans that are more than three months In Arrears but not Non Performing Loans and M = 75 per cent. for all Non Performing Loans;

minus

the aggregate sum of the following deemed reductions to the aggregate Outstanding Principal Balance of the Mortgage Loans in the Cover Pool if any of the following occurred during the immediately preceding Calculation Period:

1) a Mortgage Loan was, in the immediately preceding Calculation Period an Affected Loan (as defined above). In this event, the aggregate Outstanding 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 Outstanding 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 Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Transfer Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Outstanding 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 Seller to indemnify the Guarantor for such financial loss); and/or

3) any Mortgage Loan was, in the immediately preceding Calculation Period, a Renegotiated Loan. In this event, the aggregate of the Outstanding Principal Balance of each Renegotiated Loan 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 = 100 per cent. for all Mortgage Loans that are up to three months In Arrears, M = 85 per cent, for all Mortgage Loans that are more than three months In Arrears but not Non Performing Loans and M = 75 per cent.for all Non Performing Loans);

"**B**" is the aggregate amount of all principal amounts collected by the Servicer in respect of the Cover Pool up to the end of the immediately preceding Calculation Period which have not been applied as at the relevant date to acquire further Eligible Assets and/or Integration Assets or otherwise applied in accordance with the Transaction Documents;

"**C**" is the aggregate outstanding principal balance of any Integration Assets;

"**D**" is the aggregate outstanding principal balance of any Public Assets and ABS; and

"**Z**" means the amount resulting from the multiplication of (i) the weighted average remaining maturity of all Covered Bonds then outstanding expressed in days and divided by 365, (ii) the Euro Equivalent amount of the aggregate Outstanding Principal Balance of the Covered Bonds, and (iii) the Negative Carry Factor.

The Calculation Agent shall verify compliance with the Amortisation Test on each Calculation Date following the occurrence of an Issuer Event of Default and the service of a Notice to Pay (and prior to the occurrence of a Guarantor Event of Default and the service of an Acceleration Notice) and on any other date on which the verification of the Amortisation Test is required pursuant to the Transaction Documents.

For the purposes of verification of the Amortisation Test and the Mandatory Tests, the Nominal Value Test is deemed to be met if the Amortisation Test is met.

If a breach of the Amortisation Test occurs then a Guarantor Event of Default shall occur and the Representative of the Covered Bondholders will deliver an Acceleration Notice to the Guarantor declaring that a Guarantor Event of Default has occurred.

ACCOUNTS AND CASH FLOWS

The Guarantor has opened and, subject to the terms of Cash Management and Agency Agreement, shall at all times maintain with the Interim Account Bank, in the name of the Guarantor and in the interest of the Secured Creditors, a euro-denominated account into which, *inter alia,* the Servicer will be required to deposit all the collections arising out of Receivables as they are collected in accordance with the Servicing Agreement (the "**Interim Account**"). Find below a description of the withdrawals in respect of the Interim Account.

Withdrawals from the Interim Account:

(i) on a daily basis and for value the day of receipt, all funds (if any) then standing to the credit of the Interim Account will be transferred to the Transaction Account by the Interim Account Bank;

(ii) on the Initial Issue Date, the amount necessary to fund the Expense Required Amount; and

(iii) on the Initial Issue Date, the Initial Reserve Amount will be credited to the Reserve Account.

"**Initial Reserve Amount**" means an amount equal to the difference between (i) the sum of the interest collections received from the Initial Receivables and credited to the Interim Account during the period starting from 18 January 2010 and ending on the Initial Issue, and (ii) the Expense Required Amount.

The following accounts shall be established and maintained with the Interim Account Bank as separate accounts in the name of the Guarantor. Find below a description of the deposits and withdrawals in respect of such accounts.

(a) The "**Expense Account**":

(i) Payments into the Expense Account:

(a) on the Initial Issue Date the Expense Required Amount will be credited on the Expense Account out of the interest collections received from the Initial Receivables credited to the Interim Account during the period starting from 18 January 2010 and ending on the Initial Issue Date; and

(b) on each Guarantor Payment Date monies will be credited to the Expense Account in accordance with the applicable Priority of Payments until the balance of such account equals the Expense Required Amount.

(ii) Withdrawals from the Expense Account:

(a) at any time the Interim Account Bank will use the funds standing to the credit of the Expense Account to pay the Expenses on the basis of the Payment Instructions from time to time received from the Cash Manager; and

(b) on the Guarantor Payment Date on which all Covered Bonds have been redeemed in full and no more Covered Bonds may be issued under the Programme, any amounts standing to the credit of the Expense Account will be transferred to the Transaction Account and used to make payments in accordance with the applicable Priority of Payments.

"**Expense Required Amount**" means Euro 50,000.

(b) The "**Quota Capital Account**"

A euro-denominated deposit account or any other account as may replace it in accordance with the Cash Management and Agency Agreement into which the sum representing 100 per cent. of the

Guarantor's equity capital (equal to Euro 10,000) has been deposited and will remain deposited therein for so long as all Covered Bonds issued or to be issued by the Issuer have been paid in full.

The following account shall be established and maintained with the Italian Account Bank as separate account in the name of the Guarantor. Find below a description of the deposits and withdrawals in respect of such account.

(c) The "**Transaction Account**"

(i) Payments into the Transaction Account:

(a) on each Business Day, by 13.00 (Italian time), any amount standing on the balance of the Interim Account will be credited to the Transaction Account;

(b) any amounts whatsoever received by or on behalf of the Guarantor pursuant to the Swap Agreements will be credited to the Transaction Account, except for collateral to be credited to the Collateral Account, if any;

(c) all other payments paid to the Guarantor under any of the Transaction Documents including – for the avoidance of doubt – any indemnity paid by the Seller in accordance with the Warranty and Indemnity Agreement will be credited to the Transaction Account;

(d) any interest accrued on any of the Accounts held with, respectively, the English Account Bank and the Italian Account Bank (except as otherwise provided herein); and

(e) at the end of any Collection Period, the interest accrued on the credit balance of the Investment Account and the proceeds of the liquidation of the amounts invested in the Eligible Investments and/or Eligible Assets and Integration Assets consisting of securities during the preceding Collection Period, if any, will be transferred to the Transaction Account.

(ii) Withdrawals from the Transaction Account:

(a) on each Guarantor Payment Date, the Cash Manager, on the basis of the Payment Report, will, no later than 13.00 (Italian time), make those payments as are indicated in the relevant Payments Report;

(b) on each Guarantor Payment Date, the Cash Manager, on the basis of the Payment Report, will, no later than 13.00 (Italian time), on behalf of the Guarantor, subject to the availability of sufficient Interest Available Funds and in accordance with the Payments Report, transfer from the Transaction Account to the Expense Account, the amounts necessary to replenish the Expense Account up to the Expense Required Amount;

(c) the Italian Account Bank will transfer from the Transaction Account to the Investment Account (if any) upon instruction of the Investment Agent, all or part of the funds credited on, and standing to the credit of, the Transaction Account on the relevant Investment Date; and

(d) 1 (one) Business Day prior to each Guarantor Payment Date falling after an Issuer Event of Default and delivery of a Notice to Pay, the Cash Manager will transfer to the Italian Paying Agent Account the amounts necessary for the Italian Paying Agent to execute payments of interests and principal due in relation to the outstanding Covered Bonds.

"**Investment Date**" means any date in which the Investment Agent elects to make investments according to the Cash Management and Agency Agreement.

Furthermore, the following account shall be established and maintained with the English Account Bank as separate account in the name of the Guarantor. Find below a description of the deposits and withdrawals in respect of such account.

(d) The "**Reserve Account**"

(i) Payments into the Reserve Account:

(a) on each Guarantor Payment Date the Reserve Account will be credited subject to the availability of sufficient Available Funds and in accordance with the Pre-Issuer Event of Default Interest Priority of Payments, Pre-Issuer Event of Default Principal Priority of Payments or Post-Issuer Event of Default Priority of Payments, as the case may be, with the amounts required for the purpose of setting aside, on each Guarantor Payment Date, the relevant Required Reserve Amount; and

(b) on the Initial Issue Date, the Initial Reserve Amount will be credited to the Reserve Account.

(ii) Withdrawals from the Reserve Account:

(a) on each Guarantor Payment Date, prior to the service of a Notice to Pay, the funds standing to the credit of the Reserve Account in excess of the Required Reserve Amount will be applied by the Cash Manager as Interest Available Funds according to the Pre-Issuer Event of Default Interest Priority of Payments;

(b) following the service of a Notice to Pay, the Guarantor will apply the funds standing to the Reserve Account (but excluding item (A) of the definition of Required Reserve Amount calculated as at the relevant Guarantor Payment Date) according to the Post-Issuer Event of Default Priority of Payments;

(c) at the end of any Collection Period, the interest accrued on the credit balance of the Reserve Account, if any, will be transferred to the Transaction Account; and

(d) on the Guarantor Payment Date on which all Covered Bonds have been redeemed in full and no more Covered Bonds may be issued under the Programme, any amounts standing to the credit of the Reserve Account will be transferred to the Transaction Account and used to make payments in accordance with the applicable Priority of Payments.

Furthermore, the following accounts shall be established and maintained with the Cash Manager as separate accounts in the name of the Guarantor. Find below a description of the deposits and withdrawals in respect of such accounts.

(e) The "**Investment Account**"

(i) Payments into the Investment Account:

an Investment Account may be opened in the future on which (i) amounts standing to the credit of the Transaction Account will be deposited upon discretion of the Investment Agent and (ii) on each Liquidation Date (as defined herein), by 13.00 (Italian time), the proceeds of the liquidation of the Eligible Investments and/or Eligible Assets and Integration Assets consisting of securities standing to the credit of the Securities Account and the interest accrued on the investments until the end of the Collection Period, if any, will be credited.

(ii) Withdrawals from the Investment Account:

(a) the funds standing to the credit of the Investment Account (if any) will be used to make Eligible Investments in accordance with the provisions of the Cash Management and Agency Agreement; and

(b) at the end of any Collection Period, the interest accrued on the credit balance of the Investment Account and the proceeds of the liquidation of the amounts invested in the Eligible Investments and/or Eligible Assets and Integration Assets consisting of securities, during the preceding Collection Period, if any, will be transferred to the Transaction Account.

"Liquidation Date" has the meaning ascribed to it in the Cash Management and Agency Agreement.

(f) The "**Securities Account**"

(i) Payments into the Securities Account

(a) a Securities Account may be opened in the future on which all securities constituting Eligible Investments purchased upon instruction of the Investment Agent with the amounts standing to the credit of the Investment Account, pursuant to any order of the Investment Agent, and all Eligible Assets and Integration Assets consisting of securities will be deposited.

(ii) Withdrawals from the Securities Account:

(a) on each Liquidation Date, by 13.00 (Italian time), the Eligible Investments standing to the credit of the Securities Account will be liquidated and proceeds credited to the Investment Account by the Cash Manager promptly upon liquidation and in any case not later than 13.00 (Italian time) of the last day of the relevant Collection Period;

(b) the Eligible Assets and/or Integration Assets consisting of securities will be liquidated in accordance with the Cover Pool Administration Agreement and proceeds credited to the Investment Account by the Cash Manager promptly upon liquidation and in any case not later than 13.00 (Italian time) of the last day of the relevant Collection Period; and

(c) before 13.00 (Italian time) of the last day of the relevant Collection Period, the interest accrued on the investments until the end of the Collection Period standing to the credit balance of the Securities Account, if any, will be transferred to the Investment Account.

No payment may be made out of the Accounts which would thereby cause or result in any such account becoming overdrawn.

If and when the unsecured and unsubordinated debt obligations of Banco BPM are rated as high as the unsecured and unsubordinated debt obligations applicable to the English Account Bank: (i) all the accounts opened with the English Account Bank will be moved to Italian Account Bank pursuant to the provision of the Cash Management and Agency Agreement); and (ii) the Investment Account and the Securities Account opened with the Cash Manager will be closed and a replacement Investment Account and a replacement Securities Account will be opened with Banco BPM pursuant to the provisions of the Cash Management and Agency Agreement

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Master Transfer Agreement

On 26 January 2010, pursuant to a master transfer agreement entered into between Banco BPM as Seller (as successor to Banco Popolare Società Cooperativa) and the Guarantor, as subsequently amended, (the "**Master Transfer Agreement**"), the Seller (a) transferred without recourse (*pro soluto*) and with economic effects from and including the relevant Evaluation Date an initial portfolio of receivables to the Guarantor (the "**Initial Receivables**") and (b) will transfer, without recourse (*pro soluto*) and with economic effects from and including the relevant Evaluation Date, from time to time and on a revolving basis, further portfolios of Receivables, in the cases and subject to the limits indicated therein (the "**Subsequent Receivables**"), in the cases and subject to the limits for the transfer of further Eligible Assets and/or Integration Assets.

The portfolios to be transferred to the Guarantor according to the Master Transfer Agreement will consist, from time to time, of receivables arising from:

(a) Italian residential mortgage loans *(mutui ipotecari residenziali)* pursuant to Article 2, paragraph 1, letter (a) of the MEF Decree (the "**Mortgage Loans**");

(b) loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, letter (c) of the MEF Decree (the "**Public Assets**"); and

(c) securities issued in the framework of securitisations having as underlying assets Mortgage Loans or Public Assets, pursuant to Article 2, paragraph 1, letter (d) of the MEF Decree and provided that such asset backed securities comply with all the following: (a) the cash-flow generating assets backing the securitisation transactions securities meet the criteria laid down in Article 129(1)(d) to (f) of Regulation (EU) No 575/2013 in respect of securitisation transactions securities backing covered bonds, (b) the cash-flow generating assets were originated by an entity closely linked to the issuer of the covered bonds, as described in Article 138 of the Guideline of the European Central Bank dated 19 December 2014 ((UE) 510/2015), (c) they are used as a technical tool to transfer mortgages or guaranteed real estate loans from the originating entity into the cover pool of the respective covered bond; and (d) the requirements provided by Circular No. 285 of 17 December 2013 of the Bank of Italy (Supervisory Guidelines for the Banks) (the "**ABS**").

The Mortgage Loans, the Public Assets and the ABS are jointly defined as the "**Eligible Assets**".

"**Evaluation Date**" means: (i) in respect of the Initial Receivables 18 January 2010 and (ii) in respect of any the Subsequent Receivables, the date indicated as such in the relevant offer for Subsequent Receivables.

Purchase Price

The purchase price payable for the Initial Receivables has been determined and the purchase price for the Subsequent Receivables will be determined pursuant to the provisions of the Master Transfer Agreement.

The Initial Receivables

The Initial Receivables transferred to the Guarantor according to the Master Transfer Agreement, consist of receivables arising from Mortgage Loans only.

The Subsequent Receivables

In accordance with the Master Transfer Agreement and the Cover Pool Administration Agreement, the Seller may (or, in order to prevent or to cure a breach of the Mandatory Tests and the other tests provided for in the

transaction documents, shall) transfer further Eligible Assets and/or Integration Assets (as defined below) in the following circumstances:

(a) to issue further series or tranches of Covered Bonds, subject to the limits to the assignment of further Eligible Assets set forth by the BoI Regulations (the "**Issuance Assignments**");

(b) to purchase further Eligible Assets in order to invest the Principal Available Funds deriving from Eligible Assets and/or Integration Assets in accordance with the relevant Priority of Payments (the "**Eligible Assets Revolving Assignments**");

(c) purchase further Integration Assets and/or Eligible Assets in order to invest Principal Available Funds deriving from Integration Assets in accordance with the relevant Priority of Payments (the "**Integration Assets Revolving Assignments**" and together with the Eligible Assets Revolving Assignments, the "**Revolving Assignment**"); or

(d) to ensure compliance with the Mandatory Tests and the other tests provided for in the transaction documents (the "**Integration Assignment**").

The Integration Assignment

The integration of the Cover Pool (whether through Integration Assets or Eligible Assets) shall be allowed solely for the purpose of complying with the Mandatory Test and the other tests provided for in the Transaction Documents or in view of meeting the Integration Assets Limit (as defined below) within the Cover Pool.

The integration of the Cover Pool shall be carried out through the Integration Assets provided that, the Integration Assets, prior to the occurrence of an Issuer Event of Default, shall not be, at any time, higher than 15 per cent. of the aggregate outstanding principal amount of the Cover Pool (the "**Integration Assets Limit**"), except where such Integration Assets are necessary for the repayment of the outstanding Covered Bonds.

"**Integration Assets**" means the assets mentioned in Article 2, paragraph 3, point 2 and 3, of the MEF Decree consisting of (a) deposits with banks residing in Eligible States; and (b) securities issued by banks residing in Eligible States with residual maturity not greater than one year.

Further Assignments

Each Subsequent Receivable shall be exclusively composed of Eligible Assets and/or Integration Assets, which comply with the general criteria indicated in Annex 1 to the Master Transfer Agreement (the "**General Criteria**") and, if applicable in relation to the relevant transfer, the Specific Criteria attached to the relevant offer for sale sent by the Seller to the Guarantor in accordance with the provisions of the Master Transfer Agreement, provided that, pursuant to the applicable law, total Integration Assets shall not exceed the Integration Assets Limit.

The obligation of the Guarantor to purchase any Subsequent Receivables shall be:

(a) conditional upon, for the carrying out of Revolving Assignments, (i) the existence of Principal Available Funds in accordance with the Pre-Issuer Event of Default Principal Priority of Payments and (ii) a breach of the Asset Coverage Test and of the Mandatory Tests does not occur after such assignment; and

(b) for the carrying out of Issuance Assignments and of the Integration Assignments, the funding of the requested amounts under the relevant Subordinated Loan, unless, with reference to the Integration Assignments and only prior to the occurrence of an Issuer Event of Default, for the satisfaction of the

Asset Coverage Test and of the Mandatory Tests through the purchase of further Eligible Assets, the use of Available Funds in accordance with the applicable Priority of Payments can suffice.

Price adjustments

The Master Transfer Agreement provides a price adjustment mechanism pursuant to which:

(a) if, following the relevant effective date, any Receivable which is part of the Initial Receivables or of the Subsequent Receivables does not meet the Criteria, then such Receivable will be deemed not to have been assigned and transferred to the Guarantor pursuant to the Master Transfer Agreement;

(b) if, following the relevant effective date, any Receivable which meets the Criteria but it is not part of the Initial Receivables or of the Subsequent Receivables, then such Receivable shall be deemed to have been assigned and transferred to the Guarantor as of the Transfer Date of the relevant Receivables, pursuant to the Master Transfer Agreement.

In accordance with the above, the Seller and the Guarantor have set up a proper mechanism to manage the necessary settlements for the substitution or acquisition of the relevant Receivables and the increase or decrease, as the case may be, of the amounts already paid as purchase price.

Repurchase of receivables and pre-emption right

(a) The Seller is granted with an option right, pursuant to Article 1331 of Italian Civil Code, to repurchase the Receivables assigned to the Guarantor, also in different tranches, in accordance with the terms and conditions set out in the Master Transfer Agreement.

(b) According to the Master Transfer Agreement, the Seller is granted a pre-emption right to repurchase the Receivables assigned to the Guarantor, in the cases where the Guarantor elects to sell such Receivables to third parties, at the same terms and conditions provided for such third parties.

Termination of the Guarantor's obligation to purchase and termination of the agreement

Pursuant to the Master Transfer Agreement, the obligation of the Guarantor to purchase Subsequent Receivables from the Seller shall terminate upon the occurrence of any of the following: (a) the Programme Termination Date has occurred; (b) an Issuer Event of Default has occurred, other than those set out under the subsequent points, among those expressly indicated in the Conditions; moreover the obligation of the Guarantor to purchase Subsequent Receivables from the Seller shall terminate upon the occurrence of any of the following (a) a breach of material obligations of the Seller pursuant to the Transaction Documents has occurred, in the event such breach is not cured within the period specified in the Master Transfer Agreement, or it is otherwise not curable; (b) any material breach of the Seller's representations and warranties given in any of the Transaction Documents and such breach has an adverse effect on the Programme; (c) an Seller's material adverse change has occurred; (d) a change of control of the Seller and subsequent exit of the Seller from the Banco BPM Group; (e) winding up of the Seller, or opening of other bankruptcy or insolvency proceeding with respect to the Seller.

Following the occurrence of one of the events described above, the Guarantor shall no longer be obliged to purchase Subsequent Receivables save for the provisions contained in the Master Transfer Agreement in relation to the Integration Assignment.

Undertakings

The Master Transfer Agreement also contains a number of undertakings by the Seller in respect of its activities in relation to the Receivables. The Seller has undertaken, *inter alia,* to refrain from carrying out activities with respect to the Receivables which may prejudice the validity or recoverability of any Receivables and in particular not to assign or transfer the Receivables to any third party or to create any

security interest, charge, lien or encumbrance or other right in favour of any third party in respect of the Receivables. The Seller also has undertaken to refrain from any action which could cause any of the Receivables to become invalid or cause a reduction in the amount of any of the Receivables or the Covered Bond Guarantee. The Master Transfer Agreement also provides that the Seller shall waive any set off rights in respect of the Receivables, and co-operate actively with the Guarantor in any activity concerning the Receivables.

Governing Law

The Master Transfer Agreement, and any non-contractual obligation arising out of, or in connection with it, is governed by Italian Law.

Warranty and Indemnity Agreement

On 26 January 2010, Banco BPM as Seller (as successor to Banco Popolare Società Cooperativa) and the Guarantor entered into a warranty and indemnity agreement (the "**Warranty and Indemnity Agreement**") also in favour of the Representative of the Covered Bondholders, pursuant to which the Seller made certain representations and warranties to the Guarantor in respect of the Receivables assigned to the Guarantor.

Specifically, as of the date of execution of the Master Transfer Agreement, as of each subsequent Transfer Date and as of each Issue Date, the Seller has given to the Guarantor, *inter alia,* representations and warranties about: (a) its status and powers, (b) the information and the documents provided to the Guarantor, (c) its legal title on the Receivables assigned by it, (d) the status of the Receivables assigned by it, (e) the terms and conditions of the Receivables assigned by it.

Pursuant to the Warranty and Indemnity Agreement, the Seller has undertaken to fully and promptly indemnify and hold harmless the Guarantor and its officers, directors and agents, from and against any and all damages, losses, claims, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and disbursements and any value added tax and other tax thereon as well as any claim for damages by third parties) awarded against, or incurred by, any of them, arising from any representations and/or warranties made by the Seller under the Warranty and Indemnity Agreement being actually false, incomplete or incorrect and/or failure by the Seller to perform any of the obligations and undertakings assumed by the Seller under the Transaction Documents to which it is a party. Notwithstanding the above, the parties to the Warranty and Indemnity Agreement agreed that, further to the breach of any of the representations and warranties and absent any payment of the indemnity by the Seller, the Seller shall be entitled to exercise a call option and the Guarantor a put option, with reference to the Receivables in respect of which a breach of the representations and warranties occurred.

Governing Law

The Warranty and Indemnity Agreement, and any non-contractual obligation arising out of, or in connection with it, is governed by Italian Law.

Subordinated Loan Agreement

On 26 January 2010, Banco BPM as Seller (as successor to Banco Popolare Società Cooperativa) and the Guarantor entered into a subordinated loan agreement, as subsequently amended, (the "**Subordinated Loan Agreement**"), pursuant to which the Seller granted to the Guarantor a subordinated loan (the "**Subordinated Loan**") with a maximum amount equal to the Commitment Limit, save for the further increases to be determined by the Seller as subordinated loan provider. Under the provisions of the Subordinated Loan Agreement, the Seller shall make advances to the Guarantor in amounts equal to the purchase price of the Initial Receivables and the relevant purchase price of the Subsequent Receivables transferred from time to

time to the Guarantor for the purpose of (a) collateralising the issue of further Covered Bonds or (b) carrying out an integration of the Cover Pool, whether through Eligible Assets or through Integration Assets, in order to prevent or cure a breach of the Mandatory Tests and of the other tests provided for in the Transaction Documents.

Each advance granted by the Seller pursuant to the Subordinated Loan Agreement shall be identified in: (a) a term loan advanced to fund the purchase price of Receivables to be sold in the framework of an Issuance Assignment (the "**Issuance Advances**"); and (b) a term loan advanced for the purpose of purchasing further Eligible Assets and/or Integration Assets in the framework of an Integration Assignment (the "**Integration Advance**").

The Guarantor shall pay any interest due under the Subordinated Loan on each Guarantor Payment Date in accordance with the relevant Priorities of Payments.

The Issuance Advances shall be remunerated by way of:

(a) the Base Interest (*Interessi Base*), and

(b) the Premium Interest (*Interessi Aggiuntivi*).

The Integration Advances shall be remunerated only by way of the Premium Interest (*Interessi Aggiuntivi Aggregati*).

The Issuance Advances shall be due for repayment on the date that matches the latest maturity date of the longest maturity series or tranche of Covered Bonds issued by the Issuer (or at an earlier date, upon request of the Seller, provided that the conditions specified in the Subordinated Loan Agreement are met), and shall be payable within the limits of the Available Funds and in accordance with the relevant Priority of Payments.

Pursuant to Article 10 (*Rimborso posticipato degli utilizzi*) of the Subordinated Loan Agreement, should the rating of the Issuer fall below "BB(low)" from DBRS or "Ba3" from Moody's, the Issuance Advances shall be repayable on the date which is six months after the longest maturity date of the series or tranche of Covered Bonds issued under the Programme.

Pursuant to the provisions of the Subordinated Loan Agreement, the Integration Advances shall be due for repayment on the date that matches the maturity date of the series or tranche of Covered Bonds with the longer maturity.

Notwithstanding the above, upon receipt by the Guarantor of a request from the Seller (*la Richiesta di Rimborso Anticipato degli Utilizzi per Ripristino*), the Integration Advances shall be repaid in advance by the Guarantor in accordance with the relevant Priority of Payments, provided that the conditions specified in the Subordinated Loan Agreement are met.

Main Definitions

For the purposes of the Subordinated Loan Agreement:

"**Base Interest**" means, with reference to each Issuance Advance, an interest rate equal to the weighted average interest rate, as determined as at each Calculation Date following the relevant Issuance Advance, of any Series or Tranches of Covered Bonds from time to time issued under the Programme which remain outstanding as at such Calculation Date.

The "**Premium Interest**" means:

(a) prior to the occurrence of an Issuer Event of Default, an amount equal to the higher of zero and algebraic sum of:

(a) (+) the amount of Interest Available Funds;

(b) (-) the sum of any amount paid under items from (i) to (x) of the Pre-Issuer Event of Default Interest Priority of Payment

or

(b) following the occurrence of an Issuer Event of Default, an amount equal to the higher of zero and algebraic sum of:

(a) (+) the amount of Available Funds;

(b) (-) the sum of any amount paid under items from (i) to (v) of the Post-Issuer Event of Default Priority of Payments.

or

(c) following the occurrence of a Guarantor Event of Default an amount equal to the higher of zero and algebraic sum of:

(a) (+) the amount of Available Funds;

(b) (-) the sum of any amount paid under items from (i) to (iv) of the Post-Guarantor Event of Default Priority of Payments.

The Subordinated Loan Agreement, and any non-contractual obligation arising out of, or in connection with it, is governed by Italian law.

Covered Bond Guarantee

On or about the Issue Date, the Guarantor issued a guarantee securing the payment obligations of the Issuer under the Covered Bonds (the "**Covered Bond Guarantee**"), in accordance with the provisions of the Law 130 and of the MEF Decree. Under the terms of the Covered Bond Guarantee, following the occurrence of an Issuer Event of Default, and service of a Notice of Pay on the Guarantor, but prior to the occurrence of a Guarantor Event of Default, the Guarantor has agreed to pay, or procure to be paid, unconditionally and irrevocably to, or to the order of, the Representative of the Covered Bondholders (for the benefit of the Covered Bondholders), any amounts due under the relevant Series or Tranche of Covered Bonds on the Scheduled Due for Payment Date.

Pursuant to Article *7-bis,* paragraph 1, of Law 130 and Article 4 of the MEF Decree, the guarantee provided under the Covered Bond Guarantee is a first demand, unconditional and independent guarantee *(garanzia autonoma)* and therefore provides for direct and independent obligations of the Guarantor *vis-à-vis* the Covered Bondholders. The obligation of payment under the Covered Bond Guarantee shall be an unconditional obligation of the Guarantor, at first demand *(a prima richiesta),* irrevocable *(irrevocabile)* and with limited recourse to the Available Funds, irrespective of any invalidity, irregularity or unenforceability of any of the obligations of the Issuer under the Covered Bonds. The provisions of the Italian Civil Code relating to *fideiussione* set forth in Articles 1939 *(Validità della fideiussione),* 1941, paragraph 1 *(Limiti della fideiussione),* 1944, paragraph 2 *(Escussione preventiva),* 1945 *(Eccezioni opponibili dal fideiussore),* 1955 *(Liberazione del fideiussore per fatto del creditore),* 1956 *(Liberazione del fideiussore per obbligazione futura)* and 1957 *(Scadenza dell'obbligazione principale)* shall not apply to the Covered Bond Guarantee.

Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the Guarantor, but prior to the occurrence of a Guarantor Event of Default, payment by the Guarantor of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made, subject to and in accordance with the Post-

Issuer Event of Default Priority of Payments, on the relevant Scheduled Due for Payment Date. In addition if an Extended Maturity Date is envisaged under the relevant Final Terms, where the Guarantor is required to make a payment of a Guaranteed Amount in respect of a Final Redemption Amount payable on the Maturity Date of the Covered Bonds, to the extent that the Guarantor has insufficient moneys available after payment of higher ranking amounts and taking into account amounts ranking *pari passu* therewith in the relevant Priority of Payments, to pay such Guaranteed Amounts, it shall make partial payments of such Guaranteed Amounts in accordance with the Post-Issuer Event of Default Priority of Payments and any such amount due and remaining unpaid on the Maturity Date may be paid by the Guarantor on any Scheduled Payment Date thereafter, up to (and including) the relevant Extended Maturity Date, if applicable.

Following the occurrence of an Issuer Event of Default due to a resolution entered into with respect to the Issuer pursuant to Article 74 of the Banking Law (the "**Article 74 Event**") and the service of a Notice to Pay, the Guarantor, in accordance with Article 4, paragraph 4, of the MEF Decree, shall be solely responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and upon the end of the Suspension Period, the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer); the Suspension Period shall end upon delivery by the Representative of the Covered Bondholders of a notice to the Issuer and the Guarantor (the "**Article 74 Event Cure Notice**"), informing such parties that the Article 74 Event has been cured.

Following the occurrence of a Guarantor Event of Default and service of an Acceleration Notice, all Covered Bonds will accelerate against the Guarantor, becoming due and payable, and they will *rank pari passu* amongst themselves and the Available Funds shall be applied in accordance with the Post-Guarantor Event of Default Priority of Payment.

All payments of Guaranteed Amounts by or on behalf of the Guarantor will 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 are required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Guarantor will not be obliged to pay any amount to any Covered Bondholder in respect of the amount of such withholding or deduction.

Exercise of rights

Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the Guarantor, but prior to the occurrence of a Guarantor Event of Default, the Guarantor, in accordance with the provisions set forth under the Covered Bond Guarantee and, with reference and as of the date of administrative liquidation *(liquidazione coatta amministrativa)* of the Issuer in accordance with the provisions of Article 4, paragraph 3, of the MEF Decree, shall substitute the Issuer in every and all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis and, to the extent applicable, in compliance with the provisions of Article 4, paragraph 3 of the MEF Decree, the right of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

As a consequence and as expressly indicated in the Conditions, the Representative of the Covered Bondholders (on behalf of the Covered Bondholders) has irrevocably delegated – also in the interest and for the benefit of the Guarantor – to the Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation.

For the purposes of the Covered Bond Guarantee:

"**Due for Payment Date**" means: (a) prior to the service of an Acceleration Notice, a Scheduled Due for Payment Date (as defined below) or (b) following the occurrence of a Guarantor Event of Default, the date on which the Acceleration Notice is served on the Guarantor. If the Due for Payment Date is not a Business Day, the date determined in accordance with the Business Day Convention specified as applicable in the relevant Final Terms. For the avoidance of doubt, Due for Payment Date does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due by reason of prepayment, mandatory or optional redemption or otherwise.

"**Final Redemption Amount**" means, with respect to a Series or Tranche of Covered Bonds, the amount, as specified in the applicable Final Terms.

"**Guaranteed Amounts**" means, (i) prior to the service of an Acceleration Notice, with respect to any Scheduled Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Scheduled Due for Payment Date, or (ii) after the service of an Acceleration Notice, an amount equal to the relevant Early Redemption Amount plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Guarantor under the Covered Bonds provided that any Guaranteed Amounts representing interest paid after the Maturity Date (or Extended Maturity Date, as the case may be) shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the "**Clawed Back Amounts**").

"Order" means a final, non-appealable judicial or arbitration decision, ruling or award from a court of competent jurisdiction.

"**Scheduled Due for Payment Date**" means:

(a) (i) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (ii) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Issuer Event of Default, the day which is two Business Days following service of the Notice to Pay on the Guarantor in respect of such Guaranteed Amounts, if such Notice to Pay has not been served by the relevant Scheduled Payment Date; or

(b) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

"**Scheduled Interest**" means an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each CB Payment Date as specified in the Conditions and the applicable Final Terms falling on or after service of a Notice to Pay on the Guarantor (but excluding any

additional amounts relating to premiums, default interest or interest upon interest: the "**Excluded Scheduled Interest Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, less any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

"**Scheduled Payment Date**" means, in relation to payments under the Covered Bond Guarantee, each CB Payment Date.

"**Scheduled Principal**" means an amount equal to the amount in respect of principal which would have been due and payable under the Covered Bonds on each CB Payment Date or the Maturity Date (as the case may be) as specified in the Conditions and the applicable Final Terms (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest: the "**Excluded Scheduled Principal Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and payable prior to their Maturity Date and, if the Final Terms specifies that an Extended Maturity Date is applicable to such relevant Series, or Tranche, if the maturity date of such Series or Tranche had been the Extended Maturity Date.

"**Suspension Period**" means the period of time following a resolution pursuant to Article 74 of the Banking Law is passed in respect of the Issuer, in which the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the Guaranteed Amounts due and payable within the entire period in which the suspension continues.

Governing Law

The Covered Bond Guarantee is governed by Italian law.

Servicing Agreement

On 26 January 2010 Banco BPM as Servicer (as successor to Banco Popolare Società Cooperativa) has agreed, pursuant to the terms of the servicing agreement, as subsequently amended, (the "**Servicing Agreement**"), to administer and service the Receivables, on behalf of the Guarantor. Under the Servicing Agreement, the Servicer has agreed to perform certain servicing duties in connection with the Receivables, and, in general, the Servicer has agreed to be responsible for the management of the Receivables assigned to the Guarantor and for cash and payment services *(soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento)* in accordance with the requirements of the Law 130.

As consideration for activities performed and reimbursement of expenses, the Servicing Agreement provides that the Servicer will receive certain fees payable by the Guarantor on each Guarantor Payment Date in accordance with the applicable Priorities of Payments.

Servicer's activities

In the context of the appointment, the Servicer has undertaken to perform, with its best diligence, *inter alia,* the activities specified below:

(a) administration, management and collection of the Receivables in accordance with the collection policies; management and administration of enforcement proceedings and insolvency proceedings;

(b) to act as responsible for data processing *(responsabile del trattamento dei dati personali)* in respect of the data relating to the Receivables pursuant to Article 29 of the Legislative Decree No. 196 of 30 June 2003 (the "**Privacy Law**");

(c) to keep and maintain updated and safe the respective documents relating to the Receivables; to consent to the Guarantor and the Representative of the Covered Bondholders to examine and inspect the documents and to draw copies;

(d) upon the occurrence of a Guarantor Event of Default, the Servicer will be obliged to follow the instructions of the Representative of the Covered Bondholders and shall, if acting on behalf of the Guarantor, sell or offer to sell to third parties one or more Receivables, in accordance with the provisions of the Cover Pool Administration Agreement.

The Servicer is entitled to delegate the performance of certain activities to third parties, except for the supervisory activities in accordance with Bank of Italy Regulations of 5 August 1996, No. 216, as amended and supplemented. Notwithstanding the above, the Servicer shall remain fully liable for the activities performed by a party so appointed by the Servicer, and shall maintain the Guarantor fully indemnified for any losses, costs and damages incurred for the activity performed by a party so appointed by the Servicer.

Servicer Reports

The Servicer has undertaken to prepare and submit quarterly reports to the Guarantor, the Corporate Servicer, the Calculation Agent and the Swap Counterparties, in the form set out in the Servicing Agreement, containing information as to the Collections made in respect of the Receivables assigned to the Guarantor during the preceding Collection Period. After the occurrence of a Breach of Test, and until such breach has been cured, the Servicer will submit monthly reports. The reports will provide the main information relating to the Servicer's activity during each such period.

Successor Servicer

According to the Servicing Agreement, the Guarantor, upon the occurrence of a termination event, shall have the right to withdraw the appointment of the Servicer at any time and to appoint a different entity (each a "**Successor Servicer**"). Pursuant to the Servicing Agreement, the Guarantor has undertaken to appoint the Successor Servicer immediately after the occurrence of a termination event. The Successor Servicer shall undertake to carry out the activity of administration, management and collection of the Receivables, as well as all other activities provided for in the Servicing Agreement by entering into a servicing agreement having substantially the same form and contents as the Servicing Agreement and accepting the terms and conditions of the Intercreditor Agreement.

The Guarantor may terminate the appointment of the Servicer and appoint a Successor Servicer following the occurrence of any of the termination event (each a "**Servicer Termination Event**").

The Servicer Termination Events include *inter alia:*

(a) failure to transfer, deposit or pay any amount due by the Servicer which failure continues for a period of 10 Business Days following receipt by the Servicer of a written notice from the Guarantor requiring the relevant amount to be paid or deposited;

(b) the Bank of Italy has proposed to the Minister of Finance to admit the Servicer to any insolvency proceeding or a request for the judicial assessment of the insolvency of the Servicer has been filed with the competent office or the Servicer has been admitted to the procedures set out in articles 74 and 76 of the Banking Law, or a resolution is passed by the Servicer with the intention of applying for such proceedings to be initiated;

(c) failure by the Servicer to observe or perform duties under the Transaction Documents and the continuation of such failure for a period of 10 Business Days following receipt of written notice from the Guarantor and such failure is reasonable deemed by the Representative of the Covered Bondholders materially prejudicial to the Covered Bondholders;

(d) amendments of the functions and services of the Servicer involved in the management of the claims and in the recovery and collection procedures, if such amendments may, individually or jointly, prevent the Servicer from performing the obligations assumed under the Servicing Agreement;

(e) the representations and warranties made by the Servicer in the Servicing Agreement are false or misleading;

(f) meeting the duties pursuant to the Servicing Agreement become illegal for the Servicer;

(g) the Servicer is unable to meet the legal requirements and the Bank of Italy's regulations for entities acting as servicer.

Governing Law

The Servicing Agreement, and any non-contractual obligation arising out of, or in connection with it, is governed by Italian law.

Corporate Services Agreement

Pursuant to a corporate services agreement entered into on or about the Initial Issue Date (the "**Corporate Services Agreement**"), the Corporate Servicer has agreed to provide the Guarantor with certain corporate services, including the keeping of the corporate books and of the accounting and tax registers.

Governing Law

The Corporate Services Agreement is governed by Italian law.

Administrative Services Agreement

Pursuant to an administrative services agreement Banco BPM (as successor to Banco Popolare Società Cooperativa) has agreed to provide the Guarantor with certain administrative services.

Governing Law

The Administrative Services Agreement is governed by Italian law.

Intercreditor Agreement

Under the terms of an intercreditor agreement entered into on or about the Initial Issue Date, as subsequently amended, (the "**Intercreditor Agreement**") among the Guarantor, the Representative of the Covered Bondholders (in its own capacity and on behalf of the Covered Bondholders), the Seller, the Issuer, the Subordinated Loan Provider, the Servicer, the Corporate Servicer, the Administrative Servicer, the Investment Agent, the English Account Bank, the Italian Account Bank, the Interim Account Bank, the Italian Paying Agent, the Swap Counterparties, the Cash Manager, the Asset Monitor and the Calculation Agent (collectively the "**Secured Creditors**"), the parties agreed that all the Available Funds of the Guarantor will be applied in or towards satisfaction of the Guarantor's payment obligations towards the Covered Bondholders as well as the other Secured Creditors, in accordance with the relevant Priorities of Payments provided in the Intercreditor Agreement.

According to the Intercreditor Agreement, the Representative of the Covered Bondholders will, subject to a Guarantor Event of Default having occurred, ensure that all the Available Funds are applied in or towards satisfaction of the payment obligations towards the Covered Bondholders as well as the other Secured Creditors, in accordance with the Post-Guarantor Event of Default Priority of Payments provided in the Intercreditor Agreement.

The obligations owed by the Guarantor to each of the Covered Bondholders and each of the other Secured Creditors will be limited recourse obligations of the Guarantor. The Covered Bondholders and the other Secured Creditors will have a claim against the Guarantor only to the extent of the Available Funds, in each case subject to and as provided for in the Intercreditor Agreement and the other Transaction Documents.

Pursuant to the Intercreditor Agreement, the Guarantor and each of the Secured Creditors have irrevocably agreed that, upon all the Covered Bonds becoming due and payable following a Guarantor Event of Default and the service of an Acceleration Notice, the Representative of the Covered Bondholders will be authorised (a) to carry out the activities provided by the Cover Pool Administration Agreement upon the occurrence of a Guarantor Event of Default and (b) pursuant to the Intercreditor Agreement to exercise, in the name and on behalf of the Guarantor and as a *mandatario con rappresentanza* of the Guarantor, also in the interest and for the benefit of the other Secured Creditors (according to Article 1723, paragraph 2, and Article 1726 of the Italian Civil Code), any and all of the Guarantor's Rights, including, without limitation, the right to give instructions, under each relevant Transaction Document, to the Interim Account Bank, the English Account Bank, the Italian Account Bank, the Cash Manager, the Servicer, the Administrative Servicer, the Italian Paying Agent and the Corporate Servicer. The Representative of the Covered Bondholders shall not incur any liability as a result of its taking any action or failing to take any action in accordance with such mandate except in the case of its wilful misconduct or gross negligence (*dolo o colpa grave*).

"**Guarantor's Rights**" means the Guarantor's right, title and interest in and to the Cover Pool, any rights that the Guarantor has under the Transaction Documents and any other rights that the Guarantor has against any Secured Creditors (including any applicable guarantors or successors) or third parties in connection with the Programme.

Governing Law

The Intercreditor Agreement, and any non-contractual obligation arising out of or in connection with it, is governed by Italian law.

Cash Management and Agency Agreement

Under the terms of a cash management and agency agreement entered into on or about the Initial Issue Date, as subsequently amended, between the Guarantor, the Cash Manager, the Interim Account Bank, the English Account Bank, the Italian Account Bank, the Principal Paying Agent, the Italian Paying Agent, the Investment Agent, the Issuer, the Servicer, the Seller, the Corporate Servicer, the Administrative Servicer, the Calculation Agent and the Representative of the Covered Bondholders (the "**Cash Management and Agency Agreement**"), the Interim Account Bank, the English Account Bank, Italian Account Bank the Cash Manager, the Principal Paying Agent, the Italian Paying Agent, the Investment Agent, the Servicer, the Corporate Servicer and the Calculation Agent will provide the Guarantor with certain calculation, notification and reporting services together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts.

Pursuant to the Cash Management and Agency Agreement:

(a) 5 (five) Business Days after the end of the Calculation Period or any other date on which the Tests are to be performed pursuant to the Transaction Documents, as the case may be, the English Account

Bank, the Italian Account Bank and the Cash Manager – to the extent and as long as the Investment Account and the Securities Account are opened with the Cash Manager – will provide, *inter alia,* the Guarantor with a report together with account handling services in relation to moneys from time to time standing to the credit of the Accounts;

(b) the Cash Manager will provide, *inter alia,* the Guarantor, with a report together with certain cash management services in relation to moneys standing to the credit of the Accounts;

(c) the Cash Manager will provide, *inter alia,* the Guarantor with an investors report (the "**Investor Report**") which will set out certain information with respect to the Cover Pool and the Covered Bonds; the Investor Report will be fully available at the Cash Manager web site no later than five Business Days following each Guarantor Payment Date.

(d) the Principal Paying Agent will carry out the payments due on the Covered Bonds until the occurrence of an Issuer Event of Default;

(e) after the occurrence of an Issuer Event of Default, the Italian Paying Agent will carry out the payments due on the Covered Bonds.

Account Banks

The Interim Account, the Securities Account (if any), the Investment Account (if any), the Transaction Account, the Expense Account and the Reserve Account (together the "**Accounts**") and the Collateral Account (if any) will be opened in the name of the Guarantor and shall be operated by the Account Banks, and the amounts standing to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

The Account Banks shall, on behalf of the Guarantor, maintain or ensure that records in respect of all the Accounts are maintained and such records will, on each Calculation Date and/or Monthly Calculation Date, as the case may be, show separately: (i) the balance of each of the Accounts, respectively, as of the close of business of the last day of the relevant Calculation Period; (ii) the total interest accrued and paid on the Accounts, respectively, as of the close of business of the last day of the relevant Calculation Period; and (iii) details of all amounts or securities credited to, and transfers made from, each of the Accounts, respectively, in the course of the immediately preceding Collection Period. The Account Banks will inform the Guarantor and/or the Representative of the Covered Bondholders, upon their request, about the balance of those of the Accounts which are held with it.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that each of the English Account Bank and the Italian Account Bank shall always qualify as an Eligible Institution, and failure to so qualify shall constitute a termination event thereunder.

Investment Agent

During each Collection Period, the Investment Agent may instruct the Cash Manager to invest on behalf of the Guarantor funds standing to the credit of the Investment Account in Eligible Investments which have the requisite maturity date, and any return generated thereby, and principal thereof, will be transferred to the Transaction Account, and will form part of the Available Funds on the immediately following Guarantor Payment Date.

Subject to compliance with the definition of Eligible Investments and the other restrictions set out in the Cash Management and Agency Agreement, the Investment Agent shall have absolute discretion as to the types and amounts of Eligible Investments which it may acquire and as to the terms on which, through whom and on which markets, any purchase of Eligible Investments may be effected.

Cash Manager

On each Payment Report Date, the Cash Manager shall deliver a copy of its report, *inter alia,* to the Guarantor, the Representative of the Covered Bondholders, the Principal Paying Agent, the Servicer and the Calculation Agent, which shall include information on the Eligible Investments.

On or prior to the Investor Report Date the Cash Manager shall prepare and deliver to the Issuer, the Representative of the Covered Bondholders, the Servicer, the Corporate Servicer, the Cash Manager and the Rating Agencies, the Investor Report setting out certain information with respect to the Cover Pool and the Covered Bonds.

On each Guarantor Payment Date, the Cash Manager shall, subject to the Cash Management and Agency Agreement, execute the payment instructions stated by the Calculation Agent and shall allocate the amounts standing on the Transaction Account according to the relevant Priority of Payments.

On each Payment Report Date, the Cash Manager will calculate the amounts to be disbursed on the following Guarantor Payment Date pursuant to the relevant priority of payments and will prepare the relevant Payments Report. The Payment Report will set out the Available Funds and payments to be made on the immediately succeeding Guarantor Payment Date in accordance with the applicable Priorities of Payments. Such Payments Report will be available for inspection during normal business hours at the registered office of the Luxembourg Listing Agent.

Calculation Agent

The Calculation Agent will prepare the Test Performance Reports, subject to receipt by it of reports from the Servicer, the Cash Manager, the Account Banks and the Corporate Servicer.

Principal Paying Agent

The Principal Paying Agent will make payments of principal and interest in respect of the Covered Bonds on behalf of the Issuer in accordance with the Conditions and the relevant Final Terms.

Italian Paying Agent

After the occurrence of an Issuer Event of Default, the Italian Paying Agent acting upon instruction of the Representative of the Covered Bondholders shall make payments of principal and interest in respect of the Covered Bonds on behalf of the Guarantor.

Back-up Italian Account Bank

Upon occurrence of the conditions set out in the Cash Management and Agency Agreement, the Back-up Italian Account Bank shall (i) open the Back-up Transaction Account; (ii) replace Banco BPM as Italian Account Bank and immediately after the completion of the Back up Transaction Account opening and the funds standing to the credit Transaction Account opened with Banco BPM will be transferred to the Back-up Transaction Account opened with the Back-up Italian Account Bank. Upon such replacement, any reference to (a) the Italian Account Bank shall be references to the Back-up Italian Account Bank and (b) the Transaction Account shall be references to the Back-up Transaction Account opened with the Back-up Italian Account Bank.

Termination

Upon the occurrence of certain events, including the Account Banks or the Italian Paying Agent ceasing to qualify as Eligible Institutions, either the Representative of the Covered Bondholders or the Guarantor, provided that (in the case of the Guarantor) the Representative of the Covered Bondholders consents in writing to such termination, may terminate the appointment of any Agent, as the case may be, under the terms of the Cash Management and Agency Agreement.

Governing Law

The Cash Management and Agency Agreement, and any non-contractual obligation arising out of, or in connection with it, is governed by Italian law.

Cover Pool Administration Agreement

On or about the Initial Issue Date, the Guarantor, the Issuer, the Seller, the Calculation Agent, the Asset Monitor and the Representative of the Covered Bondholders have entered into a cover pool administration agreement, as subsequently amended, (the "**Cover Pool Administration Agreement**"). Pursuant to the Cover Pool Administration Agreement Banco BPM (as successor to Banco Popolare Società Cooperativa), as Seller and Issuer, and the Guarantor have undertaken certain obligations for the replenishment of the Cover Pool in order to cure a breach of the Tests (as described in detail in section headed *"Credit structure – Tests"* below).

Under the Cover Pool Administration Agreement, Banco BPM (as successor to Banco Popolare Società Cooperativa), as Seller and Issuer, has undertaken to procure on a continuing basis and for the whole life of the Programme that on any Calculation Date and/or Monthly Calculation Date and/or on each other day on which the relevant Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Mandatory Test (as described in detail in section headed *"Credit structure – Tests"* below) is met with respect to the Cover Pool. The Calculation Agent will also verify, prior to the occurrence of an Issuer Event of Default, that the Asset Coverage Test (as defined in section headed *"Credit structure – Tests")* is met as of the date specified in the Cover Pool Administration Agreement, and following the occurrence of an Issuer Event of Default, that the Amortisation Test (as defined in section headed *"Credit structure – Tests")* is met.

The Calculation Agent has agreed to prepare and deliver on each Calculation Date and/or Monthly Calculation Date and/or on any other day on which the Test Performance Report is to be delivered pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, to the Issuer, the Guarantor, the Seller, the Swap Counterparties, the Guarantor, the Representative of the Covered Bondholders, the Cash Manager, the Rating Agencies and the Asset Monitor, a report setting out the calculations carried out by it with respect of the Tests (the "**Test Performance Report**"). Such report shall specify the occurrence of a breach of the Mandatory Tests and/or of the Asset Coverage Test and/or the Amortisation Test.

Following the notification by the Calculation Agent, in the relevant Test Performance Report, of a breach of any Test, the Guarantor shall prior to the occurrence of an Issuer Event of Default, to any possible extent use the Available Funds to cure the relevant Test or, to the extent the Available Funds are not sufficient to cure the relevant Test, purchase from the Seller (or any Additional Seller, as the case may be) any Integration Assets and/or other Eligible Assets, representing an amount sufficient to allow the Tests to be met.

If the relevant Tests is not cured within the immediately following Monthly Calculation Date, the Representative of the Covered Bondholders will serve a notice (the "**Breach of Test Notice**") on the Issuer and the Guarantor.

If, following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the next Monthly Calculation Date, the Representative of the Covered Bondholders will serve a Notice to Pay on the Guarantor.

Sale of Selected Assets following the occurrence of an Issuer Event of Default

Following the delivery of a Notice to Pay (and prior to the service of an Acceleration Notice following the occurrence of a Guarantor Event of Default), the Guarantor shall (only if necessary in order to effect timely payments under the Covered Bonds), direct the Servicer to sell Eligible Assets and/or Integration Assets in accordance with the provisions below, subject to the pre-emption right of the Seller pursuant to the Master

Transfer Agreement. The proceeds from any such sale shall be credited to the Transaction Account and applied as set out in the applicable Priority of Payments.

The Guarantor shall, through a tender process appoint a cover pool manager of a recognised standing (the "**Cover Pool Manager**"), on a basis intended to incentivise the Cover Pool Manager to achieve the best price for the sale of the Eligible Assets and/or Integration Assets (if such terms are commercially available in the market), to advise it in relation to the sale of Eligible Assets and/or Integration Assets (except where the Seller is buying the Eligible Assets and/or Integration Assets in accordance with its right of pre-emption according to the Master Transfer Agreement). The terms of the agreement giving effect to the appointment of the Cover Pool Manager in accordance with such tender shall be approved in writing by the Representative of the Covered Bondholders. The instructions given to the Cover Pool Manager will be in line with the provisions below and will include the duty to prepare and send to the Rating Agencies a business plan containing any relevant information on the sale of assets performed by it pursuant to the provisions of this Agreement. The Servicer will be required to comply with the directions given by the Cover Pool Manager. Upon its appointment, the Cover Pool Manager shall accede to the Intercreditor Agreement, undertaking all the applicable obligations provided therein.

Before offering Eligible Assets and/or Integration Assets for sale in accordance with this paragraph, the Guarantor shall ensure that the assets to be offered for sale (the "**Selected Assets**"): (i) have been selected from the Cover Pool on a Random Basis; (ii) no more Selected Assets will be selected than it is necessary to raise disposal proceeds equal to the Required Redemption Amount and (iii) have an aggregate outstanding principal balance in an amount (the "**Required Outstanding Principal Balance Amount**") which is as close as possible to the amount calculated as follows:

$$N \rightarrow X \frac{\text{Outstanding Principal Balance of the Receivables Required}}{\text{Required Redemption Amount of each Series of the Covered Bonds then outstanding}}$$

For the purposes above:

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

"**N**" is the aggregate of the (i) the Required Redemption Amount of the Earliest Maturing Covered Bonds, (ii) all amounts to be applied on the next following Guarantor Payment Date to repay amounts ranking higher than amounts to be paid on the Earliest Maturing Covered Bonds and (iii) the interest amount to be paid on the Earliest Maturing Covered Bonds, in the Post-Issuer Event of Default Priority of Payments less the Net Available Redemption Funds.

If:

(i) there is more than one Series or Tranche of Covered Bonds then outstanding and the Required Outstanding Principal Balance Amount of the Selected Assets selected in accordance with the procedure above is not sufficient to redeem the Earliest Maturing Covered Bonds, the Guarantor shall ensure that additional Selected Assets are selected on a Random Basis for an amount such that the disposal proceeds expected to be realised from the sale of the aggregate Selected Assets will permit to effect timely payments on the Earliest Maturing Covered Bonds in accordance with the applicable Final Terms, provided however that following the sale of such aggregate Selected Assets, the Amortisation Test is complied with (assuming that the disposal proceeds realised from the sale of such aggregate Selected Assets are used exclusively to repay the Earliest Maturing Covered Bonds); or

(ii) there is only one Series or Tranche of Covered Bonds then outstanding, the Guarantor will be permitted to select more Selected Assets than it is expected to be necessary to raise disposal proceeds for an

amount equal to the Required Redemption Amount, provided that it will be required to offer the Selected Assets to purchasers for sale for the best price reasonably obtainable.

"**Arrears of Interest**" means, in respect of a Mortgage Loan on a given date, interest and expenses which are due and payable but are unpaid as of such date.

"**Earliest Maturing Covered Bonds**" means at any time the relevant Series of the Covered Bonds that has the earliest Maturity Date as specified in the applicable Final Terms.

The Guarantor (through the Servicer) will offer the Selected Assets to purchasers for sale for the best price reasonably obtainable but in any event for an amount not less than the Required Outstanding Principal Balance Amount.

If the Eligible Assets and/or Integration Assets have not been sold in an amount equal to the Required Outstanding Principal Balance Amount by the date which is six months prior to, as applicable, the Maturity Date of the Earliest Maturing Covered Bonds (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or, as applicable, the Extended Maturity Date in respect of the Earliest Maturing Covered Bonds (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date), then the Guarantor will offer the Eligible Assets and/or Integration Assets for sale for the best price reasonably available notwithstanding that such amount may be less than the Required Outstanding Principal Balance Amount.

In respect of any sale of Eligible Assets and/or Integration Assets, the Guarantor will instruct the Cover Pool Manager to use all reasonable endeavours to procure that the Eligible Assets and/or Integration Assets are sold as quickly as reasonably practicable (in accordance with the recommendations of the Cover Pool Manager) taking into account the market conditions at that time and, where relevant, the scheduled repayment dates of the Covered Bonds, the Conditions and the terms of the Covered Bond Guarantee.

The Guarantor may offer for sale to different purchasers part of any portfolio of Selected Assets (a "**Partial Cover Pool**"). Except in circumstances where the portfolio of Selected Assets is being sold within six months of the Maturity Date or, where the relevant Series of Covered Bonds has an Extended Maturity Date, prior to such Extended Maturity Date, as applicable, of the Series of Covered Bonds to be repaid from such proceeds, the sale price of the Partial Cover Pool (as a proportion of the Required Outstanding Principal Balance Amount) shall be at least equal to the proportion that the Partial Cover Pool bears to the relevant portfolio Selected Assets.

With respect to any sale of Selected Assets, the Guarantor may novate, if so requested, all or part of its rights under a relevant Cover Pool Swap to the purchaser of Selected Assets, subject to prior written notice having been given to DBRS, the consent of the Representative of the Covered Bondholders and confirmation by Moody's that any such novation will not adversely affect the then current ratings of the Covered Bonds.

If necessary in order to effect timely payments under the Covered Bonds, the Integration Assets may be sold first by the Guarantor and the proceeds applied in accordance with the relevant Priority of Payments.

Sale of Selected Asset following the occurrence of a Guarantor Event of Default

Following the delivery of an Acceleration Notice, the Representative of the Covered Bondholders shall, in the name and on behalf of the Guarantor (so authorised by means of execution of the Cover Pool Administration Agreement), direct the Servicer or, in the absence of the Servicer, the Cover Pool Manager, to sell Integration Assets and/or Selected Assets, subject to any right of pre-emption vested with the Seller pursuant to the Master Transfer Agreement. The proceeds of any such sale shall be credited to the Transaction Account and applied in accordance with the relevant Priority of Payments.

If the Guarantor is required to sell Selected Assets following the occurrence of a Guarantor Event of Default, in addition to the above mentioned provisions (and notwithstanding anything to the contrary provided thereunder), the following provisions shall apply:

(a) in addition to offering Selected Assets for sale to purchasers in respect of the Earliest Maturing Covered Bonds, the Guarantor may offer to sell a portfolio of Selected Assets in respect of all the Series of Covered Bonds;

(b) the Guarantor will instruct the Cover Pool Manager to use all reasonable endeavours to procure that Selected Assets are sold as quickly as reasonably practicable taking into account the market conditions at that time.

Governing Law

The Cover Pool Administration Agreement, and any non-contractual obligation arising out of or in connection with it, is governed by Italian law.

Asset Monitor Agreement

On or about the Initial Issue Date, the Asset Monitor, the Issuer, the Calculation Agent, the Servicer, the Guarantor and the Representative of the Covered Bondholders entered into an asset monitor agreement, as subsequently amended, (the "**Asset Monitor Agreement**"), pursuant to which the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Calculation Agent to the Asset Monitor, to conduct independent tests in respect of the calculations performed by the Calculation Agent for the Tests, as applicable on a semi-annual basis and more frequently in certain circumstances with a view to verifying the compliance of the Cover Pool with such tests.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Calculation Agent for the purpose of conducting such tests is true and correct and not misleading in any material respect, and is not required to conduct a test or otherwise take steps to verify the accuracy of any such information. The results of the tests conducted by the Asset Monitor will be delivered to the Calculation Agent, the Guarantor, the Issuer, the Representative of the Covered Bondholders and the Servicer.

The Guarantor and the Issuer may, at any time, but subject to the prior written consent of the Representative of the Covered Bondholders, terminate the appointment of the Asset Monitor by giving at least three months' prior written notice to the Asset Monitor, provided that such termination may not be effected unless and until a replacement asset monitor has been found by the Guarantor (such replacement to be approved by the Representative of the Covered Bondholders unless the replacement is an appropriate professional adviser of national standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign by giving at least six months prior written notice to the Issuer, the Calculation Agent, the Servicer and the Guarantor and the Representative of the Covered Bondholders, provided that such resignation will not take effect unless and until a replacement has been found by the Guarantor (such replacement to be approved by the Representative of the Covered Bondholders unless the replacement is an appropriate professional adviser of national standing (including an accountancy firm) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

The Asset Monitor shall not be released from its obligations under the Asset Monitor Agreement until a substitute asset monitor has entered into such new agreement and it has become a party to the Intercreditor Agreement.

The Asset Monitor Agreement provides for certain matters such as the payment of fees and expenses to the Asset Monitor and the limited recourse nature of the payment obligation of the Guarantor *vis-à-vis* the Asset Monitor.

Governing Law

The Asset Monitor Agreement is governed by Italian law.

Quotaholders' Agreement

On or about the Initial Issue Date, the Guarantor, the Issuer and Stichting Barbarossa entered into a quotaholders' agreement (the "**Quotaholders' Agreement**"), containing provisions and undertakings in relation to the management of the Guarantor. In addition, pursuant to the Quotaholders' Agreement, Stichting Barbarossa has granted a call option in favour of the Issuer to purchase from Stichting Barbarossa and the Issuer has granted a put option in favour of Stichting Barbarossa to sell to the Issuer the quota of the Guarantor quota capital held by Stichting Barbarossa.

Governing Law

The Quotaholders' Agreement will be governed by Italian law.

Programme Agreement

On or about the date of this Base Prospectus, Banco BPM (as successor to Banco Popolare Società Cooperativa), as Seller and Issuer, the Guarantor, the Representative of Covered Bondholders, the Arranger and the Dealers entered into a programme agreement, as subsequently amended, (the "**Programme Agreement**"), which contains certain arrangements under which the Covered Bonds may be issued and sold, from time to time, by the Issuer to any one or more of the Dealers.

Under the Programme Agreement, the Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series or Tranche which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series or Tranche.

Under the Programme Agreement the Dealers have appointed the Representative of the Covered Bondholders, which appointment has been confirmed by the Issuer and the Guarantor.

Banco BPM (as successor to Banco Popolare Società Cooperativa), as Seller and Issuer, and the Guarantor, as the case may be, will indemnify the Dealers for costs, liabilities, charges, expenses and claims incurred by or made against the Dealers arising out of, in connection with or based on breach of duty or misrepresentation by Banco BPM (as successor to Banco Popolare Società Cooperativa), as Seller and Issuer, and the Guarantor.

The Programme Agreement contains provisions relating to the resignation or termination of appointment of existing Dealers and for the appointment of additional or other dealers acceding as new dealer: (a) generally in respect of the Programme or (b) in relation to a particular issue of Covered Bonds.

The Programme Agreement contains stabilising and market-making provisions.

Pursuant to the Programme Agreement, the Issuer and the Guarantor have given certain representations and warranties to the Dealers in relation to, *inter alia,* themselves and the information given by them in connection with this Base Prospectus.

Governing Law

The Programme Agreement, and any non-contractual obligation arising out of, or in connection with it, is governed by Italian law.

Subscription Agreement

The Programme Agreement also contains *the pro forma* of the Subscription Agreement to be entered into in relation to each issue of Covered Bonds.

On or prior to the relevant Issue Date, the Issuer, the Dealers who are parties to such Subscription Agreement (the "**Relevant Dealers**") will enter into a subscription agreement under which the Relevant Dealers will agree to subscribe for the relevant tranche of Covered Bonds, subject to the conditions set out therein.

Under the terms of the Subscription Agreement, the Relevant Dealers will confirm the appointment of the Representative of the Covered Bondholders.

Governing Law

Each Subscription Agreement, and any non-contractual obligation arising out of, or in connection with it, will be governed by Italian law.

Italian Deed of Pledge

On or about the Initial Issue Date, the Guarantor will execute an Italian deed of pledge (the "**Italian Deed of Pledge**") by means of which the Guarantor will pledge in favour of the Covered Bondholders and the other Secured Creditors all the monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantee) to which the Guarantor is entitled pursuant or in relation to the Relevant Documents (as defined below)), including the monetary claims and rights relating to the amounts standing to the credit of the Accounts (other than the amounts standing to the credit of the Reserve Account and the Collateral Account, if any) and any other account established by the Guarantor in accordance with the provisions of the Transaction Documents but excluding, for avoidance of doubt, the Receivables.

"**Relevant Documents**" means collectively the Master Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Intercreditor Agreement, the Cover Pool Administration Agreement, the Corporate Services Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Covered Bond Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Programme Agreement, the Subscription Agreements and the Quotaholders' Agreement.

Governing Law

The Deed of Pledge is governed by Italian law.

Deed of Charge

On or about the Initial Issue Date, the Guarantor will execute a deed of charge (the "**Deed of Charge**") by means of which the Guarantor will assign by way of security to (or to the extent not assignable charge by way of fixed charge) in favour of the Representative of the Covered Bondholders (acting in its capacity as Security Trustee for itself and as trustee for the Covered Bondholders and the Secured Creditors), all of its rights, in respect of the Swap Agreements and the monetary claims and rights relating to the amounts standing to the credit of the accounts held with the English Account Bank.

Governing Law

The Deed of Charge is governed by English law.

Mandate Agreement

On or about the Initial Issue Date, the Guarantor will execute a mandate agreement (the "**Mandate Agreement**") by means of which the Guarantor has conferred an irrevocable mandate to the Representative of Covered Bondholders for the exercise of the rights of the Guarantor under certain circumstances indicated in the Mandate Agreement.

Governing Law

The Mandate Agreement is governed by Italian law.

Swap Agreements

Covered Bond Swaps

The Guarantor may, if necessary, enter into one or more Covered Bond Swaps on the relevant Issue Date with the Covered Bond Swap Counterparties to hedge certain interest rate, basis, and/or, if applicable, currency, risks in respect of, after the service of a Notice to Pay, amounts payable by the Guarantor in respect of such Series of Covered Bonds.

Each Covered Bond Swap will contain certain limited termination events and events of default which will entitle either party to terminate the relevant Covered Bond Swap. In particular, the respective Covered Bond Swap Counterparty will be, *inter alia*, required to have certain minimum ratings. Upon downgrading of the relevant Covered Bond Swap Counterparty below such ratings and failure by such Covered Bond Swap Counterparty to take certain actions to remedy such downgrading (including, without limitation, transferring all of its rights and obligations to an adequately rated swap counterparty or obtaining a guarantee from an adequately rated third-party in relation to its obligations under the relevant Covered Bond Swap), the Guarantor will be entitled to terminate the relevant Covered Bond Swap.

Upon the termination of such Covered Bond Swap, the Guarantor or the relevant Covered Bond Swap Counterparty may be liable to make a termination payment to the other in accordance with the provisions of the respective Covered Bond Swap.

Under the Covered Bond Swaps entered into in connection with the first Series of Covered Bonds, the Guarantor will pay to the Covered Bond Swap Counterparties an amount calculated with reference to a floating rate linked to Euribor three months plus a margin. In return, the Covered Bond Swap Counterparties will pay to the Guarantor the amount of interest due on the relevant Series or Tranche of Covered Bonds.

If a Covered Bond Swap is entered into in connection with a Series of Covered Bond, such Covered Bond Swap will terminate on the relevant Maturity Date of the relevant Series of Covered Bond without taking into account any extension of the Maturity Date under the terms of such Series of Covered Bonds.

Mortgage Pool Swaps

In order to hedge the interest rate risks relating to the Mortgage Loans comprised in the Cover Pool, the Guarantor will enter into one or more Mortgage Pool Swap with the relevant Mortgage Pool Swap Counterparties.

Pursuant to the Mortgage Pool Swap to be entered into on or around the Initial Issue Date, the Guarantor will hedge the interest rate risks relating to the Mortgage Loans comprised in the Initial Receivables (the "**Initial Mortgage Pool Swap**").

Under the terms of the Initial Mortgage Pool Swap:

(a) the Guarantor agrees to pay to the Mortgage Pool Swap Counterparty a fixed amount equal the interest which have fallen due and which the Guarantor received in respect of the Performing Assets comprised in the Initial Receivables during the relevant Collection Period, whilst;

(b) the Mortgage Pool Swap Counterparty agrees to pay to the Guarantor an amount equal to the product of (i) the three-months EURIBOR plus a spread and (ii) the applicable notional amount of the Performing Assets comprised in the Initial Receivables subject to the Actual/360 day count fraction.

For the purposes of the Initial Mortgage Pool Swap, "**Performing Assets**" means all the Mortgage Loans comprised in the Initial Receivables from time to time other than those Mortgage Loans which are Non/Performing Loans.

Pursuant to the Intercreditor Agreement the Issuer and the Guarantor will undertake that the Guarantor shall not be under any obligation to enter into one or more additional mortgage pool swaps in respect of the Mortgage Loans included in the Cover Pool from time to time unless an amount equal to or in excess of 70% of the Outstanding Principal Balance of the Mortgage Loans included in the Cover Pool is not hedged pursuant to a Mortgage Pool Swap, in which case the Guarantor shall enter into, as soon as practicable, one or more additional Mortgage Pool Swap(s) in respect of a portion of the unhedged Mortgage Loans included in the Cover Pool such that at least 30% of the Outstanding Principal Balance of the Mortgage Loans included in the Cover Pool is hedged pursuant to a mortgage pool swap.

Each Mortgage Pool Swap will contain certain limited termination events and events of default which will entitle either party to terminate the relevant Mortgage Pool Swap. In particular, the respective Mortgage Pool Swap Counterparty will be, *inter alia*, required to have certain minimum ratings. Upon downgrading of the relevant Mortgage Pool Swap Counterparty below such ratings and failure by such Mortgage Pool Swap Counterparty to take certain actions to remedy such downgrading (including, without limitation, transferring all of its rights and obligations to an adequately rated swap counterparty or obtaining a guarantee from an adequately rated third-party in relation to its obligations under the relevant Mortgage Pool Swap), the Guarantor will be entitled to terminate the relevant Mortgage Pool Swap.

Upon the termination of such Mortgage Pool Swap, the Guarantor or the relevant Mortgage Pool Swap Counterparty may be liable to make a termination payment to the other in accordance with the provisions of the respective Mortgage Pool Swap.

Swap Agreement Credit Support Document

Each Mortgage Pool Swap and each Covered Bond Swap, entered into between the Guarantor and (i) each Mortgage Pool Swap Counterparty and (ii) each Covered Bond Swap Counterparty respectively, will be documented in accordance with the documentation published by the International Swaps and Derivatives Association Inc. ("**ISDA**"), and will be subject to:

(a) the 1992 ISDA Master Agreement with the Schedule thereto ("**ISDA Master Agreement**");

(b) the 1995 ISDA Credit Support Annex (Transfer-English Law) to the Schedule to the ISDA Master Agreement ("**CSA**"); and

(c) the relevant Confirmation(s).

The Guarantor will enter with each Swap Counterparty into a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer-English Law) to the ISDA Master Agreement (each, a "**CSA**"). Each such CSA will provide that, from time to time, if required to do so following a downgrade of the Swap Counterparty or the downgrade of such Swap Counterparty's credit support provider, as the case may be, and

subject to the conditions specified in the CSA, such Swap Counterparty will make transfers of collateral to the Guarantor in support of its obligations under the relevant Swap Agreement (the "**Swap Collateral**") and the Guarantor will be obliged to return equivalent collateral in accordance with the terms of the CSA.

Any Swap Collateral required to be posted by the relevant Swap Counterparty pursuant to the terms of the relevant CSA may be delivered in the form of cash or securities. Cash amounts will be paid into an account opened with respect to each Swap Counterparty, designated a "**Collateral Account – Cash**" and securities will be transferred to an account opened with respect to each Swap Counterparty, designated a "**Collateral Account – Securities**". References to a Collateral Account – Cash or to a Collateral Account – Securities and to payments from such accounts are deemed to be a reference to payments from such accounts as and when opened by the Guarantor.

If a Collateral Account – Cash and/or a Collateral Account – Securities are opened, cash and securities (and all income in respect thereof) transferred as collateral will only be available to be applied in returning collateral (and income thereon) or in satisfaction of amounts owing by the relevant Swap Counterparty in accordance with the terms of the relevant CSA.

Any swap Collateral will be returned by the Guarantor to the relevant Swap Counterparty directly in accordance with the terms of the relevant CSA and not under the Priorities of Payments.

Governing law

The Swap Agreements are governed by English Law.

SELECTED ASPECTS OF ITALIAN LAW

The following is an overview only of certain aspects of Italian law that are relevant to the transactions described in this Base Prospectus and of which prospective Covered Bondholders should be aware. It is not intended to be exhaustive and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.

Law 130 and Article 7-*bis* thereof. General remarks

Law 130 was enacted on 30 April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

Law 130 was further amended by Law Decree No. 145 of 23 December 2013 (the "**Destinazione Italia Decree**") converted with amendments into Law No. 9 of 21 February 2014 and by Law Decree No. 91 of 24 June 2014 (the "**Decree Competitività**") converted with amendments into Law No. 116 of 11 August 2014.

Law Decree of 14 March 2005, No. 35, converted into law by law 14 May 2005, No. 80, added Articles *7-bis* and *7-ter* to Law 130, in view of allowing Italian banks to use the securitisation techniques introduced by Law 130 in view of issuing covered bonds (*obbligazioni bancarie garantite*).

Pursuant to Article *7-bis,* certain provisions of Law 130 apply to transactions involving the true sale (by way of non-gratuitous assignment) of receivables or asset backed securities issued in the context of securitisation transactions meeting certain eligibility criteria set out in Article *7-bis* and in the Decree of the Ministry of Economy and Finance No. 310 of 14 December 2006 (the "**MEF Decree**"), where the sale is to a special purpose vehicle created in accordance with Article *7-bis* and all amounts paid by the debtors are to be used by the relevant special purpose vehicle exclusively to meet its obligations under a guarantee to be issued by it, in view of securing the payment obligations of the selling bank or of other banks in connection with the issue of covered bonds (the "**Covered Bond Guarantee**").

Pursuant to Article *7-bis,* the purchase price of the assets to be comprised in the cover pool shall be financed through the taking of a loan granted or guaranteed by the banks selling the assets or a different bank. The payment obligations of the special purpose vehicle under such loan shall be subordinated to the payment obligations of the special purpose vehicle *vis-à-vis* the covered bondholders, the counterparties of any derivative contracts hedging risks in connection with the assigned receivables and securities, the counterparties of any other ancillary contract and counterparties having a claim in relation to any payment of other costs of the transaction.

Under the BoI Regulations, the covered bonds may also be issued by banks which individually satisfy, or which belong to banking groups which on a consolidated basis satisfy, certain requirements related to the regulatory capital and the solvency ratio. Such requirements must also be complied with by banks selling the assets, where the latter are different from the bank issuing the covered bonds.

On 8 May 2015, the Ministerial Decree No. 53/2015 (the "**Decree 53/2015**") issued by the Ministry of Economy and Finance was published in the Official Gazette of the Republic of Italy. The Decree 53/2015 provides for the implementation of Articles 106, paragraph 3, 112, paragraph 3, and 114 of the Banking Law and Article 7-ter, paragraph 1-bis of the Law 130 and entered into force on 23 May 2015, repealing the Decree No. 29/2009. Pursuant to Article 7 of the Decree 53/2015, the assignee companies which guarantee covered bonds, belonging to a banking group as defined by Article 60 of the Banking Law (such as BP Covered Bond s.r.l.), will no longer have to be registered in the general register held by the Bank of Italy pursuant to Article 106 of the Banking Law.

Eligibility criteria of the claims and limits to the assignment of claims

Under the MEF Decree, the following assets, *inter alia,* may be assigned to the special purpose vehicle, together with any ancillary contracts aimed at hedging the financial risks embedded in the relevant assets: (a) Italian residential mortgage loans (*mutui ipotecari residenziali*) pursuant to Article 2, paragraph 1, lett. (a) of the MEF Decree; (b) loans extended to, or guaranteed by, the following entities, and securities issued or guaranteed by the same entities: (i) public administrations of States comprised in the European Economic Space and the Swiss Confederation (the "**Admitted States**"), including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. under the "Standardised Approach" to credit risk measurement; (ii) public administrations of States other than Admitted States which attract a risk weighting factor equal to zero per cent. under the "Standardised Approach" to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. under the "Standardised Approach" to credit risk measurement. Such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the Guarantor; (c) asset backed securities issued in the context of securitisation transactions, meeting the following criteria: (i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., loans and securities referred to in (a) and (b) above; (ii) the relevant asset backed securities attract a risk weighting factor not exceeding 20 per cent. under the "Standardised Approach" to credit risk measurement.

For the purpose above, the relevant provisions define a guarantee "valid for purposes for the credit risk mitigation" as a guarantee eligible for the "credit risk mitigation", in accordance with Directive 2006/48/EC of 14 June 2006 (the "**Restated Banking Directive**"). Similarly, the "Standardised Approach" shall be the standardised approach to credit risk measurement as defined by the Restated Banking Directive.

The BoI Regulations provides that covered bonds may be issued by banks which satisfy, on a consolidated basis, the following requirements:

(i) own funds (*fondi propri*) at least equal to € 250,000,000; and

(ii) total capital ratio at least equal to 9 per cent.

The BoI Regulations set out certain limits to the possibility for banks to assign eligible assets, which are based on the level of the consolidated "tier 1 ratio" (the "**T1**") and the "common equity tier 1 ratio" (the "**CET1**"), in accordance with the following table, contained in the BoI Regulations:

Capital adequacy condition		**Limits to the assignment**
Group "A"	T1 ≥ 9 per cent. and CET1 ≥ 8 per cent.	No limits
Group "B"	T1 ≥ 8 per cent. and CET1 ≥ 7 per cent.	Assignment allowed up to 60 per cent. of the eligible assets
Group "C"	T1 ≥ 7 per cent. and CET1 ≥ 6 per cent.	Assignment allowed up to 25 per cent. of the eligible assets

The relevant T1 and CET1 set out in the grid relate to the aggregate of the covered bonds transactions launched by the relevant banking group.

The Limits to the Assignment do not apply to Integration (as defined below) of the portfolio, provided that Integration is allowed exclusively within the limits set out by the BoI Regulations.

Ring Fencing of the Assets

Under the terms of Article 3 of Law 130, all the receivables relating to a Law 130 transaction, the relevant collections (to the extent that they are clearly identifiable as the relevant Law 130 special purpose vehicle's collections under the receivables), any monetary claims accrued by the relevant special purpose vehicle in the context of the relevant Law 130 transaction and the financial assets purchased using the cash referred to above are segregated from all other assets of the relevant Law 130 special purpose vehicle and from those relating to the other Law 130 transactions carried out by the same Law 130 special purpose vehicle and may not be attached or foreclosed by any party which is not a holder of the relevant securities issued in the context of the relevant Law 130 transaction. On a winding up of such a special purpose vehicle such assets will only be available to holders of the covered bonds in respect of which the special purpose vehicle has issued a guarantee and to the other Secured Creditors. In addition, the assets relating to a particular transaction will not be available to the holders of covered bonds issued under any other covered bonds transaction or to general creditors of the special purpose vehicle.

However, under Italian law, any other creditor of the special purpose vehicle would be able to commence insolvency or winding-up proceedings against the company in respect of any unpaid debt.

Decree Competività has provided, *inter alia*, that, to the extent that the relevant depository bank where the Law 130 special purpose vehicle holds its bank accounts in the context of a Law 130 transaction is subject to insolvency proceedings in Italy, upon the commencement of insolvency or insolvency-like proceedings against such depository bank, the amounts standing to the credit of such accounts: (i) may not be subject to the suspension of payments pursuant to article 74 of the Banking Law; and (ii) should be promptly repaid in full to the relevant Law 130 special purpose vehicle, without any need to file in the insolvency proceeding (*domanda di ammissione al passivo o di rivendica*) and outside of the applicable insolvency distributions (*fuori dei piani di riparto o di restituzione di somme*).

The Assignment

The assignment of the receivables under Law 130 will be governed by Article 58 paragraphs 2, 3 and 4, of the Legislative Decree No. 385 of 1 September 1993 (the "**Banking Law**"). The prevailing interpretation of this provision, which view has been strengthened by Article 4 of Law 130, is that the assignment can be perfected against the originator, assigned debtors and third party creditors by way of publication of a notice in the Italian Official Gazette and by way of registration of such notice in the register of enterprises (*registro delle imprese*) at which the purchaser is registered, so avoiding the need for notification to be served on each debtor.

As from the latest to occur between the date of publication of the notice of the assignment in the Italian Official Gazette and the date of registration of such notice with the Register of Enterprises at which the purchaser is registered, the assignment becomes enforceable against:

(a) the debtors and any creditors of the originator who have not, prior to the date of publication of the notice, commenced enforcement proceedings in respect of the relevant receivables;

(b) the liquidator or any other bankruptcy officials of the debtors (so that any payments made by a debtor to the special purpose vehicle may not be subject to any claw-back action according to Article 65 and Article 67 of Royal Decree no. 267 of 16 March 1942 (*Legge Fallimentare*)*;* the "**Bankruptcy Law**");

(c) other permitted assignees of the originator who have not perfected their assignment prior to the date of publication.

Upon the completion of the formalities referred to above, the benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the assigned receivables will automatically be transferred to and perfected with the same priority in favour of the purchaser, without the need for any formality or annotation.

As from the latest to occur between the date of publication of the notice of the assignment in the Italian Official Gazette and the date of registration of such notice with the Register of Enterprises at which the purchaser is registered, no legal action may be brought against the receivables assigned or the sums derived therefrom other than for the purposes of enforcing the rights of the holders of the covered bonds and other creditors for costs incurred in the framework of the transaction.

Notice of the initial assignment of the Receivables pursuant to the Master Transfer Agreement was published in the Italian Official Gazette and was filed with the relevant Register of Enterprises.

However, Article 7-*bis,* para. 4, also provides that, where the role of servicer (*soggetto incaricato della riscossione dei crediti*) is attributed, in the context of covered bonds transaction, to an entity other than the assigning bank (whether from the outset or eventually), notice of such circumstance shall be given by way of publication in the Italian Official Gazette and registered mail with return receipt to the relevant public administrations.

Assignments under Law 130

Assignments executed under Law 130 are subject to revocation on bankruptcy under Article 67 of the Bankruptcy Law but only in the event that the transaction is entered into within three months of the adjudication of bankruptcy of the relevant party or in cases where paragraph 1 of Article 67 applies, within six months of the adjudication of bankruptcy.

In addition to the above, any payment made by an assigned debtor to the Guarantor is not subject to claw-back actions pursuant to article 65 and article 67 of the Bankruptcy Law.

The subordinated loans to be granted to the special purpose vehicle and the Covered Bond Guarantee are subject to the provisions of Article 67, paragraph 4, of the Bankruptcy Law, pursuant to which the provisions of Article 67 relating to the clawback of for-consideration transactions, payments and guarantees do not apply to certain transactions.

Tests set out in the MEF Decree

Pursuant to Article 3 of the MEF Decree the issuing bank and the assigning bank (to the extent different from the issuer), will have to ensure that the Covered Bonds meet, on a continuing basis, the following mandatory tests:

(a) the nominal amount of the Cover Pool shall be equal to, or greater than, the aggregate nominal amount of the outstanding Covered Bonds;

(b) the net present value of the Cover Pool, net of the transaction costs to be borne by the Guarantor, including therein the expected costs and the costs of any hedging arrangement entered into in relation to the transaction, shall be equal to, or greater than, the net present value of the outstanding Covered Bonds;

(c) the amount of interests and other revenues generated by the Cover Pool, net of the costs borne by the Guarantor, shall be equal to, or greater than, the interests and costs due by the Issuer under the

outstanding Covered Bonds, taking also into account any hedging arrangements entered into in relation to the transaction.

For the purpose of ensuring compliance with the tests described above and pursuant to Article 2 of the MEF Decree, the following assets (the "**Integration Assets**") may be used for the purpose of integration of the portfolio, in addition to Eligible Assets:

(i) the establishment of deposits with banks incorporated in Admitted States or in a State which attract a risk weight factor equal to zero per cent. under the "Standardised Approach" to credit risk measurement;

(ii) the assignment of securities issued by the banks referred to under (i) above, having a residual maturity not exceeding one year.

Integration Assets

Integration through Integration Assets shall be allowed within the Integration Assets Limit.

In addition, pursuant to Article 7-*bis* and the MEF Decree, integration of the Cover Pool – whether through Eligible Assets or through Integration Assets – (the "**Integration**") shall be carried out in accordance with the methods, and subject to the limits, set out in the BoI Regulations.

More specifically, under the BoI Regulations, the Integration is allowed exclusively for the purpose of: (a) complying with the tests provided for by the MEF Decree; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements; or (c) complying with the 15 per cent. maximum amount of Integration Assets within the portfolio.

The Integration is not allowed in circumstances other than as set out in the BoI Regulations.

The features of the Covered Bond Guarantee

According to Article 4 of the MEF Decree, the Covered Bond Guarantee shall be limited recourse to the Cover Pool, irrevocable, callable on demand, unconditional and independent from the obligations assumed by the Issuer under the Covered Bonds. Accordingly, such obligations shall be a direct, unconditional, unsubordinated obligation of the Guarantor, limited recourse to the guarantor's available funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the Issuer.

In order to ensure the autonomous and independent nature of the Covered Bond Guarantee, Article 4 provides that the following provisions of the Italian Civil Code, generally applicable to personal guarantees (*fideiussioni*), shall not apply: (a) Article 1939, providing that a *fideiussione* shall not generally be valid where the guaranteed obligation is not valid; (b) Article 1941, para. 1, providing that *a fideiussione* cannot exceed the amounts due by the guaranteed debtor, nor can it be granted for conditions more onerous than those pertaining to the main obligation; (c) Article 1944, para. 2, providing, *inter alia,* that the parties to the contract pursuant to which *the fideiussione* is issued may agree that the guarantor shall not be obliged to pay before the attachment is carried out against the guaranteed debtor; (d) Article 1945, providing that the guarantor can raise against the creditor any objections (*eccezioni*) which the guaranteed debtor is entitled to raise, except for the objection relating to the lack of legal capacity on the part of the guaranteed debtor; (e) Article 1955, providing that a *fideiussione* shall become ineffective (*estinta*) where, as a consequence of acts of the creditor, the guarantor is prevented from subrogating into any rights, pledges, mortgages, and liens (*privilegi*) of the creditor; (f) Article 1956, providing that the guarantor of future receivables shall not be liable where the creditor – without the authorisation of the guarantor – has extended credit to a third party, while being aware that the economic conditions of the principal obligor were such that recovering the receivable would have

become significantly more difficult; (g) Article 1957, providing, *inter alia,* that the guarantor will be liable also after the guaranteed obligation has become due and payable, provided that the creditor has filed its claim against the guaranteed debtor within six months and has diligently pursued them.

The obligations of the Guarantor following a liquidation of the Issuer

The MEF Decree also set out certain principles which are aimed at ensuring that the payment obligations of the Guarantor are isolated from those of the Issuer. To that effect it requires that the Covered Bond Guarantee contains provisions stating that the relevant obligations thereunder shall not accelerate upon the Issuer's default, so that the payment profile of the Covered Bonds shall not automatically be affected thereby.

More specifically, Article 4 of the MEF Decree provides that in the event of breach by the Issuer of its obligations *vis-à-vis* the Covered Bondholders, the Guarantor shall assume the obligations of the Issuer – within the limits of the portfolio – in accordance with the terms and conditions originally set out for the Covered Bonds. The same provision applies where the Issuer is subjected to mandatory liquidation procedures (*liquidazione coatta amministrativa*).

In addition, the acceleration (*decadenza dal beneficio del termine*) provided for by Article 1186 of the Civil Code and affecting the issuer shall not affect the payment obligations of the Guarantor under the Covered Bond Guarantee. Pursuant to Article 4 of the MEF Decree, the limitation in the application of Article 1186 of the Civil Code shall apply not only to the events expressly mentioned therein, but also to any additional event of acceleration provided for in the relevant contractual arrangements.

In accordance with Article 4, para. 3, of the MEF Decree, in case of *liquidazione coatta amministrativa* of the Issuer, the Guarantor shall exercise the rights of the Covered Bondholders *vis-à-vis* the Issuer in accordance with the legal regime applicable to the Issuer. Any amount recovered by the Guarantor as a result of the exercise of such rights shall be deemed to be included in the Cover Pool.

The Bank of Italy shall supervise on the compliance with the aforesaid provisions, within the limits of the powers vested with the Bank of Italy by the Banking Law.

Controls over the transaction

The BoI Regulations lay down rules on controls over transactions involving the issuance of Covered Bonds.

Inter alia, resolutions on the assignment of portfolios to the Guarantor are passed, both in the initial phase of transactions and in later phases, following analyses of appraisal reports on the Cover Pool prepared by an auditing firm (*attestazione*). Such report would not be necessary where the assignment is carried out at the book values set out in the most recent approved balance sheet of the selling bank, provided that the auditing firm did not make any observations on the same.

The management body must ensure that the structures delegated to the risk management verify at least every six months and for each transaction, *inter alia:*

(a) the quality and integrity of the assets sold to the Guarantor securing the obligations undertaken by the latter;

(b) compliance with the maximum ratio between Covered Bonds issued and the Receivables sold to the Guarantor for purposes of backing the issue, in accordance with the MEF Decree;

(c) compliance with the Limits to the Assignment and the rules on, and Limits to, the Integration set out by the BoI Regulations;

(d) the effectiveness and adequacy of the coverage of risks provided under derivative agreements entered into in connection with the transaction; and

(e) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of CRR.

The bodies with management responsibilities of issuing banks and banking groups ensure that an assessment is carried out of the legal aspects of the activity on the basis of specially issued legal opinions setting out an in-depth analysis of the contractual structures and schemes adopted, with a particular focus on, *inter alia,* the characteristics of the Covered Bond Guarantee.

The BoI Regulations also contain certain provisions on the asset monitor, who is delegated to carry out controls over the regularity of the transaction (including the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of CRR) and the integrity of the Guarantor (the "**Asset Monitor**"). Pursuant to the BoI Regulations, the Asset Monitor shall be an auditing firm having professional experience which is adequate in relation to the tasks entrusted with the same and independent from: (a) the audit firm entrusted with the auditing of the issuing bank; (b) the bank which is granting the relevant mandate; and (c) the other entities which take part to the transaction.

Based upon controls carried out and assessments on the performance of transactions, the Asset Monitor shall prepare annual reports, to be addressed, *inter alia,* to the control body of the bank which granted the mandate to the Asset Monitor. The BoI Regulations cite the provisions (articles 52 and 61, para 5, of the Banking Law), which impose on persons responsible for conducting controls specific obligations to report to the Bank of Italy. Such reference appears to be aimed at ensuring that any irregularities found are reported to the Bank of Italy.

In order to ensure that the Guarantor can fulfil, in an orderly and timely manner, the obligations arising under the Covered Bond Guarantee, the issuing banks shall use asset and liability management techniques for purposes of assuring, including by way of specific controls at least every six months, stability between the payment dates of the cashflows generated under the assets assigned to the Guarantor, and included in the latter's segregated portfolio, and the payments dates with respect to payments due by the issuing bank in connection with the Covered Bonds issued and other transaction costs.

Finally, in relation to the information flows, the parties to the Covered Bonds transactions shall assume contractual undertakings allowing the issuing and the assigning bank (and the third party servicer, if any) to hold the information on the assigned assets (including the status thereof) which are necessary for the carrying of the controls described in the BoI Regulations and for the compliance with the supervisory reporting obligations, including therein the obligations arising in connection with the membership to the central credit register (*Centrale dei Rischi*).

Insolvency proceedings

Insolvency proceedings (*procedure concorsuali*) conducted under Italian law may take the form of, *inter alia,* an involuntary liquidation (*fallimento*) or creditors' agreements (*concordato preventivo* and *accordi di ristrutturazione dei debiti*). Insolvency proceedings are only applicable to businesses (*imprese*) either run by companies, partnerships or by individuals. An individual who is not a sole entrepreneur or an unlimited partner in a partnership is not subject to insolvency.

A debtor can be declared bankrupt (*fallito*) and subject to *fallimento* (at its own initiative, or at the initiative of any of its creditors or the public prosecutor) if it is not able to fulfil its obligations in a timely manner. The debtor loses control over all its assets and of the management of its business, which is taken over by a court appointed receiver (*curatore fallimentare*). Once judgment has been made by the court and the creditors'

claims have been approved, the sale of the debtor's property is conducted in accordance with a liquidation plan (approved by the delegated judge and the creditors' committee) which may provide for the dismissal of the whole business or single business units, even through competitive procedures.

A qualifying insolvent debtor may avoid being subject to *fallimento* by proposing to its creditors a composition with creditors (*concordato preventivo*). Such proposal must contain, *inter alia:* (a) an updated statement of the financial and economic situation of the insolvent company; (b) a detailed list of the creditors and their respective credit rights and related security interest; (c) a list of creditors secured by assets of the company or having possession of assets owned by the company; (d) a detailed evaluation of the assets of the insolvent company; and (e) a restructuring plan which shall detail the economic benefit granted to each creditor. Following the reform brought about by Law Decree No. 83 of 27 June 2015, as amended and converted into law by Law No. 132 of 6 August 2015 (the "**2015 Reform**"), a counter-proposal of composition with creditors (*contropropostа di concordato*) can be submitted by one or more creditors representing at least 10% of total indebtedness of the debtor, unless the debtor's proposal already provides for the repayment of the unsecured creditors above certain thresholds set out by the law. The offer may be structured as an offer to transfer all, or part of the assets of the insolvent debtor to the creditors (in which case the Court shall, as provided by the 2015 Reform, open a public bid procedure in relation to such sale of assets) or an offer to undertake other restructuring plans such as, *inter alia,* the allocation to the creditors of shares, quotas, and other debt instruments of the company. The truthfulness of the business data provided by the company and the feasibility of the proposal must be attested by an expert's report. A qualifying insolvent debtor may also enter into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with such creditors representing at least 60 per cent of its debts. The 2015 Reform also introduced the possibility for a qualifying insolvent debtor holding 50% or more of its total indebtedness *vis-à-vis* financial creditors (*i.e.* banks or financial intermediaries) to enter into a debt restructuring agreement with such financial creditors only. If such debt restructuring agreement is approved by financial creditors representing at least 75% of the total indebtedness *vis-à-vis* financial creditors, and certain other requirements are met, it will be binding also on the non-consenting financial creditors. A report of an expert certifying the truthfulness of the business data provided by the qualifying insolvent debtor and the feasibility of the settlement shall be attached to the debt restructuring agreement (*accordo di ristrutturazione dei debiti*) and the latter shall have to be approved by the Court.

The composition with creditors (*concordato preventivo*) may, subject to certain conditions, be proposed by the qualifying insolvent debtor also as a "blank proposal" (*concordato in bianco*). In this case, the debtor (which has to include the last three financial statements and a detailed list of the creditors and their respective credit rights) demands the competent Court to set a term comprised between 60 and 120 days (or maximum 60 days, in case of a pending demand for insolvency (*fallimento*)), with the possibility to obtain, in case of grounded reasons, additional 60 days for the submission of either (i) a proposal for a composition with creditors (*concordato preventivo*), or (ii) a proposal for a debt restructuring agreement (*accordo di ristrutturazione dei debiti*). The competent Court, in setting such term (i) may appoint a judicial commissioner to oversee the procedure and (ii) set out periodic information duties (including as to the financial situation and as to the activity performed for the preparation of the relevant plan) to be carried out by the qualifying insolvent debtor.

After insolvency proceedings are commenced, no legal action can be taken against the debtor and no foreclosure proceedings may be initiated. Moreover, all actions taken and proceedings already initiated by creditors are automatically stayed but for a few exceptions provided under applicable laws.

Law No. 3 of 27 January 2012, as amended, provides that consumers and other entities which cannot be subject to insolvency proceedings may benefit from special proceedings for the restructuring of their debts. Law No. 3 of 27 January 2012 provides that such persons may file a recovery plan for the restructuring of

their debts with a special authority and with the competent court and that in the case of approval of the plan, it will become binding on all the creditors of such persons.

Description of Amministrazione Straordinaria delle Banche

A bank may be submitted to the *amministrazione Straordinaria delle banche* where: (a) serious administrative irregularities, or serious violations of the provisions governing the bank's activity provided for by laws, regulations or the bank's by-laws activity are found; (b) serious capital losses are expected to occur; (c) the dissolution has been the object of a request by the administrative bodies or an extraordinary company meeting providing the reasons for the request.

According to the Banking Law, the procedure is initiated by decree of the Minister of economy and finance, acting on a proposal by the Bank of Italy, which shall terminate the board of directors and the board of auditors of the bank. Subsequently the Bank of Italy shall appoint: (a) one or more special administrator (*commissari straordinari*)*;* and (b) an oversight committee composed of between three and five members (*comitato di sorveglianza*). The *commissari straordinari* is entrusted with the duty to assess the situation of the bank, remove the irregularities which may have been found and promote solutions in the best interest of the depositors of the bank. The *comitato di sorveglianza* exercises auditing functions and provides to the *commissari straordinari* the opinions requested by the law or by the Bank of Italy. However, it should be noted that the Bank of Italy may instruct in a binding manner the *commissari straordinari* and the *comitato di sorveglianza* providing specific safeguards and limits concerning the management of the bank.

In exceptional circumstances, the *commissari straordinari,* in order to protect the interests of the creditors, in consultation with the *comitato di sorveglianza* and subject to an authorisation by the Bank of Italy, may suspend payment of the bank's liabilities and the restitution to customers of financial instruments. Payments may be suspended for a period of up to one month, which may be extended for an additional two months.

The *amministrazione Straordinaria delle banche* shall last for one year from the date of issue of the decree of the Minister of the Economy and Finance. In exceptional cases, the procedure may be extended for a period of up to six months. The Bank of Italy may extend the duration of the procedure for periods of up to two months, in connection with the acts and formalities related to the termination of the procedure, provided that the relevant acts to be executed have already been approved by the Bank of Italy.

At the end of the procedure, the *commissari straordinari* shall undertake the necessary steps for the appointment of the bodies governing the bank in the ordinary course of business. After the appointment, the management and audit functions shall be transferred to the newly appointed bodies. It should however be noted that, should at the end of the procedure or at any earlier time the conditions for the declaration of the *liquidazione coatta amministrativa* (described in the following section) be met, then the bank may be subject to such procedure.

Description of Liquidazione Coatta Amministrativa delle Banche

According to the Banking Law, when the conditions for the *Amministrazione Straordinaria delle banche* and described in the preceding paragraph are exceptionally serious (*di eccezionale gravità*)*,* or when a court has declared the state of insolvency of the bank, the Minister of economy and finance, acting on a proposal from the Bank of Italy, by virtue of a decree, may revoke the authorisation for the carrying out of banking activities and submit the bank to the compulsory winding-up (*liquidazione coatta amministrativa*).

From the date of issue of the decree the functions of the administrative and control bodies, of the shareholders' meetings and of every other governing body of the bank shall cease. The Bank of Italy shall

appoint: (a) one or more liquidators (*commissari liquidatori*)*;* and (b) an oversight committee composed of between three and five members (*comitato di sorveglianza*)*.*

From the date the *commissari liquidatori* and the *comitato di sorveglianza* have assumed their functions and in any case from the third day following the date of issue of the aforesaid decree of the Minister of Economy and Finance, the payment of any liabilities and the restitution of assets owned by third parties shall be suspended.

The *commissari liquidatori* shall act as legal representatives of the bank, exercise all actions that pertain to the bank and carry out all transactions concerning the liquidation of the bank's assets. The comitato di sorveglianza shall: (a) assist the *commissari liquidatori* in exercising their functions, (b) control the activities carried out by *commissari liquidatori;* and (c) provide to the *commissari straordinari* the opinions requested by the law or by the Bank of Italy. The Bank of Italy may issue directives concerning the implementation of the procedure and establish that some categories of operations and actions shall be subject to its authorisation and to preliminary consultation with the *comitato di sorveglianza.*

The Banking Law regulates the procedure for the assessment of the bank's liabilities (*accertamento del passivo*)*,* and the procedures which allow creditors whose claims have been excluded from the list of liabilities (*stato passivo*) to challenge the list of liabilities.

The liquidators, with the favourable opinion of the *comitato di sorveglianza* and subject to authorisation by the Bank of Italy, may assign assets and liabilities, going concerns, assets and legal relationships identifiable *en bloc.* Such assets may be assigned at any stage of the procedure, even before the *stato passivo* has been deposited. The assignor shall however be liable exclusively for the liabilities included in the *stato passivo.* Subject to prior authorisation of the Bank of Italy and for the purpose of maximising profits deriving from the liquidation of the assets, the *commissari liquidatori* may continue the banks' activity or of specific going concerns of the bank, in compliance with any indications provided for by the *comitato di sorveglianza.* In such case the provision of the Bankruptcy Law concerning the termination of legal relationships shall not apply.

Once the assets have been realised and before the final allotment to the creditors or to the last restitution to customers, the *commissari liquidatori* shall present to the Bank of Italy the closing statement of accounts of the liquidation, the financial statement and the allotment plan, accompanied by their own report and a report by the oversight committee.

Bank recovery and resolution

On 6 June 2012, the European Commission published a proposal for a new Directive relating to reorganization and resolution of banking crises, which is part of a broader initiative to create a single mechanism for the resolution of banking crises in the event of insolvency or where a bank has serious financial difficulties.

The Bank Recovery and Resolution Directive ("**BRRD**") was adopted on 15 May 2014. Member States were required to implement the BRRD by 31 December 2014, with the exception of the provisions contained in Title IV, Chapter IV, Sec. 5 (bail-in measures), which had to be implemented no later than 1 January 2016.

The BRRD provides for the establishment of a series of instruments to resolve potential bank crises, safeguarding at the same time essential banking transactions and reducing to a minimum the exposure of tax-payers to losses in the (i) preparation and prevention stage, (ii) early intervention stage and (iii) resolution of the crisis stage.

In accordance with the BRRD, the entities will have to prepare recovery plans and update them on an annual basis, establishing the measures to restore the bank's financial position in the event of significant

deterioration. On the other hand, the crisis resolution authorities will be in charge of drafting crisis resolution plans for each entity, establishing the actions to take if an entity fulfills the conditions to resolve the crisis.

The main crisis resolution measures provided for are as follows:

(i) the sale of all or a part of the company assets;

(ii) the establishment of a bridging entity that would permit the temporary transfer of the performing assets of the banks to an entity controlled by public authorities (a so-called "bridging institution");

(iii) the separation of the assets, entailing the transfer of non-performing assets to a management vehicle; and

(iv) the bail-in measures.

The general principles that govern the activities of the authority in the resolution of crises are: (i) primary allocation of losses to the shareholders and, secondarily, to creditors; (ii) the guaranteed equal treatment of creditors (unless differential treatment is justified for reasons of public interest); and (iii) protection of creditors, who cannot sustain losses greater than those that would have been suffered had the bank been subject to the procedures of ordinary liquidation (so-called "no creditor worse off").

These bail-in measures provide that if insolvency proceedings against a bank are brought forth, the bail-out procedure operated through public resources will be replaced by a bail-in system, where losses are transferred to the shareholders, the junior debt holders (hybrid instruments), the senior unsecured debt security holders, the deposits by small- and medium-sized enterprises and finally to depositors for the portion exceeding the guaranteed amount (i.e., the part exceeding €100,000). A single resolution fund must be used to be created by the Member States in the event of requirements that further exceed the losses transferred as described above.

In Italy, the BRRD was implemented by Legislative Decree No. 180/2015, which established a framework for the recovery and resolution of credit institutions, and for identifying, *inter alia*, the powers and the instruments that the resolution authorities (including the Bank of Italy) may adopt for the resolution of banks that are failing or likely to fail (as defined by art. 17, paragraph 2 of Legislative Decree No. 180/2015). This is to ensure the continuity of an institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system, as well as the costs for taxpayers.

In particular, in the case of a bank that is failing or likely to fail, the resolution authority may use a number of recovery tools as an alternative to winding up the entity through normal insolvency proceedings. Among these, the bail-in tool represents the ability to write down up to the full amount of the nominal value of shares in the entity and to write down the claims against the bank by converting them into equity, in order to absorb the losses and recapitalize the bank in crisis or a new entity that shall continue its critical functions.

Article 20, paragraph 1 of Legislative Decree No. 180/2015 provides that, upon occurrence of the applicable conditions for the crisis management measures of the intermediary, the resolution authority shall exercise the power to write down or convert the shares, other instruments of ownership and capital instruments (elements of common equity tier 1, additional tier 1 instruments, tier 2 instruments), issued by the bank, if this is sufficient to address the failure or the risk of failure of the bank. When such actions are not sufficient to address the failure or risk of failure, the resolution authority may resolve or wind up the bank through normal insolvency proceedings.

In particular, shares, the other instruments of ownership and the capital instruments issued by any failing institution may be written down or converted (pursuant to article 27 of Legislative Decree No. 180/2015) either: (i) independently of resolution action or winding-up through normal insolvency proceedings; or (ii) in combination with a resolution action where the resolution plan provides for measures that may imply the write-down of the value of the rights of shareholders or creditors or disposal of their conversion to equity; in

this case, the write-down or the conversion is disposed immediately before, or at the same time as, the application of such measures. The resolution's measures (art. 39, paragraph 1 of Legislative Decree No. 180/2015) include the ability to effect a bail-in.

The bail-in tool follows a hierarchy, with the riskiest securities bearing losses first.

When applying the bail-in tool, the resolution authority, pursuant to art. 52, paragraph 2 of Legislative Decree No. 180/2015, shall exercise its powers in accordance with the following priority of claims:

1. firstly, the write-down power, in proportion to the losses, as follows:
    (a) Common Equity Tier 1 Instruments;
    (b) Additional Tier 1 Instruments;
    (c) Tier 2 Instruments, including subordinated bonds;
    (d) subordinated debts other than the Additional Tier 1 Instruments and the Tier 2 Instruments; and
    (e) the remaining liabilities, including senior bonds;
2. once the losses have been recovered, or in case no losses have occurred, conversion into shares included in CET 1, as follows:
    (a) Additional Tier 1 Instruments;
    (b) Tier 2 Instruments, including subordinated bonds;
    (c) subordinated debt other than the Additional Tier 1 Instruments and Tier 2 Instruments;
    (d) any remaining liabilities, including senior bonds.

Until 31 December 2018, as part of the "remaining liabilities", the bail-in shall cover senior bonds and any other unsecured liabilities of the bank, including deposits in excess of €100,000, of any enterprise other than SMEs and micro-enterprises, inter-bank deposits with a remaining maturity of more than seven days and derivatives. From 1 January 2019, the abovementioned deposits will be preferred to the senior bonds and the other unsecured liabilities.

The liabilities set forth in art. 49 of Legislative Decree No. 180/2015, including debt secured by assets of the bank and the deposits covered by the deposit guarantee fund up to €100,000 for each depositor, are excluded from the bail-in. Certain deposits, such as those indicated in art. 96-bis of the Italian Banking Act, are excluded from the deposit guarantee fund and therefore subject to bail-in. In case a bail-in measure is applied to a bank, the deposit guarantee fund will pay the bank an amount sufficient to cover the protected deposits, as long as such sum does not exceed 50% of the fund's resources (or such higher amount as may be set by the Bank of Italy).

The bail-in tool may be used alone or in combination with other resolution measures provided for by Legislative Decree No. 180/2015, such as: (i) transfer of assets and contracts to a third party; (ii) transfer of assets and contracts to a bridge institution; and (iii) transfer of assets and contracts to a vehicle company for the management of the activity.

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**"*) *that, subject to completion in accordance with the provisions of the relevant Final Terms, shall be applicable to the Covered Bonds. For the avoidance of doubt, the Conditions do not apply to the Registered Covered Bonds. In these Conditions, references to the "holder" of Covered Bonds and to the "Covered Bondholders" are to the ultimate owners of the Covered Bonds, dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of* (*i*) *Legislative Decree No. 58 of 24 February 1998 as subsequently amended and supplemented from time to time* (*the "**Financial Law**"*) *and implementing regulations and* (*ii*) *the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented from time to time.*

In relation to Registered Covered Bonds, the terms and conditions of such Series of Registered Covered Bonds will be as set out in the Registered Covered Bond and the Registered CB Conditions, together with the Registered CB Rules Agreement relating to such Registered Covered Bond. Any reference to a "Registered CB Condition" other than in this section shall be deemed to be, as applicable, a reference to the relevant provision of the Registered Covered Bond, or the Registered CB Conditions attached as a schedule thereto or the provisions of the Registered CB Rules Agreement relating to such Registered Covered Bonds.

Any reference to the Conditions or a Condition shall be referred to the Conditions and/or the Registered CB Conditions as the context may require. Any reference to the Covered Bondholders shall be referred to the holders of the Covered Bonds and/or the registered holder for the time being of a Registered Covered Bond as the context may require.

Any reference to the Covered Bonds will be construed as to including the Covered Bonds issued under the Conditions and/or the Registered Covered Bonds as the context may require.

Introduction

(a) *Programme*

Banco BPM S.p.A. (the "**Issuer**" or "**Banco BPM**"), as successor to Banco Popolare Società Cooperativa, has established a covered bond programme (the "**Programme**") for the issuance of up to Euro 10,000,000,000 in aggregate principal amount of covered bonds (the "**Covered Bonds**") guaranteed by BP Covered Bond S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to Article 7-*bis* of law No. 130 of 30 April 1999 (as amended, the "**Law 130**"), Decree of the Ministry for the Economy and Finance of 14 December 2006 No. 310 (the "**MEF Decree**") and the supervisory guidelines of the Bank of Italy set out in Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (Circular No. 285 of 17 December 2013), as amended and supplemented from time to time (the "**BoI Regulations**" and jointly with the Law 130 and the MEF Decree, the "**OBG Regulations**").

(b) *Final Terms*

Covered Bonds are issued in series (each a "**Series**") and each Series may comprise one or more tranches, whether or not issued on the same date, that (except in respect of the Interest Commencement Date and their Issue Price) have identical terms on issue and are expressed to be consolidated and have the same Series number (each a "**Tranche**") of Covered Bonds. As used in these Conditions, reference to a Tranche is a reference to Covered Bonds which are identical in all respects (including as to listing). Each Tranche is the subject of final terms (the "**Final Terms**") which completes these Conditions. The terms and conditions applicable to any particular Tranche of Covered Bonds are these

Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) *Covered Bond Guarantee*

Each Covered Bond benefits of a guarantee issued by the Guarantor (the "**Covered Bond Guarantee**") for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series or Tranche issued under the Programme. The Covered Bond Guarantee will be collateralised by a cover pool constituted by certain assets assigned from time to time to the Guarantor pursuant to the Master Transfer Agreement (as defined below) and in accordance with the provisions of the Law 130, the MEF Decree and the BoI Regulations. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the assets of the cover pool. Payments made by the Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments (as defined below).

(d) *Programme Agreement and Subscription Agreement*

In respect of each Series or Tranche of Covered Bonds issued under the Programme, the Relevant Dealer(s) (as defined below) has or have agreed to subscribe for the Covered Bonds and pay the Issuer the issue price for the Covered Bonds on the Issue Date under the terms of a programme agreement (the "**Programme Agreement**") between the Issuer, the Guarantor and the dealer(s) named therein (the "**Dealers**"), as supplemented (if applicable) by a subscription agreement entered into between the Issuer, the Guarantor and the Relevant Dealer(s) (as defined below) on or around the date of the relevant Final Terms (the "**Subscription Agreement**"). In the Programme Agreement, the Relevant Dealer(s) has or have appointed BNP Paribas Securities Services, Milan Branch as Representative of the Covered Bondholders (in such capacity, the "**Representative of the Covered Bondholders**"), as described in Condition 12 (*Representative of the Covered Bondholders*).

(e) *Monte Titoli Mandate Agreement*

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

(f) *The Covered Bonds*

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

(g) *Rules of the Organisation of Covered Bondholders*

The Covered Bondholders are deemed to have notice of and are bound by and shall have the benefit of the terms of the rules of the organisation of the Covered Bondholders (the "**Rules of the Organisation of the Covered Bondholders**") which constitute an integral and essential part of these Conditions. The Rules of the Organisation of the Covered Bondholders are attached hereto as a schedule. The rights and powers of the Representative of the Covered Bondholders and the Covered Bondholders may be exercised only in accordance with the Rules of the Organisation of the Covered Bondholders. References in these Conditions to the Rules of the Organisation of the Covered Bondholders include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.

(h) *Summaries*

Certain provisions of these Conditions are summaries of the Transaction Documents (as defined below) and are subject to their detailed provisions. Covered Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding one or more Covered Bonds, recognises the Representative of the Covered Bondholders as its representative, acting in its name and on its behalf, and agrees to be bound by the terms of the Transaction Documents to which the Representative of the Covered Bondholders is a party as if such Covered Bondholder was itself a signatory thereto. Copies of the Transaction Documents are available for inspection by Covered Bondholders during normal business hours at the registered office of the Representative of the Covered Bondholders from time to time and, where applicable, at the Specified Offices of each of the Paying Agents.

1 Interpretation

(a) *Definitions*

In these Conditions the following expressions have the following meanings:

"**Acceleration Notice**" means the notice to be served by the Representative of the Covered Bondholders on the Guarantor pursuant to the Intercreditor Agreement upon the occurrence of any of the Guarantor Events of Default.

"**Account Banks**" means the Interim Account Bank, the English Account Bank, the Back-up Italian Account Bank, the Italian Account Bank and the Cash Manager – to the extent and as long as the Investment Account and the Securities Account are opened with the Cash Manager.

"**Accounts**" means, collectively the Interim Account, the Securities Account (if any), the Investment Account (if any), the Transaction Account, the Back-up Transaction Account, the Expense Account, the Reserve Account and "**Account**" means any one of them.

"**Accrual Yield**" has the meaning ascribed to it in the relevant Final Terms.

"**Accrued Interest**" means in respect of a Mortgage Loan at any date the aggregate of all interest accrued but not yet due and payable from (and including) the payment date for that Mortgage Loan immediately preceding the relevant date to (but excluding) the relevant date.

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

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

"**Adjusted Aggregate Loan Amount**" means the amount calculated pursuant to the formula set out in the Cover Pool Administration Agreement.

"**Adjusted Required Redemption Amount**" has the meaning ascribed to it under the Cover Pool Administration Agreement.

"**Affected Party**" has the meaning ascribed to it in the Swap Agreements.

"**Amortisation Test**" means the test intended to ensure that following the occurrence of an Issuer Event of Default and service of a Notice to Pay (but prior to the service of an Acceleration Notice following the occurrence of a Guarantor Event of Default), on each Calculation Date and/or Monthly Calculation Date and/or on each other day on which the Asset Coverage Test is to be carried out

pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Amortisation Test Aggregate Loan Amount is equal to or higher than the Outstanding Principal Balance of the Covered Bonds.

"**Article 74 Event Cure Notice**" means a notice delivered by the Representative of the Covered Bondholders (having received, if it deems appropriate, confirmation of such event having occurred from competent professionals) to the Issuer, the Guarantor and the Asset Monitor, informing such parties that the Article 74 Event has been cured.

"**Asset Coverage Test**" means the test which will be carried out pursuant to the terms of the Cover Pool Administration Agreement in order to ensure that, on the relevant Calculation Date and/or Monthly Calculation Date and/or and on each other day on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Outstanding Principal Balance of the Covered Bonds.

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

"**Asset Monitor Agreement**" means the Asset Monitor Agreement entered into on or about the Initial Issue Date among, *inter alios,* the Asset Monitor, the Guarantor, Banco BPM (as successor to Banco Popolare Società Cooperativa) as Seller and Issuer.

"**Available Funds**" means (a) the Interest Available Funds, (b) the Principal Available Funds and (c) the Excess Proceeds.

"**Back-up Italian Account Bank**" means BNP Paribas Securities Services, Milan Branch or any permitted successor or assignee thereof.

"**Back-up Transaction Account**" has the meaning ascribed to it in the Cash Management and Agency Agreement.

"**Banco BPM Group**" means the banking group registered with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Banking Law under No. 237.

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

"**Base Interests Period**" means each period beginning on (and including) a Guarantor Payment Date (or, in the case of the first Base Interests Period, the Transfer Date) and ending on (but excluding) the next Guarantor Payment Date.

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

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

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

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

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

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

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

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

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

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

"**Breach of Test Notice**" means the notice to be delivered by the Representative of the Covered Bondholders in accordance with the terms of the Cover Pool Administration Agreement.

"**Calculation Agent**" means Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa), acting as such pursuant to the Cash Management and Agency Agreement and the Cover Pool Administration Agreement.

"**Calculation Amount**" has the meaning ascribed to it in the relevant Final Terms.

"**Calculation Date**" means the eighteenth day of June, September, December and March or, if that day is not a Business Day, the immediate following Business Day.

"**Calculation Period**" means each Collection Period and, after the delivery of a Test Performance Report assessing that a breach of Test has occurred, each period beginning on (and including) the first day of the month and ending on (and including) the last day of the month during which the Test Performance Report, assessing that a breach of Test has occurred but not cured, has been delivered.

"**Call Option**" has the meaning ascribed to it in the relevant Final Terms.

"**Cancellation Date**" means the date on which the Covered Bonds are redeemed in full or repurchased by the Issuer.

"**Cash Management and Agency Agreement**" means the cash management and agency agreement entered into on or about the Initial Issue Date between, *inter alia,* the Guarantor, the Interim Account

Bank, the English Account Bank, the Italian Account Bank, the Back-up Italian Account Bank, the Cash Manager, the Representative of the Covered Bondholders, the Calculation Agent, the Investment Agent, the Italian Paying Agent, the Principal Paying Agent, the Servicer and the Asset Monitor.

"**Cash Manager**" means Banco BPM S.p.A. or any permitted successor or assignee thereof.

"**CB Interest Period**" means each period beginning on (and including) a CB Payment Date (or, in case of the first CB Interest Period, the Interest Commencement Date) and ending on (but excluding) the next CB Payment Date (or, in case of the last CB Interest Period, the Maturity Date).

"**CB Payment Date**" means the First CB 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 CB Payment Date) or the previous CB Payment Date (in any other case).

"**Clearstream**" means Clearstream Banking, *société anonyme,* Luxembourg.

"**Collateral Account**" means any account(s) which may be opened in the future on which cash and/or securities will be deposited by the Swap Counterparties, pursuant to the provisions of the Intercreditor Agreement.

"**Collection Period**" means each quarter of each year, commencing on (and including) the first calendar day of March, June, September and December and ending on (and including) the last calendar day of May, August, November and February, in the case of the first Collection Period, commencing on (and including) the Initial Transfer Date and ending on (and including) 31 May 2010 provided that after the occurrence of a Guarantor Event of Default, shall mean each Business Day.

"**Commercial CB Programme**" means the "€ 5,000,000,000 Covered Bond Programme" established by Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa) in January 2012 and relating to a portfolio of commercial and residential mortgage loans under which the Guarantor has issued a guarantee.

"**Commercial CB Transaction Documents**" means the documents, deeds and agreements entered into by the Guarantor under, or in connection with, the Commercial CB Programme and defined as "Transaction Documents" in the prospectus related to the Commercial CB Programme.

"**Commitment Limit**" means the maximum amount granted by Banco BPM under the Subordinated Loan Agreement, save for any further increase that may be determined unilaterally by Banco BPM as Subordinated Loan Provider and notified to the Guarantor.

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

"**Corporate Services Agreement**" means the corporate services agreement entered into on or about the Initial Issue Date between TMF Management Italy S.r.l. as corporate servicer and the Guarantor.

"**Covered Bond Instalment Date** " means a date on which a principal instalment is due on a Series of Covered Bonds as specified in the relevant Final Terms.

"**Cover Pool**" means collectively the Eligible Assets and/or the Integration Assets held by the Guarantor.

"**Cover Pool Administration Agreement**" means the Cover Pool administration agreement entered into on or about the Initial Issue Date between, *inter alios,* the Issuer, the Seller, the Guarantor, the Representative of the Covered Bondholders and the Calculation Agent.

"**Covered Bond Swap**" means each covered bond swap agreement entered into between the Guarantor and the relevant Covered Bond Swap Counterparty in order to hedge certain interest rate, basis, and, if applicable, currency risks in respect of amounts received by the Guarantor under the Mortgage Pool Swap and the Covered Bonds.

"**Covered Bond Swap Counterparty**" means each entity acting as such under a Covered Bond Swap.

"**Covered Bondholders**" means the holders from time to time of Covered Bonds, title to which is evidenced in the manner described in Condition 2 (*Form, Denomination and Title*).

"**CRA3**" means Regulation (EC) No. 1060/2009, as amended by Regulation (EC) No. 513/2011 and by Regulation (EU) No. 462/2013.

"**CSA**" means the 1995 ISDA Credit Support Annex (Transfer-English Law) to the Schedule to the ISDA Master Agreement.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**OBG 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 OBG Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the OBG Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

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

(A) the actual number of days in such OBG Calculation Period falling in the Regular Period in which it begins 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) the actual number of days in such OBG Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

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

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

(v) if "**30/360 (Fixed rate)**" is so specified, means the number of days in the OBG Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the OBG Calculation Period is the 31st day of a month but the first day of the OBG Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the OBG Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

(vi) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the CB Interest Period divided by 365 or, in the case of a CB Payment Date falling in a leap year, 366;

(vii) if "**30/360 (Floating Rate)**" is so specified, the number of days in the OBG Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the OBG Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the OBG Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the OBG Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the OBG Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the OBG Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the OBG Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

where:

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

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

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

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

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

(ix) if "**30E/360 (ISDA)**" is so specified, the number of days in the OBG Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

Where:

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

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

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

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

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

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

"**DBRS**" means (i) for the purpose of identifying the entity which has assigned the credit rating to the Covered Bonds, DBRS Ratings Limited, and (ii) in any other case, any entity of DBRS Ratings Limited which is either registered or not under the CRA3, as it appears from the last available list published by European Securities and Markets Authority (ESMA) on the ESMA website.

"**DBRS Covered Bonds Attachment Point**" or "**DBRS CBAP**" means the DBRS covered bonds attachment point – designating the probability that the source of payment of the Covered Bonds will switch from the Issuer to the Guarantor – expressed on the basis of the rating scale of the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Issuer, provided that (i) if the rating assigned by DBRS to the Issuer is public, the DBRS CBAP will be indicated on the web site of DBRS (www.dbrs.com), or (ii) if the rating assigned by DBRS to the Issuer is private, the Issuer shall give notice to the relevant Transaction Party and the Representative of the Covered Bondholders upon the occurrence of any change relevant for the purpose of the applicability of the DBRS CBAP in the Transaction Documents.

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

Moody's		**S&P**		**Fitch**		**DBRS**	
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
Aaa		AAA		AAA		AAA	R-1H
Aa1		AA+		AA+		AA(high)	
Aa2	P-1	AA	A-1+	AA	F1+	AA	R-1M
Aa3		AA-		AA-		AA(low)	
A1		A+	A-1	A+	F1	A(high)	R-1L
A2		A		A		A	
A3	P-2	A-	A-2	A-	F2	A(low)	
Baa1		BBB+		BBB+		BBB(high)	R-2H
Baa2	P-3	BBB	A-3	BBB	F3	BBB	R-2M
Baa3		BBB-		BBB		BBB(low)	R2L R3
Ba1		BB+		BB+	B	BB(high)	R-4
Ba2		BB		BB		BB	
Ba3		BB-		BB-		BB(low)	
B1		B+		B+		B(high)	
B2		B		B		B	R-5
B3		B-		B-		B(low)	
Caa1		CCC+		CCC+	C	CCC(high)	
Caa2		CCC		CCC		CCC	

Caa3		CCC-		CCC-		CCC(low)	
C		D		D	I	D	

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

Moody's		**S&P**		**Fitch**		**DBRS**	
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
Aaa		AAA		AAA		AAA	R-1H
Aa1		AA+		AA+		AA(high)	
Aa2	P-1	AA	A-1+	AA	F1+	AA	R-1M
Aa3		AA-		AA-		AA(low)	
A1		A+	A-1	A+	F1	A(high)	R-1L
A2		A		A		A	
A3	P-2	A-	A-2	A-	F2	A(low)	
Baa1		BBB+		BBB+		BBB(high)	R-2H
Baa2	P-3	BBB	A-3	BBB	F3	BBB	R-2M
Baa3		BBB-		BBB		BBB(low)	R2L R3
Ba1		BB+		BB+	B	BB(high)	R-4
Ba2		BB		BB		BB	
Ba3		BB-		BB-		BB(low)	
B1		B+		B+		B(high)	
B2		B		B		B	R-5
B3		B-		B-		B(low)	
Caa1		CCC+		CCC+	C	CCC(high)	
Caa2		CCC		CCC		CCC	
Caa3		CCC-		CCC-		CCC(low)	
C		D		D	I	D	

"**DBRS Long Term Rating**" means (a) the public long-term rating assigned by DBRS or, if there is no public DBRS rating, (b) the private long-term rating assigned by DBRS. In absence of a private rating or a public rating from DBRS, then the DBRS Long Term Rating will be the DBRS Minimum Rating Long Term.

"**DBRS Minimum Rating Long Term**" means: (a) if a public long term rating by Fitch Ratings Limited ("**Fitch**"), a Moody's long term public rating and a long term public rating by Standard & Poor's Ratings Services ("**S&P**") (each, a "**Public Long Term Rating**") are all available at such date, the DBRS Minimum Rating Long Term will be the DBRS Equivalent Rating Long Term of such Public Long Term Rating remaining after disregarding the highest and lowest of such Public Long Term Ratings from such rating agencies (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating Long Term will be considered one notch below) (for this purpose, if more than one Public Long Term Rating has the same highest DBRS Equivalent Rating Long Term or the same lowest DBRS Equivalent Rating Long Term, then in each case one of such Public Long Term Ratings shall be so disregarded); and (b) if the DBRS Minimum Rating Long Term cannot be determined under (a) above, but Public Long Term Ratings by any two of Fitch, Moody's and S&P are available at such date, the DBRS Equivalent Rating Long Term will be the lower of such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating Long Term will be considered one notch below); and (c) if the DBRS Minimum Rating Long Term cannot be determined under (a) and (b) above, but Public Long Term Ratings by any one of Fitch, Moody's and S&P are available at such date, then the DBRS Equivalent Rating Long Term will be such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating Long Term will be considered one notch below). If at any time the DBRS Minimum Rating Long Term cannot be determined under subparagraphs (a) to (c) above, then a DBRS Minimum Rating Long Term of "C" shall apply at such time.

"**DBRS Minimum Rating Short Term**" means: (a) if a public short term rating by Fitch, a Moody's short term public rating and a short term public rating by S&P (each, a "**Public Short Term Rating**") are all available at such date, the DBRS Minimum Rating Short Term will be the DBRS Equivalent Rating Short Term of such Public Short Term Rating remaining after disregarding the highest and lowest of such Public Short Term Ratings from such rating agencies (provided that if such Public Short Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating Short Term will be considered one notch below) (for this purpose, if more than one Public Short Term Rating has the same highest DBRS Equivalent Rating Short Term or the same lowest DBRS Equivalent Rating Short Term, then in each case one of such Public Short Term Ratings shall be so disregarded); and (b) if the DBRS Minimum Rating Short Term cannot be determined under (a) above, but Public Short Term Ratings by any two of Fitch, Moody's and S&P are available at such date, the DBRS Equivalent Rating Short Term will be the lower of such Public Short Term Rating (provided that if such Public Short Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating Short Term will be considered one notch below); and (c) if the DBRS Minimum Rating Short Term cannot be determined under (a) and (b) above, but Public Short Term Ratings by any one of Fitch, Moody's and S&P are available at such date, then the DBRS Equivalent Rating Short Term will be such Public Short Term Rating (provided that if such Public Short Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating Short Term will be considered one notch below). If at any time the DBRS Minimum Rating Short Term cannot be determined under subparagraphs (a) to (c) above, then the DBRS Minimum Rating Short Term will be considered as not applicable.

"**DBRS Critical Obligations Rating (COR)** " means the DBRS rating addressing the risk of default of particular obligations/ exposures of certain banks that have a higher probability of being excluded from bail-in and remaining in a continuing bank in the event of the resolution of a troubled bank than other senior unsecured obligations. It is expressed in the same scale as the long-term senior unsecured rating. Should the COR be public, it will be indicated on www.dbrs.com. Should the COR be private, the Issuer will notify the Transaction Parties involved and the Representative of the Covered Bondholders of any change in the COR that may impact the transaction structure.

"**DBRS Short Term Rating**" means (a) the public short-term rating assigned by DBRS or, if there is no public DBRS rating, (b) the private short-term rating assigned by DBRS. In absence of a private rating or a public rating from DBRS, then the DBRS Short Term Rating will be the DBRS Minimum Rating Short Term.

"**Dealer**" means each of UBS Limited and any other entity which may be appointed as such by the Issuer pursuant to the Programme Agreement.

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

"**Due for Payment Date**" means (i) prior to the service of an Acceleration Notice, a Scheduled Due for Payment Date (as defined below) or (ii) following the occurrence of a Guarantor Event of Default, the date on which the Acceleration Notice is served on the Guarantor. If the Due for Payment Date is not a Business Day, the date determined in accordance with the Business Day Convention specified as applicable in the relevant Final Terms. For the avoidance of doubt, Due for Payment Date does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due by reason of prepayment, mandatory or optional redemption or otherwise.

"**Early Redemption Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series or Tranche or such other amount as may be specified in, or determined in accordance with, the 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 or Tranche of Covered Bonds is to be redeemed pursuant to Condition 7(e) (*Redemption for tax reasons*).

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

"**Eligible Assets**" means the Mortgage Loans, the Public Assets and the ABS.

"**Eligible Deposits**" means the deposits held with banks having their registered office in Eligible States pursuant to Article 2, paragraph 3, of the MEF Decree.

"**Eligible Institution**" means;

(I) with respect to the entity (other than Banco BPM in respect of the Transaction Account only) holding any of Accounts (other than the Interim Account, the Expense Account and the Quota Capital Account) or the Collateral Account, if required, any depository institution organised under the laws of any state which is a member of the European Union or of the United States of America (to the extent that United States are a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach) (a) whose short-term, unsecured and unsubordinated debt obligations are rated at least P-1 by Moody's and for which, (1) prior to the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the

new rating criteria by DBRS have been adopted, the DBRS Long Term Rating by DBRS is at least equal to the rating indicated in the table below under column "DBRS Minimum Reference Rating Current" and (2) following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the higher of (i) the DBRS Long Term Rating by DBRS and (ii) the then applicable DBRS Critical Obligations Rating assigned to that entity minus one notch is at least equal to the rating indicated in the table below under column "DBRS Minimum Reference Rating New":

DBRS OBG Rating	**DBRS Minimum Reference Rating Current**	**DBRS Minimum Reference Rating New**
AAA (sf)	"A"	"A"
AA (high) (sf)	"A"	"A (low)"
AA (sf)	"A"	"BBB (high)"
AA (low) (sf)	"A"	"BBB (high)"
A (high) (sf)	"BBB (high)"	"BBB"
A (sf)	"BBB"	"BBB (low)"
A (low) (sf)	"BBB (low)"	"BBB (low)"
BBB (high) (sf)	"BBB (low)"	"BBB (low)"
BBB (sf)	"BBB (low)"	"BBB (low)"
BBB (low) (sf)	"BBB (low)"	"BBB (low)"

or (b) whose obligations under the Transaction Documents to which it is a party are guaranteed, in a compliance with the relevant Rating Agencies' criteria, by a depository institution organised under the laws of any state which is a member of the European Union or of the United States of America (to the extent that United States are a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach), whose short-term, unsecured and unsubordinated debt obligations are rated at least P-1 by Moody's and for which, (1) prior to the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS

confirming the new rating criteria by DBRS have been adopted, the DBRS Long Term Rating by DBRS is at least equal to the rating indicated in the table above under column "DBRS Minimum Reference Rating Current" and (2) following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the higher of (i) the DBRS Long Term Rating by DBRS and (ii) the then applicable DBRS Critical Obligations Rating assigned to that entity minus one notch is at least equal to the rating indicated in the table below under column "DBRS Minimum Reference Rating New"; and

(II) with respect to Banco BPM holding the Transaction Account, Banco BPM for so long as its long-term, unsecured and unsubordinated debt obligations are rated at least Ba3 by Moody's and the higher of (i) the then applicable DBRS CBAP of Banco BPM; (ii) the DBRS Long Term Rating assigned to Banco BPM and (iii), exclusively following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted, the then applicable DBRS Critical Obligations Rating of Banco BPM, is at least equal to BB (low).

"**Eligible Investment**" means (a) Euro denominated government securities and (b) other short-term instruments meeting the requirements set out under Article 2 of the MEF Decree, provided that in all cases such investments shall from time to time (1) comply with Moody's criteria so that, *inter alia*: (i) the relevant exposures shall have certain minimum long-term and short-term ratings from Moody's, as specified by Moody's from time to time; and (ii) the maximum aggregate total exposures in general to classes of assets with certain ratings by Moody's will, if specified by Moody's, be limited to the maximum percentages specified by Moody's and (iii) all investments shall be denominated in Euro and provided that any such investment mature on or before the Liquidation Date or at disposable at no loss; and (2) meet the following requirements (i) any Euro denominated security with a maturity of up to 30 calendar days having at least the minimum ratings according to the table below a) under column "Eligible Investment Rating current criteria" prior to the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted or (b) under column "Eligible Investment Rating new criteria" following the date on which a written notice by the Issuer to the Representative of the Covered Bondholders and DBRS confirming the new rating criteria by DBRS have been adopted

DBRS A Table: Eligible Investments with a maturity up to 30 days: CB Rating	**Eligible Investment Rating current criteria**	**Eligible Investment Rating new criteria**
AAA	A or R-1(middle)	A or R-1(low)
AA (high)	A or R-1(middle)	A (low) or R-1(low)
AA	A or R-1(middle)	BBB (high) or R-1(low)
AA (low)	A or R-1(middle)	BBB (high) or R-1(low)
A (high)	BBB (high) or R-2 (high)	BBB or R-2 (high)
A	BBB or R-2 (middle)	BBB (low) or R-2 (midle)

A (low)	BBB (low) or R-2 (low)	BBB (low) or R-2 (low)
BBB (high)	BBB (low) or R-2 (low)	BBB (low) or R-2 (low)
BBB	BBB (low) or R-2 (low)	BBB (low) or R-2 (low)
BBB (low)	BBB (low) or R-2 (low)	BBB (low) or R-2 (low)
BB (high)	BB (high) or R-3	BB (high) or R-3
BB	BB or R-4	BB or R-4
BB (low)	BB (low) or R-4	BB (low) or R-4

or, if greater than 30 calendar days, which may be liquidated without loss within 30 days of a downgrade below the ratings indicated table below:

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

and/or (ii) Euro denominated reserve accounts, deposit accounts, and other similar accounts that provide direct liquidity and/or credit enhancement held at a financial institution rated having the ratings by DBRS set out in the definition of Eligible Institution, provided that any such investments mature on or before the next following Guarantor Payment Date or are disposable at no loss.

"**Eligible States**" means any States belonging to the European Economic Space, Switzerland and any other State attracting a zero per cent. risk weighting factor under the "Standardised Method" provided for by the Basel II Accord.

"**English Account Bank**" means BNP Paribas Securities Services, London branch or any permitted successor or assignee thereof.

"**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.

"**Excess Proceeds**" means the amounts received by the Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, paragraph 3, of the MEF Decree.

"**Excess Swap Collateral**" means an amount equal to the value of the collateral provided by the relevant Swap Counterparty which is in excess of the relevant Swap Counterparty's liability to the Guarantor under such Swap Agreement as at the date of termination of such Swap Agreement, or which the relevant Swap Counterparty is otherwise entitled to have returned to it under the terms of the Swap Agreement.

"**Expense Account**" has the meaning ascribed to it in the Cash Management and Agency Agreement.

"**Extended Instalment Date**" means, in relation to any Series or Tranche of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of an Instalment Amount payable on the relevant Covered Bond Instalment Date will be deferred pursuant to Condition 7(d) (*Extension of principal instalments*).

"**Extended Maturity Date**" means, in relation to any Series or Tranche of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 7(b) (*Extension of maturity*).

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

"**Extraordinary Resolution**" has the meaning ascribed to it in the Rules of the Organisation of the Covered Bondholders attached to these Conditions.

"**Final Redemption Amount**" means with respect to a Series or Tranche of Covered Bond, the amount, as specified in the applicable Final Terms which, in respect of any Series of Covered Bonds other than Zero Coupon Covered Bonds, shall be equal to the nominal amount of the relevant Covered Bond.

"**First CB Payment Date**" means the date specified as such in the relevant Final Terms.

"**Fixed Coupon Amount**" has the meaning ascribed to it in the relevant Final Terms.

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

"**Fixed Rate Provisions**" means the relevant provisions Condition 4 (*Fixed Rate Provisions*).

"**Floating Rate Provisions**" means the relevant provisions of Condition 5 (*Floating Rate Provisions*).

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

"**Guaranteed Amounts**" means, (i) prior to the service of an Acceleration Notice, with respect to any Scheduled Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Scheduled Due for Payment Date, or (ii) after the service of an Acceleration Notice, an amount equal to the relevant Early Redemption Amount plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Guarantor under the Covered Bonds provided that any Guaranteed Amounts representing interest paid after the Maturity Date (or Extended Maturity Date, as the case may be) shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or

similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the "**Clawed Back Amounts**").

"**Guarantor Events of Default**" has the meaning ascribed to it in Condition 10(c) (*Guarantor Events of Default*).

"**Guarantor Payment Date**" means the last day of March, June, September and December, (or, if any such day is not a Business Day, the following Business Day or, following the occurrence of a Guarantor Event of Default, each Business Day.

"**Hard Bullet Covered Bonds**" means the Series of Covered Bonds in relation to which no Extended Maturity Date is specified in the relevant Final Terms, and the Final Redemption Amount in respect to such Series will be due for payment on the Maturity Date and the Pre-Maturity Test shall apply.

"**Initial Issue Date**" means the date on which the Issuer will issue the first Series of Covered Bonds.

"**Initial Receivables**" means the first portfolio of Eligible Assets transferred by the Seller to the Guarantor pursuant to the Master Transfer Agreement.

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

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

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

(iii) such company or corporation takes any action for a readjustment 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; 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 or corporation or any of the events under Article 2448 of the Italian Civil Code occurs with respect to such company or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered Bondholders); or

(v) such company 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 Amount**" has the meaning ascribed to it in Condition 7(c) (*Redemption by instalments*).

"**Instalment Extension Determination Date**" means, with respect to any Covered Bond Instalment Date, the date falling seven Business Days after the expiry of such Covered Bond Instalment Date.

"**Instalment Covered Bonds**" means Covered Bonds specified as being redeemable in instalments in the relevant Final Terms.

"**Integration Assets**" means the assets mentioned in Article 2, paragraph 3, point 2 and 3, of the MEF Decree consisting of (i) deposits with banks residing in Eligible States; and (ii) securities issued by banks residing in Eligible States with residual maturity not greater than one year, which, according to the MEF Decree, may be sold to the Guarantor within the limit of 15 per cent. of the Cover Pool.

"**Intercreditor Agreement**" means the agreement entered into on or about the Initial Issue Date between, *inter alios,* the Guarantor, the Servicer, the Issuer, the Representative of the Covered Bondholders and the other Secured Creditors.

"**Interest Amount**" means, in relation to any Series or Tranche of Covered Bonds and a CB Interest Period, the amount of interest payable in respect of that Series or Tranche for that CB Interest Period.

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

(i) any interest component collected by the Servicer in respect of the Receivables and credited into the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date together with any amounts retained in the Transaction Account from the Interest Available Funds on the preceding Guarantor Payment Date (if any);

(ii) all recoveries in the nature of interest and penalties received by the Servicer and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts and on the Eligible Deposit during the Collection Period preceding the relevant Guarantor Payment Date;

(iv) all interest amounts received from the Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;

(v) any amounts received in respect of such Guarantor Payment Date under the Mortgage Pool Swaps;

(vi) any amounts other than in respect of principal received in respect of such Guarantor Payment Date under the Covered Bond Swaps which are not currency swaps;

(vii) any swap termination payments received in respect of such Guarantor Payment Date from a Swap Counterparty under a Swap Agreement, provided that such amounts will first be used to pay a replacement Swap Counterparty to enter into a replacement Swap Agreement, unless a replacement Swap Agreement has already been entered into by or on behalf of the Guarantor;

(viii) prior to the service of a Notice to Pay on the Guarantor, the amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount; following the service of a Notice to

Pay on the Guarantor, any amounts standing to the credit of the Reserve Account (but excluding item (A) of the definition of Required Reserve Amount calculated as at the relevant Guarantor Payment Date), in each case at the end of the Collection Period preceding the relevant Guarantor Payment Date; following the service of an Acceleration Notice on the Guarantor, any amounts standing to the Credit of the Reserve Account; and on the Guarantor Payment Date on which all Covered Bonds have been redeemed in full and no more Covered Bonds may be issued under the Programme, any amounts standing to the credit of the Reserve Account;

(ix) on the Guarantor Payment Date on which all Covered Bonds have been redeemed in full and no more Covered Bonds may be issued under the Programme, any amounts standing to the credit of the Expense Account; and

(x) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;

but excluding (i) any amount paid by the Swap Counterparty upon termination of the relevant Swap Agreement in respect of any termination payment and, until a replacement swap counterparty has been found, exceeding the net amounts which would have been due and payable by the Swap Counterparty with respect to the next Guarantor Payment Date, had the relevant Swap Agreement not been terminated; (ii) any Tax Credits (as defined in the relevant Swap Agreement) and (iii) any amount standing to the credit of any Collateral Account. However, where the Swap Counterparty is the defaulting party any amount which does not constitute Excess Swap Collateral shall be part of the Available Funds and shall be applied in accordance with the relevant Priority of Payments.

"**Interest Commencement Date**" means, in relation to any Series or Tranche of Covered Bonds, the Issue Date of such Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

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

"**Interim Account Bank**" means Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa).

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

"**ISDA Determination**" means that the Rate of Interest will be determined in accordance with Condition 5(d) (*ISDA Determination*).

"**Issuance Advances**" means a term loan advanced to fund the purchase price of Receivables to be sold in the framework of an Issuance Assignment.

"**Issue Date**" has the meaning ascribed to it in the relevant Final Terms.

"**Issue Date**" means the date of issue of a Series or Tranche of Covered Bonds pursuant to, and in accordance with, the Programme Agreement.

"**Issuer Events of Default**" has the meaning ascribed to it in Condition 10(a) (*Issuer Events of Default*).

"**Italian Account Bank**" means Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa) or any permitted successor or assignee thereof (including the Back-up Account Bank

who may replace Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa) as Italian Account Bank in accordance with the Cash Management and Agency Agreement).

"**Italian Deed of Pledge**" means the Italian deed of pledge by means of which the Guarantor pledges in favour of the Covered Bondholders and the other Secured Creditors all the monetary claims and rights and all the amounts payable from time to time to which the Guarantor is entitled pursuant or in relation to the Relevant Documents (excluding, for avoidance of doubt, the Receivables) and including the monetary claims and rights relating to the amounts standing to the credit of the Accounts (other than the amounts standing to the credit of the Reserve Account and the Collateral Account, if any).

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

"**Majority Shareholder**" means an entity that owns at least 51 per cent. of the ordinary shares in any of the Servicer other than Banco BPM.

"**Mandatory Tests**" means the tests provided for under Article 3 of the MEF Decree.

"**Margin**" has the meaning ascribed to it in the relevant Final Terms.

"**Master Transfer Agreement**" means the master transfer agreement entered into on 26 January 2010 between the Seller and the Guarantor.

"**Maturity Date**" has the meaning ascribed to it in the relevant Final Terms.

"**Maximum Rate of Interest**" has the meaning ascribed to it in the relevant Final Terms.

"**Maximum Redemption Amount**" has the meaning ascribed to it in the relevant Final Terms.

"**Meeting**" has the meaning ascribed to it in the Rules of the Organisation of the Covered Bondholders.

"**Minimum Rate of Interest**" has the meaning ascribed to it in the relevant Final Terms.

"**Minimum Redemption Amount**" has the meaning ascribed to it in the relevant Final Terms.

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

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any relevant Clearing System which holds account with Monte Titoli or any depository banks appointed by the Relevant Clearing System.

"**Monthly Calculation Date**" means following the delivery of a Test Performance Report assessing that a breach of Test has occurred, the eighteenth day of the month immediately following the date of such Test Performance Report and thereafter, the eighteenth day of each month until the breach of Test has been cured in accordance with the provisions of the Cover Pool Administration Agreement.

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

"**Mortgage Cover Pool**" means, collectively, all the Mortgage Loans transferred to the Guarantor.

"**Mortgage Loans**" means Italian residential mortgage loans (*mutui ipotecari residenziali*) pursuant to Article 2, paragraph 1, lett. (a), of the MEF Decree.

"**Mortgage Pool Swap**" means each portfolio swap agreement entered into between the Guarantor and the relevant Mortgage Pool Swap Counterparty in order to hedge interest rate risk on the Cover Pool.

"**Mortgage Pool Swap Counterparty**" means each swap counterparty which agrees to act as such under a Mortgage Pool Swap.

"**Notice to Pay**" means the notice to be served by the Representative of the Covered Bondholders on the Issuer and the Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Issuer Event of Default.

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

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

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

"**Optional Redemption Date (Call)**" has the meaning ascribed to it in the relevant Final Terms.

"**Optional Redemption Date (Put)**" has the meaning ascribed to it in the relevant Final Terms.

"**Order**" means a final, non-appealable judicial or arbitration decision, ruling or award from a court of competent jurisdiction.

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

"**Outstanding Principal Balance**" means, at any date, in relation to a loan, a bond, a Series or Tranche of Covered Bonds or any other asset the aggregate nominal principal amount outstanding of such loan, bond, Series or Tranche of Covered Bonds or asset at such date.

"**Paying Agents**" means the Principal Paying Agent, the Italian Paying Agent and each other paying agent appointed from time to time under the terms of the Cash Management and Agency Agreement.

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

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

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

"**Payments Report**" means the payments report to be prepared by the Cash Manager pursuant to the provisions of the Cash Management and Agency Agreement.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

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

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

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

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

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

"**Pre-Maturity Account**" means the account opened, if required, to hold amounts aimed at providing compliance with the Pre-Maturity Test.

"**Pre-Maturity Collateral Amount**" has the meaning ascribed to it in Condition 7(n) (*Pre-Maturity Liquidity*).

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

"**Pre-Maturity Test**" means the test intended to provide liquidity for the Hard Bullet Covered Bonds when the Issuer's credit ratings fall below a certain level as set out in Condition 7(n) (*Pre-Maturity Liquidity*).

"**Pre-Maturity Test Date**" means any Business Day falling during the Pre-Maturity Rating Period, prior to the occurrence of an Issuer Event of Default. On each such date the Calculation Agent will determine if the Pre-Maturity Test has been breached in respect of any Series or Tranche of Hard Bullet Covered Bonds.

"**Premium Interests Period**" means each period beginning on (and including) a Guarantor Payment Date (or, in the case of the first Premium Interests Period, the Transfer Date) and ending on (but excluding) the next Guarantor Payment Date.

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

(i) all principal amounts collected by the Servicer in respect of the Receivables and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date together with any amounts retained in the Transaction Account from the Principal Available Funds on the preceding Guarantor Payment Date (if any);

(ii) all other recoveries in the nature of principal collected by the Servicer and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(iii) all proceeds deriving from the sale, if any, of the Receivables during the Collection Period preceding the relevant Guarantor Payment Date;

(iv) without duplication with any of the proceeds deriving from the sale of the Receivables under paragraph (iii) above, all proceeds deriving from the liquidation of Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;

(v) all amounts received in respect of such Guarantor Payment Date under any Swap Agreements which are currency swaps, if any;

(vi) amounts standing to the credit of the Pre-Maturity Account at the end of the Collection Period preceding the relevant Guarantor Payment Date;

(vii) any amounts to be transferred pursuant to item (vii) of the Pre-Issuer Event of Default Interest Priority of Payments;

(viii) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period; and

(ix) all amounts of principal standing to the credit of the Eligible Deposits at the end of the Collection Period preceding the relevant Guarantor Payment Date;

but excluding (i) any amount paid by the Swap Counterparty upon termination of the relevant Swap Agreement in respect of any termination payment and, until a replacement swap counterparty has been found, exceeding the net amounts which would have been due and payable by the Swap Counterparty with respect to the next Guarantor Payment Date, had the relevant Swap Agreement not been terminated; (ii) any Tax Credits (as defined in the relevant Swap Agreement) and (iii) any amount standing to the credit of any Collateral Account. However, where the Swap Counterparty is the defaulting party any amount which does not constitute Excess Swap Collateral shall be part of the Available Funds and shall be applied in accordance with the relevant Priority of Payments.

"**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.

"**Priority of Payments**" means each of the orders in which the Available Funds shall be applied on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"**Programme Limit**" means up to Euro 10,000,000,000 (and for this purpose, any Covered Bonds (*Obbligazioni Bancarie Garantite*) denominated in another currency shall be translated into Euro at the date of the agreement to issue such Covered Bonds, and the Euro exchange rate used shall be included in the Final Terms) in aggregate principal amount of Covered Bonds outstanding at any time.

"**Programme Resolution**" has the meaning ascribed to it in the Rules of the Organisation of the Covered Bondholders.

"**Public Assets**" means loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, lett. (c) of the MEF Decree.

"**Put Option**" has the meaning ascribed to it in the relevant Final Terms.

"**Put Option Notice**" means a notice which must be delivered to the Paying Agents, the Calculation Agent and the Asset Monitor by the Representative of the Covered Bondholders on behalf of any

Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder.

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

"**Quota Capital Account**" has the meaning ascribed to it in the Cash Management and Agency Agreement.

"**Quotaholders' Agreement**" means the quotaholder agreement executed on or about the Initial Issue Date by, *inter alios,* the Issuer and Stichting Barbarossa.

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

"**Rating Agencies**" means Moody's and/or DBRS.

"**Receivables**" means collectively the Initial Receivables and any other Subsequent Receivables which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Transfer Agreement.

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

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

"**Reference Price**" has the meaning ascribed to it in the relevant Final Terms.

"**Reference Rate**" has the meaning ascribed to it in the relevant Final Terms.

"**Regular Period**" means:

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

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

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

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

"**Relevant Date**" means, in relation to any payment, 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 Covered Bondholders.

"**Relevant Dealer(s)**" means, in relation to a Series or 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 Series or Tranche pursuant to the Programme Agreement.

"**Relevant Documents**" means collectively the Master Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Intercreditor Agreement, the Cover Pool Administration Agreement, the Corporate Services Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Covered Bond Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Programme Agreement, the Subscription Agreements and the Quotaholders' Agreement.

"**Relevant Financial Centre**" has the meaning ascribed to it 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 ascribed to it in the relevant Final Terms.

"**Representative of the Covered Bondholders**" means the entity that will act as representative of the holders of each Series or Tranche of Covered Bonds pursuant to the Transaction Documents.

"**Required Reserve Amount**" means, as at the relevant Guarantor Payment Date, an amount in Euro equal to the sum of (A) + (B):

where (A) is the aggregate calculated in respect of all Series or Tranches of Covered Bonds, of:

(1) if a Covered Bond Swap has been entered into in relation to the relevant Series or Tranche of Covered Bonds, an amount equal to:

(i) on the first Calculation Date falling during the relevant CB Interest Period, the amount that would accrue on each relevant Covered Bond Swap in respect of the quarterly period comprised between the first Guarantor Payment Date and the second Guarantor Payment Date falling during such CB Interest Period as payable by the Guarantor and calculated by applying the Floating Rate Option (as defined in the relevant Covered Bond Swap) for each relevant Covered Bond Swap determined on a forward basis (the "**Forward Rate**") increased or decreased (as the case may be) by an amount equal to the algebraic difference between (a) the actual amount accrued and due by the Guarantor under each relevant Covered Bond Swap in respect of the quarterly period comprised between the immediately preceding CB Payment Date and the first Guarantor Payment

Date falling during the immediately succeeding CB Interest Period and (b) the amount determined in respect of the same quarterly period by applying the relevant Forward Rate for each relevant Covered Bond Swap on the immediately preceding Calculation Date;

(ii) on the second Calculation Date falling during the relevant CB Interest Period, the amount that would accrue on each relevant Covered Bond Swap in respect of the quarterly period comprised between the second Guarantor Payment Date and the third Guarantor Payment Date falling during such CB Interest Period as payable by the Guarantor and calculated by applying the Forward Rate for each relevant Covered Bond Swap increased or decreased (as the case may be) by an amount equal to the algebraic difference between (a) the actual amount accrued and due by the Guarantor under each relevant Covered Bond Swap in respect of the quarterly period comprised between the first Guarantor Payment Date and the second Guarantor Payment Date falling during such CB Interest Period and (b) the amount determined in respect of the same quarterly period by applying the relevant Forward Rate for each relevant Covered Bond Swap on the immediately preceding Calculation Date;

(iii) on the third Calculation Date falling during the relevant CB Interest Period, the amount that would accrue on each relevant Covered Bond Swap in respect of the quarterly period comprised between the third Guarantor Payment Date and the fourth Guarantor Payment Date falling during such CB Interest Period as payable by the Guarantor and calculated by applying the Forward Rate for each relevant Covered Bond Swap increased or decreased (as the case may be) by an amount equal to the algebraic difference between (a) the actual amount accrued and due by the Guarantor under each relevant Covered Bond Swap in respect of the quarterly period comprised between the second Guarantor Payment Date and the third Guarantor Payment Date falling during such CB Interest Period and (b) the amount determined in respect of the same quarterly period by applying the relevant Forward Rate for each relevant Covered Bond Swap on the immediately preceding Calculation Date; and

(iv) on the fourth Calculation Date falling during the relevant CB Interest Period, the amount that would accrue on each relevant Covered Bond Swap in respect of the quarterly period comprised between the immediately following CB Payment Date and the first Guarantor Payment Date falling during the immediately following CB Interest Period as payable by the Guarantor and calculated by applying the Forward Rate increased or decreased (as the case may be) by an amount equal to the algebraic difference between (a) the actual amount accrued and due by the Guarantor under each relevant Covered Bond Swap in respect of the quarterly period comprised between the third Guarantor Payment Date and the fourth Guarantor Payment Date falling during such CB Interest Period and (b) the amount determined in respect of the same quarterly period by applying the applicable Forward Rate for each relevant Covered Bond Swap on the immediately preceding Calculation Date;

(2) if no Covered Bond Swap has been entered into in relation to a Series or Tranche of Covered Bonds, an amount equal to the total interest amount due under the relevant Series or Tranche of Covered Bonds in respect of which no Covered Bond Swap has been entered into at the end of the relevant CB Interest Period, divided by the number of Guarantor Payment Dates falling in the relevant CB Interest Period, and (i) multiplied by the number of Guarantor Payment Dates already occurred, as at each Calculation Date, since the beginning of the relevant CB Interest

Period plus one or (ii) multiplied by one on the Calculation Date immediately preceding each CB Payment Date;

and (B) is:

(1) if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least "R-1(high)" by DBRS and "P-1" by Moody's, zero, otherwise

(2) the sum of:

(i) the aggregate amount payable on the immediately following Guarantor Payment Date in respect of items (ii) and (iii) of the Pre-Issuer Event of Default Interest Priority, and

(ii) Euro 400,000.

"**Reserve Account**" has the meaning ascribed to it in the Cash Management and Agency Agreement.

"**Scheduled Due for Payment Date**" means:

(a) (i) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (ii) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Issuer Event of Default, the day which is two Business Days following service of the Notice to Pay on the Guarantor in respect of such Guaranteed Amounts, if such Notice to Pay has not been served by the relevant Scheduled Payment Date; or

(b) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

"**Scheduled Interest**" means an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each CB Payment Dates as specified in the Conditions and the applicable Final Terms falling on or after service of a Notice to Pay on the Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the "**Excluded Scheduled Interest Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, less any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

"**Scheduled Payment Date**" means, in relation to payments under the Covered Bond Guarantee, each CB Payment date.

"**Scheduled Principal**" means an amount equal to the amount in respect of principal which would have been due and payable under the Covered Bonds on each CB Payment Date or the Maturity Date (as the case may be) as specified in the Conditions and the applicable Final Terms (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest: the "**Excluded Scheduled Principal Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and payable prior to their Maturity Date and, if the Final Terms specifies that an Extended

Maturity Date is applicable to such relevant Series, or Tranche, if the maturity date of such Series or Tranche had been the Extended Maturity Date.

"**Screen Rate Determination**" means that the Rate of Interest will be determined in accordance with Condition 5(c) (*Screen Rate Determination*).

"**Secured Creditors**" means, collectively, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Issuer, the Seller, the Subordinated Loan Provider, the Servicer, the Corporate Servicer, the Administrative Servicer, the Interim Account Bank, the Principal Paying Agent, the Italian Paying Agent, the English Account Bank, the Italian Account Bank, the Back-up Italian Account Bank, the Swap Counterparties, the Cash Manager, the Investment Agent, the Asset Monitor, the Cover Pool Manager, if appointed, and the Calculation Agent.

"**Selected Assets**" has the meaning ascribed to it in the Cover Pool Administration Agreement.

"**Seller**" means Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa) in its capacity as such pursuant to the Master Transfer Agreement.

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

"**Servicer**" means Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa) in its capacity as such pursuant to the Servicing Agreement.

"**Servicing Agreement**" means the servicing agreement entered into on 26 January 2010 between the Guarantor and the Servicer.

"**Specified Currency**" has the meaning ascribed to it in the relevant Final Terms.

"**Specified Denomination(s)**" means € 100,000 and integral multiples of € 1,000 in excess thereof or such higher denomination as may be specified in the applicable Final Terms (or its equivalent in another currency as at the date of issue of the relevant Covered Bonds).

"**Specified Office**" means with reference to the Principal Paying Agent, Piazza Nogara 2, Verona or such other office in the same city or town as the Principal Paying Agent may specify by notice to the Issuer and the other parties to the Cash Management and Agency Agreement in the manner provided therein.

"**Specified Period**" has the meaning ascribed to it in the relevant Final Terms.

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into on 26 January 2010 between the Subordinated Loan Provider and the Guarantor.

"**Subordinated Loan Provider**" means the Seller, and any successor thereof, appointed as subordinated loan provider in accordance with the Subordinated Loan Agreement.

"**Subsequent Receivables**" means any portfolio of receivables other than the Initial Receivables which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Transfer Agreement.

"**Subsidiary**" has the meaning ascribed to it to it in Article 2359 of the Italian Civil Code.

"**Swap Agreements**" means collectively each Mortgage Pool Swap and each Covered Bond Swap.

"**Swap Collateral**" means the collateral transferred by the relevant Swap Counterparty to the Guarantor pursuant to the relevant CSA.

"**Swap Counterparties**" means the Mortgage Pool Swap Counterparties and the Covered Bond Swap Counterparties.

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

"**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.

"**Test Performance Report**" means the report to be delivered, on each Calculation Date and/or Monthly Calculation Date and/or on any other date on which the Test is to be performed under the Transaction Documents, as the case may be, by the Calculation Agent pursuant to the terms of the Cover Pool Administration Agreement.

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

"**Transaction Account**" has the meaning ascribed to it in the Cash Management and Agency Agreement.

"**Transaction Documents**" means collectively the Master Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Intercreditor Agreement, the Cover Pool Administration Agreement, the Corporate Services Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Covered Bond Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Programme Agreement, the Quotaholders' Agreement, the Italian Deed of Pledge, the Swap Agreements, the Deed of Charge, the Subscription Agreement, the Mandate Agreement, these Conditions, the Rules of the Organisation of the Covered Bondholders and any document or agreement which supplement, amend or restate the content of any of the above mentioned documents and any further documents which is necessary in the context of the Programme.

"**Warranty and Indemnity Agreement**" means the warranty and indemnity agreement entered into on the Initial Transfer Date between the 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 6 (*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 9 (*Taxation*), any premium payable in respect of a Series or Tranche of Covered Bonds and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) if an expression is stated in Condition 1(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Covered Bonds;

(iv) any reference to a Transaction Document shall be construed as a reference to such Transaction Document, as amended and/or supplemented;

(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 Series or Tranche only; and

(vi) any reference in any Italian 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.

2 Form, Denomination and Title

The Covered Bonds are in the Specified Denomination(s), which may include a minimum denomination of Euro 100 thousand (or, where the Specified Currency is a currency other than Euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, in each case as specified in the relevant Final Terms. The Covered Bonds will be issued in bearer form and in dematerialised form (*emesse in forma dematerializzata*) and will be wholly and exclusively deposited with Monte Titoli in accordance with Article 83-*bis* of Italian legislative decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in Article 83-*quater* of such legislative decree. The Covered Bonds will at all times be evidenced by, and title thereto will be transferable by means of, book entries in accordance with the provisions of Article 83-*bis* of Italian legislative decree No. 58 of 24 February 1998, as amended and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as amended and supplemented from time to time. The Covered Bonds will be held by Monte Titoli on behalf of the Covered Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical documents of title will be issued in respect of the Covered Bonds. The rights and powers of the Covered Bondholders may only be exercised in accordance with these Conditions and the Rules of the Organisation of the Covered Bondholders.

Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Representative of the Covered Bondholders, the Guarantor and the Paying Agents may (to the fullest extent permitted by applicable laws) deem and treat the Monte Titoli Account Holder, whose account is at the relevant time credited with a Covered Bond, as the absolute owner of such Covered Bond for the purposes of payments to be made to the holder of such Covered Bond (whether or not the Covered Bond is overdue and notwithstanding any notice to the contrary, any notice of ownership or writing on the Covered Bond or any notice of any previous loss or theft of the Covered Bond) and shall not be liable for doing so.

3 Status and Guarantee

(a) *Status of the Covered Bonds*

The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable

statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Covered Bondholders will be collected by the Guarantor on their behalf.

(b) *Status of the Covered Bond Guarantee*

The payment of Guaranteed Amounts in respect of each Series or Tranche of Covered Bonds when due for payment will be unconditionally and irrevocably guaranteed by the Guarantor in the Covered Bond Guarantee. However, the Guarantor shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amount on the Due for Payment Date until the occurrence of an Issuer Event of Default and service by the Representative of the Covered Bondholders on the Guarantor of a Notice to Pay. Any payment made by the Guarantor under the Covered Bond Guarantee shall discharge the corresponding obligations of the Issuer under the Covered Bonds *vis-à-vis* the Covered Bondholders.

(c) *Priority of Payments*

Amounts due by the Guarantor pursuant to the Covered Bonds Guarantee shall be paid in accordance with the Priority of Payments, as set out in the Intercreditor Agreement.

4 Fixed Rate Provisions

(a) *Application*

This Condition 4 (*Fixed Rate Provisions*) *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 on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate of Interest. Interest will be payable in arrear on each CB Payment Date, subject as provided in Condition 8 (*Payments*), up to (and excluding) the Maturity Date, or as the case may be, the Extended Maturity Date. Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it 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 CB 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.

5 Floating Rate Provisions

(a) *Application*

This Condition 5 (*Floating Rate Provisions*) 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 on their Outstanding Principal Balance from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each CB Payment Date, subject as provided in Condition 8 (*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 Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each CB Interest Period will be determined by the Principal Paying Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Principal Paying Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Principal Paying Agent) quoted by major banks in the Principal Financial

Centre of the Specified Currency, selected by the Principal Paying Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant CB Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant CB Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

(d) *ISDA Determination*

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each CB Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any CB Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Paying Agent under an interest rate swap transaction if the Paying Agent were acting as Paying Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter bank offered rate (LIBOR) for a currency, the first day of that CB Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) *Maximum or Minimum Rate of Interest*

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount*

The Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each CB Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such CB Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such CB Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

(g) *Calculation of other amounts*

If the relevant Final Terms specifies that any other amount is to be calculated by the Principal Paying Agent, then the Principal Paying Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Principal Paying Agent in the manner specified in the relevant Final Terms.

(h) *Publication*

The Principal Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant CB Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Italian Paying Agent 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 CB Payment Date) in any event not later than the first day of the relevant CB Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders. The Principal Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant CB Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

(i) *Notifications etc.*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Principal Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agent, the Covered Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6 Zero Coupon Provisions

(a) *Application*

This Condition 6 (*Zero Coupon Provisions*) 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 Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it 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).

7 Redemption and Purchase

(a) *Scheduled redemption*

Unless previously redeemed or purchased and cancelled as specified below, the Covered Bonds of each Series or Tranche will be redeemed at their Final Redemption Amount on the relevant Maturity Date, subject as provided in Condition 7(b) (*Extension of maturity*) and Condition 8 (*Payments*). If an Extended Maturity Date is not specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds, Condition 7(n) (*Pre-Maturity Liquidity*) shall apply. The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least as of the Extension Determination 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.

(b) *Extension of maturity*

Without prejudice to Condition 10 (*Events of Default*), if an Extended Maturity Date is specified as applicable in relation to the Guarantor in the relevant Final Terms for a Series or Tranche of Covered Bonds and an Issuer Event of Default has occurred, following the service of a Notice to Pay on the Guarantor, the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priorities of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series or Tranche of Covered Bonds on the date falling on the Extension Determination Date, then (subject as provided below), payment of the unpaid amount by the Guarantor under the Covered Bond Guarantee shall be deferred until the Extended Maturity Date *provided that* any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an Extension of Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.

The Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 16 (*Notices*), any relevant Swap Counterparties, the Rating Agencies, the Representative of the Covered Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Maturity Date of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series or Tranche of Covered Bonds pursuant to the Covered Bond 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 relevant Scheduled Due for Payment Date, pursuant to the Covered Bond 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 Priorities of Payments) pro rata in part payment of an amount equal to the Final Redemption Amount in respect of the relevant Series or Tranche of Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the

Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid on such Due for Payment Date 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 CB Payment Date up to and on the Extended Maturity Date.

Where an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds and applied, failure to pay on the Maturity Date by the Guarantor shall not constitute a Guarantor Event of Default.

(c) *Redemption by instalments*

If the Covered Bonds are specified in the relevant Final Terms as being amortising and redeemable in instalments they will be redeemed in such number of instalments, in such amounts ("**Instalment Amounts**") and on such dates as may be specified in or determined in accordance with the relevant Final Terms and upon each partial redemption as provided by this Condition 7(c) (*Redemption by instalments*), the outstanding principal amount of each such Covered Bonds shall be reduced by the relevant Instalment Amount for all purposes.

(d) *Extension of principal instalments*

Without prejudice to Condition 10 (*Events of Default*), if an Extended Instalment Date is specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds whose principal is payable in instalments and an Issuer Event of Default has occurred, following the service of a Notice to Pay on the Guarantor, the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priorities of Payments to pay the Guaranteed Amounts corresponding to the Instalment Amount in full in respect of the relevant Series or Tranche of Covered Bonds on the date falling on the Instalment Extension Determination Date, then (subject as provided below), payment by the Guarantor under the Covered Bond Guarantee of each of (a) such Instalment Amount and (b) all subsequently due and payable Instalment Amounts shall be deferred until the Extended Instalment Date provided that any amount representing the Instalment Amounts due and remaining unpaid after the Instalment Extension Determination Date may be paid by the Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Instalment Date.

Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an extension of principal instalments in accordance with this Condition 7(d) (*Extension of principal instalments*) has occurred, and any payable Instalment Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.

The Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 16 (*Notices*)), any relevant Swap Counterparties, the Rating Agencies, the Representative of the Covered Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Covered Bond Instalment Date of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the relevant Instalment Amount in respect of a Series or Tranche of Covered Bonds pursuant to the Covered Bond 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 relevant Due for Payment Date following the applicable Instalment Extension Determination Date until the applicable Extended Instalment Date, pursuant to the Covered Bond 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 Priorities of Payments) pro rata in part payment of an amount equal to the relevant Instalment Amount in respect of the relevant Series or Tranche of Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such amounts on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Instalment Amount not so paid on such Due for Payment Date shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on the relevant Covered Bond Instalment Date and on each CB Payment Date up to and on the Extended Instalment Date.

Where an Extended Instalment Date is specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds and applied, failure to pay on the relevant Covered Bond Instalment Date by the Guarantor shall not constitute a Guarantor Event of Default.

(e) *Redemption for tax reasons*

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Provisions are specified in the relevant Final Terms as not being applicable); or

(ii) on any CB Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

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

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Series or Tranche of 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:

(1) 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

(2) where the Covered Bonds may be redeemed only on an CB Payment Date, 60 days prior to the CB Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Italian Paying Agent and the Principal Paying Agent with a copy to the Luxembourg Listing

Agent and the Representative of the Covered Bondholders a certificate signed by duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred (and such evidence shall be sufficient to the Italian Paying Agent and the Principal Paying Agent and conclusive and binding on the Covered Bondholders). Upon the expiry of any such notice as is referred to in this Condition 7(e) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 7(e) (*Redemption for tax reasons*).

(f) *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 Covered Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(g) *Partial redemption*

If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 7(f) (*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 Covered Bondholders referred to in Condition 7(f) (*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.

(h) *Redemption at the option of Covered Bondholders*

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Covered 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 7(h) (*Redemption at the option of Covered Bondholders*), the Covered Bondholder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the depositing Covered Bondholder. Once deposited in accordance with this Condition 7(h) (*Redemption at the option of Covered Bondholders*), no duly completed Put Option Notice, may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any Covered 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 Covered Bondholder at such address as may have been given by such Covered Bondholder in the relevant Put Option Notice and shall hold

such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 7(h) (*Redemption at the option of Covered Bondholders*), the Covered Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(i) *Redemption due to illegality*

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Representative of the Covered Bondholders and the Principal Paying Agent and, in accordance with Condition 16 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Covered Bondholders immediately before the giving of such notice that it has, or will, before the next CB Payment Date of any Covered Bond of any Series or Tranche, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next CB Payment Date.

Covered Bonds redeemed pursuant to this Condition 7(i) (*Redemption due to illegality*) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(j) *No other redemption*

The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 7(a) (*Scheduled redemption*) to 7(i) (*Redemption due to illegality*) above.

(k) *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) being 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 7(k) (*Early redemption of Zero Coupon Covered Bonds*) or, if none is so specified, a Day Count Fraction of 30E/360.

(l) *Purchase*

The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time hold or purchase Covered Bonds in the open market or otherwise and at any price. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or any of its Subsidiaries (other than the Guarantor), cancelled. The Guarantor shall not purchase any Covered Bonds at any time.

(m) *Cancellation*

All Covered Bonds which are redeemed shall forthwith be cancelled and may not be reissued or resold.

(n) *Pre-Maturity Liquidity*

If in respect of a Series or Tranche of Hard Bullet Covered Bonds as specified in the relevant Final Terms, on each Pre-Maturity Test Date, the Calculation Agent will determine if the following pre-maturity test (the "Pre-Maturity Test") has been breached, and if so, it shall immediately notify the Issuer and the Representative of Covered Bondholders.

The Issuer will fail and be in breach of the Pre-Maturity Test on a Pre-Maturity Test Date in relation to a Series or Tranche of Hard Bullet Covered Bonds if the Issuer's (a) short-term credit rating from Moody's falls to "Not Prime" (or lower) and the Maturity Date of the Series or Tranche of Hard Bullet Covered Bonds will fall within six months following the relevant Pre-Maturity Test Date; or (b) long-term credit rating from Moody's is lower than "Ba3" and the Maturity Date of the Series or Tranche of Hard Bullet Covered Bonds will fall within 12 months following the relevant Pre-Maturity Test Date; or (c) short-term credit rating from DBRS falls below "R-1(high)". If the Pre-Maturity Test is breached in respect of a Series or Tranche of Hard Bullet Covered Bonds within 12 months prior to the Maturity Date of that Series or Tranche, the Issuer and the Guarantor will be required to (A) ensure that, within 15 Business Days of the breach the Pre-Maturity Collateral Amount is accumulated in an amount equal to the Required Redemption Amount in respect of such Series or Tranche of Hard Bullet Covered Bonds, or, alternatively, (B) that a guarantee is provided in respect of the payment of the Final Redemption Amount on the relevant Maturity Date for that Series or Tranche of Hard Bullet Covered Bonds by a guarantor whose short-term senior, unsecured ratings are at least equal to "P1" by Moody's and "R-1(high)" by DBRS.

If any of the actions under (A) and (B) above is not taken, in order to ensure compliance with or cure a breach of the Pre-Maturity Test, the Guarantor may, among others:

(A) offer to sell Selected Assets in accordance with the Cover Pool Administration Agreement, and subject to any right of pre-emption enjoyed by the Seller; and/or

(B) purchase Eligible Assets or Integration Assets from the Seller. Such purchase will be financed through advances granted by the Seller under the Subordinated Loan and/or the Available Funds.

The Calculation Agent and the Guarantor shall ensure that the proceeds of any applicable sale of the Selected Mortgage Loans and their related security shall be recorded to the credit of a purposely-opened account (the "**Pre-Maturity Account**").

Following service of a Notice to Pay on the Guarantor, the Guarantor shall apply funds standing to the Pre-Maturity Account to repay the relevant Series or Tranche of Hard Bullet Covered Bonds on its Maturity Date.

If the Issuer fully repays the relevant Series or Tranche of Hard Bullet Covered Bonds on the Maturity Date thereof any amount of cash standing to the credit of the Pre-Maturity Account after such repayment shall be applied in accordance with the relevant Priority of Payments, unless:

(a) the Issuer is failing the Pre-Maturity Test in respect of any other Series or Tranche of Hard Bullet Covered Bonds, in which case the cash will be transferred to the relevant Series or Tranche Pre-Maturity Account in order to provide liquidity for that other Series or Tranche of Hard Bullet Covered Bonds; or

(b) the Issuer is not failing the Pre-Maturity Test in respect of any other Series or Tranche of Hard Bullet Covered Bonds, but the board of directors of the Issuer elects to retain the cash on the

Pre-Maturity Account in order to provide liquidity for any future Series or Tranche of Hard Bullet Covered Bonds.

"**Pre-Maturity Collateral Amount**" means, at any given date, the aggregate of:

(i) amounts standing to the credit of the Pre-Maturity Account;

(ii) 100 per cent. of the principal amount of the assets in the Cover Pool which will mature within 180 days of the Pre-Maturity Test Date; and

(iii) the market value of the Eligible Assets and Integration Assets not referred to in paragraph (ii) above, as calculated by the Calculation Agent in accordance with a methodology, and subject to a "haircut", agreed with the Rating Agencies from time to time.

8 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 Italian 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, directives and regulations in the place of payment or other laws to which the Issuer, the Guarantor or their agents agree to be subject and neither Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 9 (*Taxation in the Republic of Italy*).

(c) *Payments on business days*

If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Covered 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.

9 Taxation

(a) *Gross up by Issuer*

All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered Bondholders after such withholding or deduction of such amounts as would have been received by them had no such

withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

(i) in respect of any payment or deduction of any interest or principal on account of *imposta sostitutiva* provided by the Legislative Decree No. 239 of 1 April 1996, as amended ("**Decree No. 239**") with respect to any Covered Bonds or, for the avoidance of doubt, Italian Legislative Decree No. 461 of 21 November 1997 (as amended by Italian Legislative Decree No. 201 of 16 June 1998) (as any of the same may be amended or supplemented) or any related implementing regulations; or

(ii) with respect to any Covered Bond presented for payments:

(A) in the Republic of Italy; or

(B) by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond by reason of his having some connection with the Republic of Italy other than the mere holding of such Covered Bond; or

(C) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Covered Bond by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or

(D) more than 30 days after the Maturity Date except to the extent that the relevant holder would have been entitled to an additional amount on presenting such Covered Bond for payment on such 30th day assuming that day to have been a CB Payment Date; or

(E) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or

(F) in respect of Covered Bonds classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of 30 September 1983, as amended and supplemented from time to time; or

(iii) where such withholding or deduction required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) held by or on behalf of a Covered Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to a Paying Agent in another Member State of the EU but they failed to do so.

For the avoidance of doubt, if an amount were to be deducted or withheld from interest, principal or other payments on the Covered Bonds as a result of an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**"), none of the Issuer, the Guarantor, any paying agent or any other person would, pursuant to the terms and conditions of the Covered Bonds be required to pay additional amounts as a result of the deduction or withholding.

(b) *Taxing jurisdiction*

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction. For the avoidance of doubt, for the purposes of this paragraph (b), the Issuer will not be considered to become subject to the taxing jurisdiction of the United States should the Issuer be required to withhold amounts in respect any withholding tax imposed by the United States on any payments the Issuer makes.

10 Events of Default

(a) *Issuer Events of Default*

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

(i) failure by the Issuer for a period of seven days or more to pay any principal or redemption amount, or for a period of 14 days ore more in the payment of any interest on the Covered Bonds of any Series or Tranche when due; or

(ii) breach by the Issuer of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the Tests) and (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(iii) if, following the delivery of a Breach of Test Notice, the Tests are not cured within the immediately following Monthly Calculation Date unless an Extraordinary Resolution resolves otherwise; or

(iv) if the Pre-Maturity Test in respect of any Series or Tranche of Hard Bullet Covered Bonds is breached on a Pre-Maturity Test Date falling within 12 months prior to the Maturity Date of that Series or Tranche of Hard Bullet Covered Bonds, and the breach has not been cured in accordance with Conditions before the earlier to occur of (i) 15 Business Days from the date that the Issuer is notified of the breach of the Pre-Maturity Test and (ii) the Maturity Date of that Series or Tranche of Hard Bullet Covered Bonds, unless the Representative of the Covered Bondholders or the Meeting of the Organisation of the Covered Bondholders resolves otherwise; or

(v) an Insolvency Event of the Issuer; or

(vi) an Article 74 Event,

then the Representative of the Covered Bondholders will serve a Notice to Pay on the Issuer and Guarantor (specifying, in case of an Article 74 Event, that the Issuer Event of Default may be temporary) unless an Extraordinary Resolution is passed resolving otherwise.

(b) *Effect of a Notice to Pay*

Upon service of a Notice to Pay to the Issuer and the Guarantor:

(i) each series and/or tranche of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (a) such events shall not trigger an acceleration against the Guarantor, (b) pursuant to the Covered Bond Guarantee, the Guarantor shall pay an amount equal to the Guaranteed Amounts, subject to and in accordance with the Post-Issuer Event of Default Priority of Payments, on the relevant Scheduled Due for Payment Date, (c) in accordance with terms and conditions provided for by the Covered Bond Guarantee and with Article 4, Para. 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Guarantor shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds provided that (d) in case of an Article 74 Event, the effects listed in items from (a) to (c) above will only apply for as long as the Suspension Period and accordingly (A) the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) upon the end of the Suspension Period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer);

(ii) the Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer in accordance with the provisions of the Covered Bond Guarantee, in the context of which the Covered Bondholders irrevocably delegate – also in the interest and for the benefit of the Guarantor – to the Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under these Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders, upon request of the Guarantor, shall provide the Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

In accordance with the Covered Bond Guarantee, the Representative of the Covered Bondholders on behalf of the Covered Bondholders has confirmed such delegation and waived any rights of the Covered Bondholders to revoke such delegation and take any such individual action against the Issuer;

(iii) without prejudice to paragraph (i) above, interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under these Conditions, subject to and in accordance with the terms of the Covered Bond Guarantee and the Priority of Payments to creditors set out in the Intercreditor Agreement; and

(iv) the Mandatory Tests shall continue to be applied and the Amortisation Test shall be also applied; and

(v) no further Covered Bonds will be issued,

provided that, in case of an Article 74 Event, the effects listed in items (i) to (v) above will only apply as long as the Suspension Period is continuing.

"**Suspension Period**" means the period of time following a resolution pursuant to Article 74 of the Banking Law is passed in respect of the Issuer (the "**Article 74 Event**"), in which the Guarantor, in

accordance with the MEF Decree, shall be responsible for the payments of the Guaranteed Amounts due and payable within the entire period in which the suspension continues.

The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders of an Article 74 Event Cure Notice to the Issuer, the Guarantor and the Asset Monitor, informing such parties that the Article 74 Event has been cured.

(c) *Guarantor Events of Default*

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

(i) default by the Guarantor for a period of seven days or more to pay any principal or redemption amount, or for a period of 14 days ore more in the payment of any interest on the Covered Bonds of any Series or Tranche; or

(ii) breach of the Amortisation Test on any Calculation Date; or

(iii) breach by the Guarantor of any material obligations under the provisions of any Transaction Documents to which the Guarantor is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the Tests) and (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(iv) an Insolvency Event of the Guarantor,

then the Representative of the Covered Bondholders will serve the Acceleration Notice on the Guarantor unless an Extraordinary Resolution is passed resolving otherwise.

(d) *Effect of an Acceleration Notice*

From and including the date on which the Representative of the Covered Bondholders delivers an Acceleration Notice upon the Guarantor:

(i) the Covered Bonds shall become immediately due and payable at their Early Redemption Amount together, if appropriate, with any accrued interest; and

(ii) if a Guarantor Event of Default is triggered with respect to a Series or Tranche, each Series and/or Tranche of Covered Bonds will cross accelerate at the same time against the Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves; and

(iii) subject to and in accordance with the terms of the Covered Bond Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 9(a) (*Gross up by Issuer*)) in accordance with the Priority of Payments set out in the Intercreditor Agreement; and

(iv) subject to the failure of the Guarantor in taking the necessary actions pursuant to paragraph (ii) above, the Representative of the Covered Bondholders on behalf of the Covered Bondholders shall be entitled to take any steps and proceedings against the Issuer to enforce the provisions

of the Covered Bonds provided that the Representative of the Covered Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Guarantor as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by an Extraordinary Resolution of the Covered Bondholders.

(e) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10 (*Events of Default*) by the Representative of the Covered Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor and all Covered Bondholders and (in such absence as aforesaid) no liability to the Covered Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Covered Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

11 Prescription

Claims for payment under the Covered Bonds shall become void unless made within 10 years (in respect of principal) or five years (in respect of interest) from the due date thereof.

12 Representative of the Covered Bondholders

(a) The Organisation of the Covered Bondholders shall be established upon, and by virtue of, the issuance of the first Series or Tranche of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of all Covered Bonds of whatever Series or Tranche. Pursuant to the Rules of the Organisation of the Covered Bondholders, for as long as the Covered Bonds are outstanding, there shall at all times be a Representative of the Covered Bondholders. The appointment of the Representative of the Covered Bondholders as legal representative of the Organisation of the Covered Bondholders is made by the Covered Bondholders subject to and in accordance with the Rules of the Organisation of the Covered Bondholders.

(b) In the Programme Agreement, the Dealers have appointed the Representative of the Covered Bondholders to perform the activities described in the Programme Agreement, in these Conditions (including the Rules of the Organisation of the Covered Bondholders), in the Intercreditor Agreement and in the other Transaction Documents, and the Representative of the Covered 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 have been cancelled or redeemed in accordance with these Conditions.

(c) Each Covered Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Covered Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Representative of the Covered Bondholders in such capacity as if such Covered Bondholder were a signatory thereto; and

(ii) acknowledges and accepts that the Dealers shall not be liable, without prejudice for the provisions set forth under Article 1229 of the Italian Civil Code, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Covered Bondholders as a result of the performance by the Representative of the Covered Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

13 Limited Recourse and Non Petition

(a) *Limited recourse*

The obligations of the Guarantor under the Covered Bond Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the OBG Regulations. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the assets comprised in the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Covered Bondholders.

(b) *Non petition*

Only the Representative of the Covered Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Amounts or enforce the Covered Bond Guarantee and no Covered Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Covered Bond Guarantee. In particular:

(i) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Covered Bondholders to enforce the Covered Bond Guarantee or take any proceedings against the Guarantor to enforce the Covered Bond Guarantee;

(ii) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any amount due from the Guarantor;

(iii) until the date falling two years and one day after the date on which all Series and/or Tranche of Covered Bonds issued in the context of the Programme, or any other covered bonds issued in the context of programmes established for the issuance of covered bonds guaranteed by the Guarantor (including the Commercial CB Programme), have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or *pari passu* thereto, no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

(iv) no Covered Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

14 Agents

In acting under the Cash Management and Agency Agreement and in connection with the Covered Bonds, the Paying Agents will act solely as agents of the Issuer and, following service of a Notice to Pay or an Acceleration Notice, as agent of the Guarantor and do not assume in the framework of the Programme any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders.

The Principal Paying Agent and its initial Specified Offices are set out in these Conditions. Any additional Paying Agent and its Specified Offices (if any) are specified in the relevant Final Terms. The Issuer, and

(where applicable) the Guarantor, reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint an additional or successor paying agent; *provided, however, that:*

(a) the Issuer, and (where applicable) the Guarantor, shall at all times maintain a paying agent; and

(b) the Issuer, and (where applicable) the Guarantor, shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and

(c) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent in any particular place, the Issuer, and (where applicable) the Guarantor, shall maintain a paying agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in its Specified Offices shall promptly be given to the Covered Bondholders.

15 Further Issues

The Issuer may from time to time, without the consent of the Covered Bondholders, create and issue further Covered Bonds under the Programme, including but not limited to Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

16 Notices

(a) Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.

(b) As long as the Covered Bonds are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange and the rules of such exchange so require, any notice to the Covered Bondholders shall also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

(c) The Representative of the Covered Bondholders shall be at liberty to sanction any other method of giving notice to Covered Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to trading and provided that notice of such other method is given to the Covered Bondholders in such manner as the Representative of the Covered Bondholders shall require.

17 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such

calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

18 Governing Law and Jurisdiction

(a) These Covered Bonds 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) 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) Anything not expressly provided for in these Conditions will be governed by the provisions of Law 130, BoI Regulations and MEF Decree.

RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS

TITLE I
GENERAL PROVISIONS

1 General

1.1 The Organisation of the Covered Bondholders in respect of each Series or Tranche of Covered Bonds issued under the Programme by Banco BPM S.p.A. (as successor to Banco Popolare Società Cooperativa) is created concurrently with the issue and subscription of the Covered Bonds of each such Series or Tranche and is governed by these Rules of the Organisation of the Covered Bondholders (the "**Rules**").

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series or Tranche.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds of each Series or Tranche issued by the Issuer.

2 Definitions and Interpretation

2.1 **Definitions**

In these Rules, the terms below shall have the following meanings:

"**Block Voting Instruction**" means, in relation to a Meeting, a document issued by the Representative of the Covered Bondholders:

(a) certifying that specified Covered Bonds have been blocked in an account with a clearing system, the Monte Titoli Account Holder or the relevant custodian and will not be released until the earlier of:

(i) a specified date which falls after the conclusion of the Meeting; and

(ii) the notification to the Representative of the Covered Bondholders not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by the Representative of the Covered Bondholders to the Issuer;

(b) certifying that the Covered Bondholder of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the Representative of the Covered Bondholders 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 total number of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and

(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, the Monte Titoli Account Holder or the relevant custodian 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 24 (*Chairman of the Meeting*).

"**Covered Bondholder**" means in respect of Covered Bonds, the ultimate owner of such Covered Bonds.

"**Event of Default**" means an Issuer Event of Default or a Guarantor Event of Default.

"**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.

"**Liabilities**" means losses, liabilities, inconvenience, costs, expenses, damages, claims, actions or demands, judgments, proceeding or other liabilities whatsoever (including, without limitation, in respect of taxes, duties, levies and other charges) and including value added, taxes or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.

"**Meeting**" means a meeting of Covered Bondholders (whether originally convened or resumed following an adjournment).

"**Monte Titoli Account Holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 30 of Italian Legislative Decree No. 213 of 24 June 1998 and includes any Relevant Clearing System which holds account with Monte Titoli or any depository banks appointed by the Relevant Clearing System.

"**Ordinary Resolution**" means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50 per cent. of the votes cast.

"**Programme Resolution**" means an Extraordinary Resolution passed at a single meeting of the Covered Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Guarantor pursuant to Condition 10(d) (*Effect of an Acceleration Notice*).

"**Proxy**" means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

(a) any person whose appointment has been revoked and in relation to whom the Principal Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and

(b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed.

"**Rating Agencies**" means Moody's Investors Service and/or DBRS.

"**Resolutions**" means the Ordinary Resolutions and the Extraordinary Resolutions, collectively.

"**Swap Rate**" means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the respective Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the respective 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 Covered Bondholder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by the Principal Paying Agent or a Proxy named in a Block Voting Instruction.

"**Voting Certificate**" means, in relation to any Meeting:

a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time.

"**Written Resolution**" means a resolution in writing signed by or on behalf of one or more persons holding or representing at least 75 per cent. of the Outstanding Principal Balance of the Covered Bonds, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Covered Bondholders.

"**24 hours**" means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in the place where the Principal Paying Agent has its specified office; 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.

2.2 **Interpretation**

In these Rules:

(a) any reference herein to an "**Article**" shall, except where expressly provided to the contrary, be a reference to an Article of these Rules of the Organisation of the Covered Bondholders;

(b) a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

(c) any reference to any "**Transaction Party**" shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 **Separate Series**

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Covered Bondholders in its absolute discretion shall otherwise determine and the provisions of this sentence and of Articles 21 (*Purpose of the Organisation of the Covered Bondholders*) to 41 (*Meetings and Separate Series*) and 45 (*Duties and Powers of the Representative of the Covered Bondholders*) to 52 (*Powers to Act on behalf of the Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Article 20.3:

(a) Articles 43 (*Appointment, Removal and Remuneration*) and 44 (*Resignation of the Representative of the Covered Bondholders*); and

(b) insofar as they relate to a Programme Resolution, Articles 21 (*Purpose of the Organisation of the Covered Bondholders*) to 41 (*Meetings and Separate Series*) and 45 (*Duties and Powers of the Representative of the Covered Bondholders*) to 52 (*Powers to Act on behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "**Covered Bonds**" and "**Covered Bondholders**" shall be construed accordingly.

3 Purpose of the Organisation of the Covered Bondholders

3.1 Each Covered Bondholder is a member of the Organisation of the Covered Bondholders.

3.2 The purpose of the Organisation of the Covered Bondholders is to co-ordinate the exercise of the rights of the Covered Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Covered Bondholders.

TITLE II
MEETINGS OF THE COVERED BONDHOLDERS

4 Convening a Meeting

4.1 Convening a Meeting

The Representative of the Covered Bondholders, the Guarantor or the Issuer may convene separate or combined Meetings of the Covered Bondholders at any time and the Representative of the Covered Bondholders shall be obliged to do so upon the request in writing by Covered Bondholders representing at least one-tenth of the aggregate Outstanding Principal Balance of the Covered Bonds.

The Representative of the Covered Bondholders, the Guarantor or the Issuer or (in relation to a meeting for the passing of a Programme Resolution) the Covered Bondholders of any Series may at any time and the Issuer shall upon a requisition in writing signed by the holders of not less than one-tenth of the Outstanding Principal Balance of the Covered Bonds for the time being outstanding convene a meeting of the Covered Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the Representative of the Covered Bondholders or the requisitioner. The Representative of the Covered Bondholders may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the Representative of the Covered Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis.*

4.2 Meetings convened by Issuer

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Covered Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

4.3 Time and place of Meetings

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Covered Bondholders.

5 Notice

5.1 Notice of Meeting

At least 21 days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Covered Bondholders and the Principal Paying Agent, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Covered Bondholders, or with a copy to the Representative of the Covered Bondholders, where the Meeting is convened by the Issuer subject to Article 22.3.

5.2 Content of notice

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that the Voting Certificate for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time, and that Covered Bonds (to the satisfaction of the Principal Paying Agent) must be held to the order of or placed under the control of the Principal Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

5.3 Validity notwithstanding lack of notice

A Meeting is valid notwithstanding that the formalities required by this Article 23.3 are not complied with if the Covered Bondholders constituting the Outstanding Principal Balance of the Covered Bonds, the holders of which are entitled to attend and vote are represented at such Meeting and the Issuer and the Representative of the Covered Bondholders are present.

6 Chairman of the Meeting

6.1 Appointment of Chairman

An individual (who may, but need not be, a Covered Bondholder), nominated by the Representative of the Covered Bondholders may take the chair at any Meeting, but if:

(a) the Representative of the Covered Bondholders fails to make a nomination; or

(b) the individual nominated declines to act or is not present within 15 minutes 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.

6.2 Duties of Chairman

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

6.3 Assistance to Chairman

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Covered Bondholders.

7 Quorum

7.1 The quorum at any Meeting will be:

(a) in the case of an Ordinary Resolution, one or more persons (including the Issuer if at any time it owns any of the relevant Covered Bonds) holding or representing at least 50 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or

(b) in the case of an Extraordinary Resolution or a Programme Resolution (including the Issuer if at any time it owns any of the relevant Covered Bonds) (subject as provided below), one or more persons holding or representing at least 50 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders of the relevant Series for the time being outstanding, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or

(c) at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 49 (*Waiver*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the relevant Series of Covered Bonds;

(ii) alteration of the currency in which payments under the relevant Series of Covered Bonds are to be made;

(iii) alteration of the majority required to pass an Extraordinary Resolution;

(iv) any amendment to the Covered Bond Guarantee or the Italian Deed of Pledge or the Deed of Charge (except in a manner determined by the Representative of the Covered Bondholders not to be materially prejudicial to the interests of the Covered Bondholders of any Series);

(v) except in accordance with Articles 48 (*Amendments and Modifications*) and 49 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such relevant Series of Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and

(vi) alteration of this Article 25.1,

(each a "**Series Reserved Matter**"), the quorum shall be one or more persons (including the Issuer if at any time it owns any of the relevant Series of Covered Bonds) being or representing holders of not less two-thirds of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, one or more persons being or representing not less than one third of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding.

7.2 **Adjournment for want of Quorum**

If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

(a) if such Meeting was convened upon the request of Covered Bondholders, the Meeting shall be dissolved; and

(b) in any other case, the Meeting (unless the Issuer and the Representative of the Bondholders otherwise agree) shall, subject to (i) and (ii) 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:

(i) a Meeting may be adjourned more than once for want of a quorum; and

(ii) the Meeting shall be dissolved if the Issuer and the Representative of the Bondholders together so decide.

8 Adjourned Meeting

Except as provided in Article 25 (*Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

9 Notice following Adjournment

9.1 **Notice required**

Article 23 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

(a) 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

(b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

9.2 **Notice not required**

Except in the case of a Meeting to consider an Extraordinary Resolution, it shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 25 (*Quorum*).

10 Participation

The following categories of persons may attend and speak at a Meeting:

(a) Voters;

(b) the directors and the auditors of the Issuer and the Guarantor;

(c) representatives of the Issuer, the Guarantor and the Representative of the Covered Bondholders;

(d) financial advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders;

(e) legal advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders; and

(f) any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Covered Bondholders.

11 Voting Certificates and Block Voting Instructions

11.1 A Covered Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time.

11.2 A Covered Bondholder may require the Representative of the Covered Bondholders to issue a Block Voting Instruction provided that the relevant voting certificate is sent to the of the Representative of the Covered Bondholders not later than 48 hours before the time fixed for the relevant Meeting.

11.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.

11.4 So long as a Voting Certificate or Block Voting Instruction is valid, the individual or entity named therein as Covered Bondholder or Proxy shall be deemed to be the Covered Bondholder to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

11.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.

11.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

12 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 Representative of the Covered Bondholders, or at any other place approved by the Representative of the Covered Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid unless the Chairman decides otherwise before the Meeting proceeds to business. If the Representative of the Covered Bondholders so requires, a notarised copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each 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 Covered 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 Covered Bondholder named in a Voting Certificate or a Block Voting Instruction or the identity of any Covered Bondholder named in a Voting Certificate issued by a Monte Titoli Account Holder.

13 Voting by Show of Hands

13.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

13.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or

rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

14 Voting by Poll

14.1 Demand for a poll

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Covered Bondholders or any one or more Voters, whatever the Outstanding Principal Balance of the Covered Bonds held or represented by such Voter. A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded as at the date of the taking of the poll.

14.2 The Chairman and a poll

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

15 Votes

15.1 Voting

Each Voter shall have:

(a) on a show of hands, one vote; and

(b) on a poll every person who is so present shall have one vote in respect of each Euro 1.00 or such other amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Covered Bondholders in its absolute discretion may stipulate).

15.2 Block Voting Instruction and Voting Certificate

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

15.3 Voting tie

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

16 Voting by Proxy

16.1 Validity

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked provided that none of the Issuer, the Representative of the Covered Bondholders 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.

16.2 **Adjournment**

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to 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.

17 Resolutions

17.1 **Ordinary Resolutions**

Subject to Article 35.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

(a) grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and

(b) to authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

17.2 **Extraordinary Resolutions**

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

(a) sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Covered Bondholders, the Covered Bondholders or any of them;

(b) approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Covered Bondholders, the Issuer, the Guarantor, the Covered Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or 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 Covered Bondholders and/or any other party thereto;

(c) assent to any modification of the provisions of these Rules or the Transaction Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Covered Bondholders or of any Covered Bondholder;

(d) in accordance with Article 43 (*Appointment, Removal and Remuneration*), appoint and remove the Representative of the Covered Bondholders;

(e) discharge or exonerate, whether retrospectively or otherwise, the Representative of the Covered Bondholders from any liability in relation to any act or omission for which the Representative of the Covered Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;

(f) grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

(g) authorise and ratify the actions of the Representative of the Covered Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document;

(h) waive any breach or authorised any proposed breached by the Issuer, the Guarantor or any other party of its obligations under or in respect of these Rules, or waive the occurrence of an Issuer Event of Default, Guarantor Event of Default or a breach of test, and direct the Representative of the Covered Bondholders to suspend the delivery of the relevant Notice to Pay, Acceleration Notice, or Breach of Test Notice;

(i) to appoint any person (whether Covered Bondholders or not) as a committee to represent the interests of the Covered Bondholders and to confer on any such committee any powers which the Covered Bondholders could themselves exercise by Extraordinary Resolution;

(j) authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution; and

(k) in case of failure or request by the Representative of the Covered Bondholders to send a Notice to Pay, Acceleration Notice or Breach of Test Notice, direct the Representative of the Covered Bondholders to deliver such notice as a result of an Issuer Event of Default pursuant to Condition 10(a) (*Issuer Events of Default*) or an Acceleration Notice as a result of a Guarantor Event of Default pursuant to Condition 10(c) (*Guarantor Events of Default*).

17.3 Programme Resolutions

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Guarantor pursuant to Condition 10(d) (*Effect of an Acceleration Notice*).

17.4 Other Series of Covered Bonds

No Ordinary Resolution or Extraordinary Resolution (other than a Programme Resolution which shall be passed by the Holders of all the Series of Covered Bonds then outstanding) that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

18 Effect of Resolutions

18.1 Binding nature

Subject to Article 35.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Covered Bondholders duly convened and held in accordance with these Rules shall be binding upon all Covered 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.

18.2 Notice of voting results

Notice of the results of every vote on a resolution duly considered by Covered Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Principal Paying Agent (with a copy to the Issuer, the Guarantor and the Representative of the Covered Bondholders within 14 days of the conclusion of each Meeting).

19 Challenge to Resolutions

Any absent or dissenting Covered Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

20 Minutes

Minutes shall be made of all resolutions and proceedings of each Meeting and entered in books provided by the Issuer for that purpose. The minutes shall be signed by the Chairman and shall be prima facie evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

21 Written Resolution

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

22 Individual Actions and Remedies

Each Covered Bondholder has accepted and is bound by the provisions of Condition 13 (*Limited Recourse and Non Petition*) Clause 4 (*Exercise of Rights and Subrogation*) and 11 (*Limited Recourse*) of the Covered Bond Guarantee and of Clause 8 (*Exercise of Rights*) and 12 (*Limited Recourse*) of the Intercreditor Agreement and, accordingly, if any Covered Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Covered Bonds and the Covered Bond Guarantee, any such action or remedy shall be subject to a Meeting not passing an Extraordinary Resolution objecting to such individual action or other remedy on the grounds that it is not consistent with such Condition. In this respect, the following provisions shall apply:

(a) the Covered Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Covered Bondholders of his/her intention;

(b) the Representative of the Covered Bondholders will, without delay, call a Meeting in accordance with these Rules (including, for the avoidance of doubt, Article 41.1 (*Choice of Meeting*)*;*

(c) if the Meeting passes an Extraordinary Resolution objecting to the enforcement of the individual action or remedy, the Covered Bondholder will be prevented from taking such action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted for review of another Meeting); and

(d) if the Meeting of Covered Bondholders does not object to an individual action or remedy, the Covered Bondholder will not be prohibited from taking such individual action or remedy.

23 Meetings and Separate Series

23.1 Choice of Meeting

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

(a) a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

(b) a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;

(c) a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;

(d) a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Covered Bondholders of all Series; and

(e) to all such meetings all the preceding provisions of these Rules shall *mutatis mutandis* apply as though references therein to Covered Bonds and Covered Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

23.2 Denominations other than Euro

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in Euro in the case of any Meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of the meeting or any adjourned such Meeting or any poll resulting therefrom or any such request or Written Resolution) the Outstanding Principal Balance of such Covered Bonds shall be the equivalent in Euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each Euro 1.00 (or such other Euro amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate) of the Outstanding Principal Balance of the Covered Bonds (converted as above) which he holds or represents.

24 Further Regulations

Subject to all other provisions contained in these Rules, the Representative of the Covered Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Covered Bondholders in its sole discretion may decide.

TITLE III
THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

25 Appointment, Removal and Remuneration

25.1 Appointment

The appointment of the Representative of the Covered Bondholders takes place by Extraordinary Resolution of the Covered Bondholders in accordance with the provisions of this Article 43, except for

the appointment of the first Representative of the Covered Bondholders which will be BNP Paribas Securities Services, Milan Branch appointed under the Programme Agreement.

25.2 **Identity of the Representative of the Covered Bondholders**

Save for BNP Paribas Securities Services, Milan branch, as first Representative of the Covered Bondholders under the Programme, the Representative of the Covered Bondholders shall be:

(a) a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

(b) a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 106 of the Banking Law; or

(c) any other entity which is not prohibited from acting in the capacity of Representative of the Covered Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Covered Bondholders and, if appointed as such, they shall be automatically removed.

25.3 **Duration of appointment**

Unless the Representative of the Covered Bondholders is removed by Extraordinary Resolution of the Covered Bondholders pursuant to Article 35.2 (*Extraordinary Resolutions*) or resigns pursuant to Article 44 (*Resignation of the Representative of the Covered Bondholders*), it shall remain in office until full repayment or cancellation of all Series of Covered Bonds.

25.4 **After termination**

In the event of a termination of the appointment of the Representative of the Covered Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Covered Bondholders, which shall be an entity specified in Article 43.2 (*Identity of the Representative of the Covered Bondholders*), accepts its appointment and has entered into or acceded to the Intercreditor Agreement and the other Transaction Documents to which the terminated Representative of the Covered Bondholders was a party, and the powers and authority of the Representative of the Covered Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

25.5 **Remuneration**

The Issuer, and following an Issuer Event of Default and delivery of a Notice to Pay the Guarantor, shall pay to the Representative of the Covered Bondholders an annual fee for its services as Representative of the Covered Bondholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions. Such fees may be increased, in accordance with the provisions of the Programme Agreement, in the event that the Representative of the Covered Bondholders undertakes duties of exceptional nature.

26 Resignation of the Representative of the Covered Bondholders

The Representative of the Covered Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Covered Bondholders shall not become effective until a new Representative of the Covered Bondholders has been appointed in accordance with Article 43.1 (*Appointment*) and such new Representative of the Covered Bondholders has accepted its appointment and such new Representative of the Covered Bondholders has accepted its appointment and entered into or acceded to the Intercreditor Agreement and the other Transaction Documents to which the terminated Representative of the Covered Bondholders was a party provided that if Covered Bondholders fail to select a new Representative of the Covered Bondholders within three months of written notice of resignation delivered by the Representative of the Covered Bondholders, the Representative of the Covered Bondholders may appoint a successor which is a qualifying entity pursuant to Article 43.2 (*Identity of the Representative of the Covered Bondholders*).

27 Duties and Powers of the Representative of the Covered Bondholders

27.1 Representative of the Covered Bondholders as legal representative

The Representative of the Covered Bondholders is the legal representative of the Organisation of the Covered Bondholders and has the power to exercise the rights conferred on it by the Transaction Documents in order to protect the interests of the Covered Bondholders.

27.2 Meetings and resolutions

Unless any Resolution provides to the contrary, the Representative of the Covered Bondholders is responsible for implementing all resolutions of the Covered Bondholders. The Representative of the Covered Bondholders has the right to convene and attend Meetings (together with its advisors at the Issuer's expenses provided that such expenses are reasonably incurred and duly documented) to propose any course of action which it considers from time to time necessary or desirable.

27.3 Delegation

The Representative of the Covered Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Transaction Documents:

(a) act by responsible officers or a responsible officer for the time being of the Representative of the Covered Bondholders; and

(b) whenever it considers it expedient and in the interest of the Covered Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Covered Bondholders may think fit in the interest of the Covered Bondholders. The Representative of the Covered Bondholders shall not, other than in the normal course of its business, be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, *provided that* the Representative of the Covered Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Covered Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and

termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

27.4 Judicial proceedings

The Representative of the Covered Bondholders is authorised to represent the Organisation of the Covered Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

27.5 Consents given by Representative of Covered Bondholders

Any consent or approval given by the Representative of the Covered Bondholders under these Rules and any other Transaction Document may be given on such terms as the Representative of the Covered Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Transaction Documents, such consent or approval may be given retrospectively.

27.6 Discretions

Save as expressly otherwise provided herein, the Representative of the Covered Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Covered Bondholders by these Rules or by operation of law.

27.7 Obtaining instructions

In connection with matters in respect of which the Representative of the Covered Bondholders is entitled to exercise its discretion hereunder (including but not limited to forming any opinion in connection with the exercise or non exercise of any discretion), the Representative of the Covered Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Covered Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Covered Bondholders shall be entitled to request that the Covered Bondholders indemnify it and/or provide it with security as specified in Article 46.2 (*Specific limitations*).

27.8 Remedy

The Representative of the Covered Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be remedied, and if the Representative of the Covered Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Covered Bondholders, the other creditors of the Guarantor and any other party to the Transaction Documents.

28 Exoneration of the Representative of the Covered Bondholders

28.1 Limited obligations

The Representative of the Covered Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

28.2 Specific limitations

Without limiting the generality of Article 46.2 (*Specific limitations*), the Representative of the Covered Bondholders:

(a) shall not be under any obligation to take any steps to ascertain whether an Issuer Event of Default or a Guarantor Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Covered Bondholders hereunder or under any other Transaction Document, has occurred and,

until the Representative of the Covered Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Issuer Event of Default or a Guarantor Event of Default or such other event, condition or act has occurred;

(b) shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Covered Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;

(c) shall not be under any obligation to disclose (unless and to the extent so required under the Conditions, the terms of any Transaction Documents or by applicable law) to any Covered Bondholders or other Secured Creditor or any other party, any information (including, without limitation, information of a confidential, financial or price sensitive nature) made available to the Representative of the Covered Bondholders by the Issuer, the Guarantor or any other person in respect of the Cover Pool or, more generally, of the Programme and no Covered Bondholders shall be entitled to take any action to obtain from the Representative of the Covered Bondholders any such information;

(d) except as expressly required in these Rules or any Transaction Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Transaction Document;

(e) shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or rights created or purported to be created hereby or thereby or pursuant hereto or thereto, nor shall be responsible for assessing any breach or alleged breach by the Issuer, the Guarantor and any other Party to the transaction, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

(i) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;

(ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection herewith;

(iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;

(iv) the failure by the Guarantor to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and

(v) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Servicer and the Principal Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;

(f) shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

(g) shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

(h) shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Covered Bondholders contained herein or in any Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

(i) shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;

(j) shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Covered Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

(k) shall not be under any obligation to guarantee or procure the repayment of the Receivables contained in the Cover Pool or any part thereof;

(l) shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;

(m) shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

(n) shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Transaction Document;

(o) shall not be under any obligation to insure the Cover Pool or any part thereof;

(p) shall, when in these Rules or any Transaction Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Covered Bondholders, have regard to the overall interests of the Covered Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Covered Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Covered Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority, and the Representative of the Covered Bondholders shall not be entitled to require, nor shall any Covered Bondholders be entitled to claim, from the Issuer, the Guarantor, the Representative of the Covered Bondholders or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Covered Bondholders;

(q) shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than 75 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series then outstanding;

(r) shall, as regards 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 Covered Bondholders and the other creditors of the Guarantor but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between their interests the Representative of the Covered Bondholders will have regard solely to the interest of the Covered Bondholders;

(s) may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured and/or pre-funded to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all Liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Covered Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured provided that the Representative of the Bondholders shall be indemnified and/or secured to its satisfaction beforehand if it so requests in conjunction with the exercise of any right, power authority or discretion hereunder; and

(t) shall not be liable or responsible for any Liabilities directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Covered Bondholders or any other Secured Creditors or any other person which may result from anything done or omitted to be done by it in accordance with the provisions of these Rules or the Transaction Documents except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Covered Bondholders.

28.3 **Security**

The Representative of the Covered Bondholders shall be entitled to exercise all the rights granted by the Guarantor in favour of the Representative of the Covered Bondholders on behalf of the Covered Bondholders and the other Secured Creditors under the security for the discharge of the Secured Amount, created by the Guarantor on or around the Initial Issue, pursuant the Italian Deed of Pledge and the Deed of Charge (the "**Security**").

The Representative of the Covered Bondholders, acting on behalf of the Covered Bondholders and the other Secured Creditors, may:

(a) prior to enforcement of the Security, appoint and entrust the Guarantor to collect, in the Covered Bondholders and the other Secured Creditors' interest and on their behalf, any amounts deriving from the Security and may instruct, jointly with the Guarantor, the obligors whose obligations form part of the Security to make any payments to be made thereunder to an Account of the Guarantor;

(b) acknowledge that the Accounts to which payments have been made in respect of the Security shall be deposit accounts for the purpose of Article 2803 of the Italian civil code and agree that such Accounts shall be operated in compliance with the provisions of the Cash Management and Agency Agreement and the Intercreditor Agreement; and

(c) agree that all funds credited to the Accounts from time to time shall be applied prior to enforcement of the Security, in accordance with the Conditions and the Intercreditor Agreement.

The Representative of the Covered Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the Security, under the Security, except in accordance with the foregoing, the Conditions and the Intercreditor Agreement.

28.4 Covered Bonds held by Issuer

The Representative of the Covered Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer.

28.5 Illegality

No provision of these Rules shall require the Representative of the Covered Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Covered Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or liabilities which it may incur as a consequence of such action. The Representative of the Covered Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

29 Reliance on Information

29.1 Advice

The Representative of the Covered Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, tax adviser, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Covered Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Covered Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic.

29.2 Certificates of Issuer and/or Guarantor

The Representative of the Covered Bondholders may require, and shall be at liberty to accept as sufficient evidence:

(a) as to any fact or matter prima facie within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor; and

(b) that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Covered Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

29.3 **Resolution or direction of Covered Bondholders**

The Representative of the Covered Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Covered Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Covered Bondholders.

29.4 **Certificates of Monte Titoli Account Holders**

The Representative of the Covered Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

29.5 **Clearing Systems**

The Representative of the Covered Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Covered 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.

29.6 **Rating Agencies**

The Representative of the Covered Bondholders shall be entitled to assume, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the Covered Bondholders of any Series or of all Series for the time being outstanding if the Rating Agencies have confirmed 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, or have otherwise given their consent.

If the Representative of the Covered Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agencies as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Covered Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Covered Bondholders or the Representative of the Covered Bondholders may seek and obtain such views itself at the cost of the Issuer.

29.7 **Certificates of Parties to Transaction Document**

The Representative of the Covered Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Transaction Document:

(a) in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;

(b) as any matter or fact prima facie within the knowledge of such party; or

(c) as to such party's opinion with respect to any issue,

and the Representative of the Covered Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any Liabilities incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

29.8 **Auditors**

The Representative of the Covered Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

30 Amendments and Modifications

30.1 The Representative of the Covered Bondholders may at any time and without the consent or sanction of the Covered Bondholders concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Covered Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

(a) to these Rules, the Conditions and/or the other Transaction Documents which in the opinion of the Representative of the Covered Bondholders (which may be based on the advice of, or information obtained from, any lawyer, accountant, banker, tax adviser, or other expert or confirmation of rating) may be expedient to make *provided that* the Representative of the Covered Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series; and

(b) to these Rules, the Conditions or the other Transaction Documents which is of a formal, minor administrative or technical nature or, which in the opinion of the Representative of the Covered Bondholders (which may be based on the advice of, or information obtained from, any lawyer, accountant, banker, tax adviser, or other expert or confirmation of rating) is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or to comply with mandatory provisions of law.

30.2 Any such modification may be made on such terms and subject to such condition (if any) as the Representative of the Covered Bondholders determines and shall be binding upon the Covered Bondholders and, unless the Representative of the Covered Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

30.3 The Representative of the Covered Bondholders shall be bound to concur with the Issuer and the Guarantor and any other party in making any of the above-mentioned modifications if it is so directed by an Extraordinary Resolution and only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

30.4 **Establishing an error**

In establishing whether an error has occurred as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to any of the following:

(a) a certificate from the Arranger:

(i) stating the intention of the parties to the relevant Transaction Document;

(ii) confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention; and

(iii) stating the modification to the relevant Transaction Documents that is required to reflect such intention.

(b) confirmation from Moody's 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 and a notice has been sent to DBRS.

31 Waiver

31.1 Waiver of Breach

The Representative of the Covered Bondholders may at any time and from time to time without any consent or sanction of the Covered Bondholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act, but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds then outstanding shall not be materially prejudiced thereby:

(a) authorise or waive, on such terms and subject to such conditions (if any) as it may decide, any proposed breach or breach of any of the covenants or provisions contained in the Covered Bond Guarantee or any of the obligations of or rights against the Guarantor under any other Transaction Documents; or

(b) determine that any Event of Default shall not be treated as such for the purposes of the Transaction Documents.

31.2 Binding Nature

Any authorisation, waiver or determination referred in Article 49 (*Waiver*) shall be binding on the Covered Bondholders.

31.3 Restriction on powers

The Representative of the Covered Bondholders shall not exercise any powers conferred upon it by this Article 49 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Covered Bonds then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Outstanding Principal Balance of the Covered Bonds (in the case of any such determination, with the Covered Bonds of all Series taken together as a single Series as aforesaid), and at all times then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing but so that no such direction or request:

(a) shall affect any authorisation, waiver or determination previously given or made; or

(b) authorise or waive any such proposed breach or breach relating to a Series Reserved Matter unless holders of Covered Bonds of each Series has, by Extraordinary Resolution, so authorised its exercise.

31.4 Notice of waiver

Unless the Representative of the Covered Bondholders agrees otherwise, the Issuer shall cause any such authorisation, waiver or determination to be notified to the Covered Bondholders and the Secured Creditors, as soon as practicable after it has been given or made in accordance with Condition 16 (*Notices*).

32 Indemnity

Pursuant to the Programme Agreement, the Issuer has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Covered Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands duly documented and properly incurred by or made against the Representative of the Covered Bondholders, including but not limited to legal expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Covered Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Covered Bondholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Transaction Documents except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Covered Bondholders.

33 Liability

Notwithstanding any other provision of these Rules, the Representative of the Covered Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

TITLE IV
THE ORGANISATION OF THE COVERED BONDHOLDERS AFTER SERVICE OF AN ACCELERATION NOTICE

34 Powers to Act on Behalf of the Guarantor

It is hereby acknowledged that, upon service of an Acceleration Notice or, prior to service of an Acceleration Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Intercreditor Agreement the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, shall be entitled (also in the interests of the Secured Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, will be authorised, pursuant to the terms of the Intercreditor Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's Rights under certain Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

TITLE V
GOVERNING LAW AND JURISDICTION

35 Governing Law

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

36 Jurisdiction

The Courts of Milan will have exclusive jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[The Covered Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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 ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (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.]

Final Terms dated [●]

Banco BPM S.p.A.
(a bank incorporated in Italy as a joint stock company (società per azioni) in the Republic of Italy)

Issue of [*Aggregate Nominal Amount of Tranche*] [*Description*] **Covered Bonds due** [*Maturity*]

unconditionally and irrevocably guaranteed as to payments of interest and principal by BP Covered Bond S.r.l.

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

under the Euro 10,000,000,000 Programme

PART A
CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated [__] August 2017 [and the supplement[s] to the base prospectus dated [___]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [including the supplement[s]] [is/are] available for viewing at the website of the Luxembourg Stock Exchange at *www.bourse.lu.* These Final Terms will be published on the website of the Luxembourg Stock Exchange at *www.bourse.lu* and will be available from the registered office of the Issuer and from the Specified Office of the Paying Agent.]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the prospectus dated 28 September 2015 which are incorporated by reference in the Prospectus dated [__] August 2017. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and must be read in conjunction with the Prospectus dated [___] August 2017 [and the supplement[s] to it dated [•] [and [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **"Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [including the supplement[s]] [is/are] available for viewing at the website of the Luxembourg Stock Exchange at *www.bourse.lu.* These Final Terms will be published on the website of the Luxembourg Stock Exchange at *www.bourse.lu* and will be available from the registered office of the Issuer and from the Specified Office of the Paying Agent.].

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

1	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	(iii) [Date on which the Covered Bonds will become fungible:]	[The Covered Bonds will be consolidated and form a single Series and be interchangeable for trading purposes with the Covered Bonds identified by ISIN CODE: No. [*insert ISIN Code*] on [the Issue Date] / [Not Applicable]
2	Specified Currency or Currencies:	[●]
3	Aggregate Nominal Amount:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
4	Issue Price:	[●] per cent. of the aggregate nominal amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
5	(i) Specified Denominations:	€ 100,000 [plus integral multiples of [●] in addition to the said sum of € 1,000] (*Include the wording in square brackets where the Specified Denomination is Euro 100,000 or equivalent plus multiples of a lower principal amount*)
	(ii) Calculation Amount:	[●]
6	Issue Date:	[●]
	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
7	Maturity Date:	[*Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year.*]
8	(a) Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Covered Bond Guarantee:	[*Not applicable/Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year*] (as referred to in Condition 7(b))

	(b) Extended Instalment Date of Guaranteed Amounts corresponding to Instalment Amount under the Covered Bond Guarantee:	[*Not applicable/Specify date*]
9	Interest Basis:	[[●] per cent. Fixed Rate] [[*Specify reference rate*] +/- [*Margin*] per cent. Floating Rate] [Zero Coupon] (as referred to in Condition 6) (further particulars specified in items [15] / [16] / [17] below)
10	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Covered Bonds (other than Zero Coupon Covered Bonds) will be redeemed on the Maturity Date at par (as referred to in Condition 7(a))] / [Subject to any purchase and cancellation or early redemption, Covered Bonds will be redeemed in the Instalment Amounts and on the Covered Bond Instalment Dates set out in paragraph 27 below (as referred to in Condtition 7(c))]
11	Change of Interest Basis:	[●] / [Not Applicable] *(Change of interest rate may be applicable in case an Extended Maturity Date is specified as applicable, as provided for in Condition 7(b))*
12	Put/Call Options:	[Not Applicable] [Put Option (as referred to in Condition 7(h))] [Call Option (as referred to in Condition 7(f))] [(further particulars specified in items [18] / [19] below)]
13	[Date of [Board] approval for issuance of Covered Bonds [and of receipt of Covered Bond Guarantee]:	[●] [and [●], respectively (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Covered Bond Guarantee*)]
14	Method of distribution:	[Syndicated/Non-syndicated]

Provisions Relating to Interest (if any) Payable

15	Fixed Rate Provisions	[Applicable/Not Applicable] (as referred to in Condition 4) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate(s) of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear on each CB Payment Date]
	(ii) CB Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]

	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the CB Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/365/ Actual/Actual (ISDA)/ Actual/365 (Fixed)/ Actual/360/ 30/360 (Fixed rate)/ Actual/365 (Sterling)/ 30E/360/ Eurobond Basis/ 30E/360 (ISDA)]
16	Floating Rate Provisions	[Applicable/Not Applicable] (as referred to in Condition 5) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) CB Interest Period(s):	[●]
	(ii) Specified Period:	[●] (*Specified Period and CB Payment Dates are alternatives. A Specified Period, rather than CB Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
	(iii) CB Payment Dates:	[●] (Specified Period and CB Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")
	(iv) First CB Payment Date:	[●]
	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(vi) Additional Business Centre(s):	[Not Applicable/ *Insert relevant place for Additional Business Centre*]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination / ISDA Determination]
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)]
	(ix) Screen Rate Determination:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

	• Reference Rate:	[*For example, LIBOR or EURIBOR*]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[For example, Reuters LIBOR 01/EURIBOR 01]
	• Relevant Time:	[For example, 11.00 a.m. London time/Brussels time]
	• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the Euro*]
	(x) ISDA Determination:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	(xi) Margin(s):	[+/-][●] per cent. per annum
	(xii) Minimum Rate of Interest:	[●] per cent. per annum
	(xiii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiv) Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/365/ Actual/Actual (ISDA)/ Actual/360/ Actual/365 (Sterling)/ 30/360 (Floating Rate)/ 30E/360/ Eurobond Basis/ 30E/360 (ISDA)]
17	Zero Coupon Provisions	[Applicable/Not Applicable] (as referred to in Condition (6)) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Accrual Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]
Provisions Relating to Redemption		
18	Call Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of Covered Bonds and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	

	Minimum Redemption Amount:	[●] per Calculation Amount
	Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●]
19	Put Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Covered Bonds and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
20	Final Redemption Amount	[●] per Calculation Amount *(The Final Redemption Amount in respect of any Series of Covered Bonds other than Zero Coupon Covered Bonds shall be equal to the nominal amount of the relevant Covered Bonds)*
21	Early Redemption Amount	[Not Applicable/ [●] per Calculation Amount[●] per Calculation 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:	(*If both the Early Redemption Amount and the Early Termination Amount are the principal amount of the Covered Bonds/specify the Early Redemption Amount and/or the Early Termination Amount if different from the principal amount of the Covered Bonds*)]

General Provisions Applicable To The Covered Bonds

22	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*Insert place for Additional Financial Centre*] [*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii) and 16 (vi) relate*]
23	Details relating to Covered Bonds for which principal is repayable in instalments: amount of each instalment, date on which each payment is to be made:	[Not Applicable/ The Covered Bonds shall be redeemed on each date set out below (each a "**Covered Bond Instalment Date**") in the amounts set out below (each an "**Instalment Amount**").]

Covered Bond Instalment	**Instalment Date Amount**
[*insert date*]	[*insert amount*]
[*insert date*]	[*insert amount*]
[Maturity Date]	[All outstanding Instalment Amounts not previously

redeemed]

Third party information

[(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of
BANCO BPM S.p.A.

By: .....
Duly authorised

Signed on behalf of
BP COVERED BOND S.r.l.

By: .....
Duly authorised

PART B
OTHER INFORMATION

1 Listing And Admission To Trading

(i)	Listing	[Official List of the Luxembourg Stock Exchange / (*specify other*) / None]
(ii)	Admission to trading	[Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/*specify other regulated market*] with effect from [●].] [Not Applicable.] [The [●] were admitted to trading on [the regulated market of the Luxembourg Stock Exchange/ [•] *(specify other regulated market)*] with effect from [•]] *(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*
(iii)	Estimate of total expenses related to admission to trading	[●]

2 Ratings

Ratings:	The Covered Bonds to be issued have been rated: [Moody's: [●]] [DBRS: [●]] [[Other]: [●]] (*The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*) [The credit ratings included or referred to in these Final Terms [have been issued by [DBRS,] [Moody's], or [_____]], [each of] which is established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies as amended from time to time (the "**CRA Regulation**") as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the ESMA's website (for more information please visit the ESMA webpage http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).] / [have not been issued or endorsed

by any credit rating agency which is established in the European Union and registered under the CRA Regulation].

(*Include the relevant wording as applicable depending on the relevant rating agency assigning a rating to the Covered Bonds issued*)

3 Interests of Natural and Legal Persons Involved in the Issue/Offer

[Save for any fees payable to the Dealer(s),] so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer.

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

4 Fixed Rate Covered Bonds only – Yield

Indication of yield:	[●] / [Not Applicable]

5 Floating Rate Covered Bonds only – Historic Interest Rates

[Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters / [_____]].] / [Not Applicable]

6 Distribution

(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
(ii) Stabilising Manager(s) (if any)	[Not Applicable/*give name*]
If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
Date of Subscription Agreement or of other contractual arrangement to subscribe the Covered Bonds:	[●]
U.S. Selling Restrictions:	[Regulation S, Category 2]

7 Operational Information

ISIN:	[●]
Common Code:	[●]
Any Relevant Clearing System(s) other than Monte Titoli S.p.A. Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*[_____]*]

Address of any Relevant Clearing System(s) other than Monte Titoli S.p.A., Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme	[Not Applicable / [_____].]
Delivery:	Delivery [against/free of] payment
Names and Specified Offices of additional Paying Agent(s) (if any):	[●]
Calculation Agent(s), Listing Agent(s) or Representative of the Covered Bondholders (if any):	[●]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes/No] [Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be held in a form which would allow Eurosystem eligibility (i.e. issued in dematerialised form (*emesse in forma dematerializzata*) and wholly and exclusively deposited with Monte Titoli in accordance with 83-*bis* of Italian legislative decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in article 83-*quater* of such legislative decree) and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and 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.]

KEY FEATURES OF REGISTERED COVERED BONDS (*NAMENSSCHULD VERSCHREIBUNGEN*)

The Issuer may issue, under the Programme, German law governed covered bonds in registered form (*Namensschuld verschreibungen*) (the "**Registered Covered Bonds**"), each issued with a minimum denomination indicated in the applicable terms and conditions of the relevant Registered Covered Bonds (the "**Registered CB Conditions**").

The Registered Covered Bonds shall be governed by a set of legal documentation in the form from time to time agreed with the relevant Dealer and will not be governed by the Conditions set out in this Base Prospectus. Such legal documentation will comprise the relevant Registered CB Conditions, the form of assignment agreement, attached to the Registered CB Conditions, to be used for any subsequent transfer of the Registered Covered Bonds (the "**Assignment Agreement**"), the related Registered Covered Bonds rules of organisation agreement, in the form from time to time agreed with the relevant Dealer, pursuant to which the holders of the Registered Covered Bonds will (a) agree to be bound by the terms of the Transaction Documents and (b) undertake to comply with the obligations, limitations and other covenants as to the exercise of certain rights in accordance with the principles set out in the Rules of the Organisation of the Covered Bondholders (the "**Registered CB Rules Agreement**") and the letter of appointment of (i) any additional paying agent in respect of the Registered Covered Bonds (the "**Registered Paying Agent**") and (ii) the registrar in respect of the Registered Covered Bonds (the "**Registrar**"). Notwithstanding the foregoing, the Issuer will be entitled to enter into a different or additional set of documentation as agreed with the relevant Dealer in relation to a specific issue of Registered Covered Bonds.

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

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

In accordance with the legal framework established by Law 130 and the MEF Decree and with the terms and conditions of the relevant Registered CB Rules Agreement and the Transaction Documents, the holders of Registered Covered Bonds shall have recourse to the Issuer and to the Guarantor, provided, however, that recourse to the Guarantor shall be limited to the Available Funds and the assets comprised in the Cover Pool, subject to, and in accordance with, the relevant Priority of Payments.

The payment obligations under all the Registered Covered Bonds and the Covered Bonds issued from time to time shall be cross-collateralised by all the assets included in the Cover Pool, through the Covered Bond Guarantee.

The Registered Covered Bonds will not be listed and/or admitted to trading on any market and will not be settled through a clearing system. Registered Covered Bonds will be issued in registered form (*nominativi*) as *Namensschuld verschreibungen* and will not be dematerialised.

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

In connection with the Registered Covered Bonds, references in this Base Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the relevant Registered CB Conditions, the Registered CB Rules Agreement relating thereto or any other document expressed to govern such Registered Covered Bonds and, as applicable, each other reference to Final Terms in the Base Prospectus shall be construed and read as a reference to such Registered CB Conditions, the Registered CB Rules Agreement thereto or any other document expressed to govern such Registered Covered Bonds.

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

TAXATION IN THE REPUBLIC OF ITALY

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. This overview will not be updated by the Issuer after the Issue Date to reflect changes in laws after the Issue Date and, if such a change occurs, the information in this overview could become invalid.

Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Legislative Decree No. 239 of 1 April 1996 ("**Decree 239**"), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, inter alia, by Italian banks, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*). For this purpose, debentures similar to bonds are securities issued in series (*titoli di massa*) that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value, and do not grant to the relevant holders any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued or to control the same management.

Bonds and debentures similar to bonds

Italian resident Covered Bondholders

Pursuant to Decree 239, where an Italian resident Covered Bondholder is (a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless he has opted for the application of the *risparmio gestito regime* – see under "Capital gains tax" below – where applicable), (b) a partnership (other than *società in nome collettivo*, *società in accomandita semplice* or a similar partnership), *de facto* partnerships not carrying out commercial activities and professional associations; (c) a public and private entity (other than a company) and trust not carrying out commercial activities; or (d) an investor exempt from Italian corporate income taxation interest (including the difference between the redemption amount and the issue price), premium and other income relating to the Covered Bonds accrued during the relevant holding period, are subject to an *imposta sostitutiva*, levied at the rate of 26 per cent. If the Covered Bondholders described under (a) or (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the imposta sostitutiva, on interest, premium and other income relating to the Covered Bonds if the Covered Bonds are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 of the Italian Finance Act. To date, lacking official clarifications on how to apply these rules, it is uncertain if the Covered Bonds may benefit from this specific regime.

Where an Italian resident Covered Bondholder is an Italian company or similar commercial entity or a permanent establishment in Italy, to which the Covered Bonds are effectively connected, of a non-Italian

resident entity and the Covered Bonds are deposited with an authorised intermediary, interest (including the difference between the redemption amount and the issue price), premium and other income from the Covered Bonds will not be subject to *imposta sostitutiva*, but would be treated as part of the taxable income ("**IRES**") (and in certain circumstances, depending on the "status" of the Covered Bondholder, also as part of the net value of production for the regional tax on productive activities ("**IRAP**") purposes) subject to taxation according to the ordinary rules and at the ordinary rates. Where the Covered Bondholder is an Italian S.I.I.Q. (*società di investimento immobiliare quotata*), the ordinary tax regime of Italian companies will apply to any interest (including the difference between the redemption amount and the issue price), premium or other income from the Covered Bonds; thus, if the Covered Bonds are deposited with an authorised intermediary, interest (including the difference between the redemption amount and the issue price), premium and other income from the Covered Bonds will not be subject to *imposta sostitutiva* and will be included in the IRES taxable income of the Covered Bondholder subject to ordinary Italian corporate taxation.

Where the Italian resident Covered Bondholder is an Italian real estate investment fund ("**Italian Real Estate Fund**") or an Italian real estate SICAF ("**Real Estate SICAF**") and the Covered Bonds are deposited with an authorised intermediary, payments of interest (including the difference between the redemption amount and the issue price), premiums or other proceeds in respect of the Covered Bonds are subject neither to substitute tax nor to any other income tax in the hands of the real estate investment fund. A withholding tax may apply in certain circumstances at the rate of up to 26 per cent on distributions made by Italian Real Estate Funds or Real Estate SICAFs and, in certain cases, a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Fund or Real Estate SICAFs owning more than 5 per cent of the relevant units or shares.

Where a Covered Bondholder is an Italian open-ended or a closed-ended investment fund or a SICAV (*società d'investimento a capitale variabile*) or a SICAF (*società di investimento a capitale fisso*) that does not invest in real estate established in Italy and either (i) the fund or SICAV or SICAF or (ii) their manager is subject to the supervision of a regulatory authority (the "**Fund**") and the relevant Covered Bonds are held by an authorised intermediary, interest (including the difference between the redemption amount and the issue price), premium and other income relating to the Covered Bonds are subject neither to substitute tax nor to any other income tax in the hands of the Fund. A withholding tax may apply in certain circumstances at the rate of up to 26 percent on distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where an Italian resident Covered Bondholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005, "**Decree 252**", as subsequently amended), and the Covered Bonds are deposited with an authorised intermediary, interest (including the difference between the redemption amount and the issue price), premium and other income relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent substitute tax.

Pursuant to Decree 239, the *imposta sostitutiva* is applied by banks, società di intermediazione mobiliare ("**SIMs**"), fiduciary companies, società di gestione del risparmio ("**SGRs**"), stockbrokers and other entities identified by a Decree of the Ministry of Economy and Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary; and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or a transfer of the Covered Bonds to another deposit or account held with the same or another Intermediary.

Where the Covered Bonds are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying interest to a Covered Bondholder (or by the Issuer, should the interest be paid directly by the latter) as a provisional tax and may be deducted from the income tax due.

Non-Italian resident Covered Bondholders

Where the Covered Bondholder is a non-Italian resident, without permanent establishment in Italy to which the Covered Bonds are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner of the Covered Bondholder is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as also listed in the Italian Ministerial Decree of 4 September 1996 (the "**White List**") as amended and supplemented from time to time (pursuant to Article 11 (4) (c) of Decree 239, the list will be updated every six months); (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; (c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; (d) an institutional investor which is incorporated in a country included in the White List , even if it is not subject to income tax therein.

In order to ensure gross payment, non-Italian resident Covered Bondholders must be the beneficial owners of payments of interest, premium or other income and (a) deposit, directly or indirectly, the Covered Bonds, together with the receipts or the coupons with a resident bank or a SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depositary, prior to or concurrently with the deposit of the Covered Bonds, a statement of the relevant Covered Bondholder, which remains valid until revoked or withdrawn, in which the Covered Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is requested neither for the international bodies or entities set up in accordance with international agreements which have entered into force in Italy, nor in the case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree dated 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent., or – subject to proper compliance with relevant subjective and procedural requirements – at the reduced rate provided for by the applicable double tax treaty, if any, to interest, premium and other income paid to Covered Bondholders which are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy or for which the above-mentioned provisions are not met.

Atypical Securities

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), shares or securities similar to shares pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, levied at the rate of 26 per cent..

Where the Covered Bondholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity to which the Covered Bonds are effectively connected, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution and trust, such withholding tax applies as a provisional withholding tax. In all other cases the withholding tax is levied as a final withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income

taxation, including the withholding tax on interest, premium and other income relating to the Covered Bonds that are classified as atypical securities, if the Covered Bonds are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of the Italian Finance Act. To date, lacking official clarifications on how to apply these rules, it is uncertain if the Covered Bonds may benefit from this specific regime.

Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian resident Covered Bondholders, subject to proper compliance with relevant subjective and procedural requirements.

Payments made by an Italian resident guarantor

In accordance with one interpretation of Italian tax law, any payment of liabilities corresponding to interest and other proceeds from the Covered Bonds made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

Capital gains tax

Italian resident Covered Bondholders

Any gain obtained from the sale or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also as part of the net value of production for IRAP purposes) if realised by (a) Italian resident companies; (b) Italian resident commercial partnerships; (c) permanent establishments in Italy of non-Italian resident entities, to which the Covered Bonds are effectively connected; or (d) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

Where an Italian resident Covered Bondholder is an individual holding the Covered Bonds not in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Covered Bondholder from the sale or redemption of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent., pursuant to Legislative Decree No. 461 of 21 November 1997 ("**Decree 461**").

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity may be exempt from Italian capital gain taxes, including the imposta sostitutiva, on capital gains realised upon sale or redemption of the Covered Bonds if the Covered Bonds are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of the Italian Finance Act. To date, lacking official clarifications on how to apply these rules, it is uncertain if the Covered Bonds may benefit from this specific regime.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Covered Bondholder holding the Covered Bonds not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Covered Bonds carried out during any given tax year. Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Pursuant to Law Decree No. 66 of 24 April 2014, as

converted into law with amendments by Law No. 89 of 23 June 2014 ("**Decree 66**"), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Covered Bondholders holding the Covered Bonds not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Covered Bonds (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Covered Bondholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Covered Bonds, net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Covered Bondholder or using funds provided by the Covered Bondholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Covered Bonds results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Covered Bondholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by Italian resident individuals holding the Covered Bonds not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Covered Bonds, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Covered Bondholder is not required to declare the capital gains realised in its annual tax return. Pursuant to Decree 66, investment portfolio losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by a Covered Bondholder which is an Italian Real Estate Fund or a Real Estate SICAF concurs to the year-end appreciation of the managed assets, which is exempt from any income tax according to the tax treatment described above. A withholding tax may apply in certain circumstances at the rate of 26 per cent on distributions made by Italian Real Estate Funds or Real Estate SICAFs and, in certain cases, a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Fund or Real Estate SICAFs owning more than 5 per cent of the relevant units or shares.

Capital gains realised by a Covered Bondholder which is a Fund will not be subject neither to substitute tax nor to any other income tax in the hands of the Fund. The Collective Investment Fund Tax may apply in certain circumstances on distributions made in favour of unitholders or shareholders.

Any capital gains on Covered Bonds held by a Covered Bondholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Decree 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent substitute tax.

Non-Italian resident Covered Bondholders

The 26 per cent. final *imposta sostitutiva* on capital gains may be payable on capital gains realised upon sale for consideration or redemption of the Covered Bonds by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Covered Bonds are effectively connected, if the Covered Bonds are held in Italy.

However, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale for consideration or redemption of the Covered Bonds are exempt from taxation in Italy if the Covered Bonds are traded on a regulated market in Italy or abroad and, in certain cases, subject to timely filing of required documentation (in particular, a self-declaration not to be resident in Italy for tax purposes), even if the Covered Bonds are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

In case the Covered Bonds are not traded on a regulated market in Italy or abroad, pursuant to the provisions of Article 5 of Decree 461, non-Italian resident beneficial owners of the Covered Bonds without a permanent establishment in Italy to which the Covered Bonds are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gains realised, upon sale for consideration or redemption of the Covered Bonds, if they are resident, for tax purposes, in a country included in the White List (or the New White List, once effective).

In such case, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected hold the Covered Bonds with an Italian authorised financial intermediary, in order to benefit from an exemption from Italian taxation on capital gains, such non-Italian residents may be required to timely file with the authorised financial intermediary an appropriate self-declaration stating they are resident for tax purposes in a country included in the White List.

Subject to timely filing of the required documentation, exemption from Italian *imposta sostitutiva* on capital gains realised upon disposal of Covered Bonds not traded on a regulated market also applies to non-Italian residents who are (a) international bodies and organisations established in accordance with international agreements ratified in Italy; (b) certain foreign institutional investors established in a country included in the White List, even if not subject to income tax therein; and (c) Central Banks or other entities, managing also official State reserves.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Covered Bonds are effectively connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Covered Bonds are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the Covered Bonds.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected hold the Covered Bonds with an Italian authorised financial intermediary, in order to benefit from exemption from Italian taxation on capital gains, such non-Italian residents may be required to timely file, with the authorised financial intermediary, appropriate documents which include, inter alia, a certificate of residence issued by the competent tax authorities of the country of residence of the non-Italian residents.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Covered Bonds deposited for safekeeping or administration at Italian banks, SIMs and other eligible entities, but non-resident Covered Bondholders retain the right to waive this regime. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and deposit accounts held in their names in which third parties' financial assets are held.

Inheritance and gift taxes

Under Law Decree No. 262 of 3 October 2006 (converted with amendments into Law No. 286 of 24 November 2006), as subsequently amended, transfers of any valuable asset (including shares, bonds or other securities) as a result of death or gift or gratuities are taxed as follows:

(a) transfers in favour of spouses, direct ascendants or descendants are subject to an inheritance and gift tax applied at a rate of 4 per cent on the entire value of the inheritance or the gift exceeding € l,000,000.00 for each beneficiary;

(b) transfers in favour of relatives within the fourth degree, ascendants or descendants relatives in law or other relatives in law within the third degree are subject to an inheritance and gift tax at a rate of 6 per cent on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent inheritance and gift tax on the entire value of the inheritance or the gift exceeding € 100,000.00 for each beneficiary; and

(c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent on the entire value of the inheritance or the gift.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised pursuant to Law No. 104 of 5 February 1992, the tax is applied only on the value of the assets received in excess of € 1,500,000.00 at the rates illustrated above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

Moreover, an anti-avoidance rule is provided for in case of gift of assets, such as the Covered Bonds, whose sale for consideration would give rise to capital gains to be subject to the *imposta sostitutiva* provided for by Decree 461, as subsequently amended. In particular, if the donee sells the Covered Bonds for consideration within five years from their receipt as a gift, the donee is required to pay the relevant *imposta sostitutiva* as if the gift had never taken place.

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of € 200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty

According to Article 19(1) of Decree 6 December 2011, No. 201 ("**Decree No. 201**"), a proportional stamp duty applies on a yearly basis to any periodic reporting communications which may be sent by a financial intermediary to a Covered Bondholder in respect of any Covered Bonds which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed € 14,000 for taxpayers other than individuals; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Covered Bonds held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy from time to time) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201, Italian resident individuals holding financial assets – including the Covered Bonds – outside of the Italian territory are required to pay a wealth tax at the rate of 0.20 per cent.

The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial assets held outside of the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Tax monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships resident in Italy which, in the course of the tax year, have held investments abroad or financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions 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). Such obligation is not provided for, *inter alia*, foreign investments or financial activities in case (a) such investments/activities are held in portfolio regimes with Italian resident intermediaries and (b) incomes deriving from such investments/activities are subject in Italy to a withholding/substitutive tax; or (b) are only composed by deposits and/or bank accounts having an aggregate value not exceeding an €15,000 threshold throughout the year

EU Directive on Administrative Cooperation in the field of Taxation

On July 9, 2015, the Italian Parliament adopted Law No. 114 delegating the Italian Government to implement in Italy certain EU Council Directives, including Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). Such Directive is aimed at broadening the scope of the operational mechanism of intra-EU automatic exchange of information in order to fight cross-border tax fraud and evasion.

Following implementation of said Directive, the Italian Authorities may communicate to other EU Member States information about interest and other categories of financial income of Italian source, including income from the Covered Bonds.

The Italian government implemented the above-mentioned Council Directive 2014/107/EU in the Ministerial Decree issued by the Ministry of Finance on 28 December 2015, as amended by the Ministerial Decree on 17 January 2017.

In 2016 the Italian Parliament has also delegated the Italian Government to implement the provisions introduced by the Council Directive 2376/2015/EU on the mandatory automatic exchange of information in the field of taxation. The Council Directive 2376/2015/EU has been implemented by the Legislative Decree No. 32 of 15 March 2017.

FATCA withholding tax

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" 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 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. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether payments on the Covered Bonds would ever be treated as foreign passthru payments subject to withholding, 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 the Covered Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the 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.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Estonia, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Covered Bonds (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

LUXEMBOURG TAXATION

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Taxation of the Covered Bondholders

Withholding Tax

Non-resident Covered Bondholders

Under Luxembourg general tax laws currently in force there is no withholding tax on payments of principal, premium or interest made to non-residents Covered Bondholders, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by non-resident Covered Bondholders.

In accordance with the law of 25 November 2014, Luxembourg elected out of the withholding tax system in favour of an automatic exchange of information under the Council Directive 2003/48/EC on the taxation of savings income as from 1 January 2015. Payments of interest by Luxembourg paying agents to non-resident individual Covered Bondholders are thus no longer subject to any Luxembourg withholding tax.

Resident Covered Bondholders

In accordance with the law of 23 December 2005, as amended (the "**Relibi Law**"), interest payments made by Luxembourg paying agents to Luxembourg individual residents are subject to a 20 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

Income Taxation

Non-resident Covered Bondholders

Non-resident corporate Covered Bondholders or non-resident individual Covered Bondholders acting in the course of the management of a professional or business undertaking, who does not have a permanent establishment or permanent representative in Luxembourg to which such Covered Bonds are attributable, are not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Covered Bonds or on any gains realised upon the sale or disposal, in any form whatsoever, of the Covered Bonds.

Resident Covered Bondholders

A resident corporate Covered Bondholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Covered Bonds, in its taxable income for Luxembourg income tax assessment purposes. The same inclusion applies to an individual Covered Bondholder, acting in the course of the management of a professional or business undertaking.

A Covered Bondholder that is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 23 July 2016 on reserved alternative funds, is neither subject to Luxembourg income tax in respect of interest accrued or received, redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Covered Bonds.

A resident individual Covered Bondholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the Covered Bonds, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual Covered Bondholder has opted for the application of a 20 per cent. (self-applied) tax in full discharge of income tax in accordance with the Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State). A gain realised by an individual Covered Bondholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of the Covered Bonds is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Covered Bonds were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if withholding tax has been levied on such interest in accordance with the Law.

Net Wealth Taxation

A corporate Covered Bondholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which such Covered Bonds are attributable, is subject to Luxembourg wealth tax on these Covered Bonds, except if the Covered Bondholder is governed by (i) the law of 11 May 2007 on family estate management companies, as amended, (ii) the law of 17 December 2010 on undertakings for collective investment, as amended , (iii) the law of 13 February 2007 on specialised investment funds, as amended, (iv) the law of 22 March 2004 on securitisation, as amended, (v) the law of 15 June 2004 on venture capital vehicles, as amended, or (vi) the law of 23 July 2016 on reserved alternative investment funds.

An individual Covered Bondholder, whether she/he is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Covered Bonds.

Other Taxes

Neither the issuance nor the transfer of Covered Bonds will give rise to any Luxembourg stamp duty, value added tax, issuance tax, registration tax, transfer tax or similar taxes or duties, unless the documents relating to the Covered Bonds are voluntarily registered in Luxembourg or appended to a document that requires obligatory registration in Luxembourg.

Where a Covered Bondholder is a resident of Luxembourg for tax purposes at the time of her/his death, the Covered Bonds are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Covered Bonds if embodied in a Luxembourg deed or recorded in Luxembourg.

SUBSCRIPTION AND SALE

Programme Agreement

Covered Bonds may be sold from time to time by the Issuer to any one or more dealers (together, the "**Dealers**"). The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in a programme agreement, entered into on or about the date of this Base Prospectus, and made between the Issuer, the Guarantor, the Representative of the Covered Bondholders the Arranger and the Dealers (the "**Programme Agreement**"). The Programme Agreement makes provision for, *inter alia*, an indemnity to the Dealers against certain liabilities in connection with the offer and sale of the Covered Bonds. The Programme Agreement also makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Series or Tranche. The Programme Agreement contains stabilising and market making provisions.

Subscription Agreement

Any agreement between the Issuer, the Arranger, the Representative of the Covered Bondholders and any one or more of the Dealers and/or any additional or other dealers, from time to time for the sale and purchase of Covered Bonds (a "**Subscription Agreement**" and each Dealer party thereto, a "**Relevant Dealer**") will, *inter alia*, make provision for the price at which the relevant Covered Bonds will be purchased by the Relevant Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

Each Subscription Agreement will also provide for the confirmation of the appointment of the Representative of the Covered Bondholders by the Relevant Dealer as initial holder of the Covered Bonds then being issued.

Selling Restrictions

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

(a) at any time to a legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member.

United States of America

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Security Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Covered Bonds, (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of the Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part, within the United States of America or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States of America or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds, any offer or sale of such Covered Bonds within the United States of America by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The United Kingdom

Each Dealer represents and agrees and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) 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 as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) 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 or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

France

Each of the Dealers and the Issuer has represented and agreed that:

(i) *Offer to the public in France:*

It has only made and will only make an offer of Covered Bonds to the public (*appel public a I'epargne*) in France in the period beginning (i) when a prospectus in relation to those Covered Bonds has been approved by the Autorite des marches financiers ("**AMF**"), on the date of such publication or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the Base Prospectus, all in accordance with Articles L.412-1 and L.621-8 of the French Code *monétaire et financier and the Règlement general* of the AMF;

or

(ii) *Private placement in France*:

It has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifies*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, and D.411-1 to D.411-3 of the French Code *monétaire et financier*.

Germany

Each Dealer has represented and agreed that it shall only offer Covered Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), or any other laws applicable in the Federal Republic of Germany.

Republic of Italy

The offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Law**"); and

(ii) in compliance with Article 129 of the Banking Law, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Covered Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply to the best of its knowledge and belief with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor (with specific reference to the jurisdictions of the United States of America, United Kingdom, Japan and the Republic of Italy, see above).

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in this paragraph headed "General".

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Series or Tranche) or (in any other case) in a supplement to this Base Prospectus.

GENERAL INFORMATION

Listing, Admission to Trading and Minimum Denomination

Application has been made for the Covered Bonds (other than Registered Covered Bonds) to be admitted during the period of 12 months from the date of this Base Prospectus to the Official List and be traded on the regulated market of the Luxembourg Stock Exchange.

Covered Bonds (other than Registered Covered Bonds) may be listed on such other stock exchange as the Issuer and the Relevant Dealer(s) may agree, as specified in the relevant Final Terms, or may be issued on an unlisted basis.

Where Covered Bonds (other than Registered Covered Bonds) issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds will not have a denomination of less than Euro 100,000 (or, where the Covered Bonds are issued in a currency other than Euro, the equivalent amount in such other currency).

The Registered CB Conditions will specify the minimum denomination for the Registered Covered Bonds. No Registered Covered Bond will be listed and/or admitted to trading on any market.

Authorisations

The establishment of the Programme was authorised by the resolutions of the Board of Directors of the Issuer (as successor to Banco Popolare Società Cooperativa) on 1 December 2009 and 12 January 2010. The increase of the Programme Limit of the Programme to € 10,000,000,000 was authorised by the resolutions of the Board of Directors of the Issuer (as successor to Banco Popolare Società Cooperativa) on 22 February 2011. The publication of this Base Prospectus was authorised by the resolution of the Board of Directors of the Issuer of 30 January 2017.

The granting of the Covered Bond Guarantee was authorised by a resolution of the Board of Directors of the Guarantor on 20 January 2010.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

Clearing of the Covered Bonds

The Covered Bonds (other than the Registered Covered Bonds) will be issued in bearer form and dematerialised form and held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders (including Euroclear and Clearstream). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

The Registered Covered Bonds will not be settled through a clearing system. The Registered CB Conditions will specify the agent or registrar through which payments under the Registered Covered Bonds will be made and settled.

Common codes and ISIN numbers

The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Series or Tranche (other than the Registered Covered Bonds) will be specified in the Final Terms relating thereto.

The Representative of the Covered Bondholders

Pursuant to the provisions of the Conditions and the Rules of Organisation of the Covered Bondholders, there shall be at all times a Representative of the Covered Bondholders appointed to act in the interest and on behalf of the Covered Bondholders. The initial Representative of Covered Bondholders shall be BNP Paribas Securities Services, Milan Branch.

No material litigation

During the 12 months preceding the date of this Base Prospectus, there have been no governmental, legal or arbitration proceedings, nor is the Issuer (save as described under section headed "*Description of the Issuer – Legal Proceedings of the Banco BPM Group*") or the Guarantor aware of any pending or threatened proceedings of such kind, which have had or may have significant effect on the Issuer's or the Guarantor's financial position or profitability.

No material adverse change

Save as described under "*Description of the Issuer – Recent Developments*", there has been no material adverse change in the prospects of the Issuer and its Group since its incorporation on 1 January 2017.

There has been no material adverse change in the prospects of the Guarantor since 31 December 2016 (the last date to which the latest audited published financial information of the Guarantor was prepared).

No significant change in the Issuer's and Guarantor's financial or trading position

Save as described under "*Description of the Issuer – Recent Developments*", there has been no significant change in the financial position of the Issuer and its Group since 30 June 2017.

There has been no significant change in the financial position of the Guarantor since 31 December 2016 (the end of the last financial period for which either audited financial information or interim financial information has been published).

Luxembourg Listing Agent

The Issuer has undertaken to maintain a listing agent in Luxembourg so long as Covered Bonds are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

Documents available for inspection

For so long as the Programme remains in effect or any Covered Bonds shall be outstanding and listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the Specified Office of the Luxembourg Listing Agent, namely:

(a) the Programme Agreement;

(b) the Subscription Agreements;

(c) the Cover Pool Administration Agreement;

(d) the Conditions;

(e) the Covered Bond Guarantee;

(f) the Master Transfer Agreement;

(g) the Warranty and Indemnity Agreement;

(h) the Subordinated Loan Agreement;

(i) the Servicing Agreement;

(j) the Asset Monitor Agreement;

(k) the Intercreditor Agreement;

(l) the Cash Management and Agency Agreement;

(m) the Corporate Services Agreement;

(n) the Administrative Services Agreement;

(o) the Quotaholders' Agreement;

(p) the Swap Agreements;

(q) the Deed of Charge;

(r) the Italian Deed of Pledge;

(s) the Mandate Agreement;

(t) the Issuer's by-laws (*Statuto*) as of the date hereof;

(u) the Guarantor's by-laws (*Statuto*) as of the date hereof;

(v) the unaudited consolidated condensed interim financial statements of Banco BPM S.p.A. as at and for the six months ended 30 June 2017;

(w) the audited annual financial consolidated statements of Banco Popolare Società Cooperativa (including the auditor's report thereon and notes thereto) in respect of the financial years ended on 31 December 2015 and 31 December 2016, respectively;

(x) the audited annual financial consolidated statements of Banca Popolare di Milano S.c. a r.l. (including the auditor's report thereon and notes thereto) in respect of the financial years ended on 31 December 2015 and 31 December 2016, respectively;

(y) the unaudited consolidated condensed interim financial statements of Banco Popolare – Società Cooperativa as at and for the six months ended 30 June 2016;

(z) the audited annual financial statements of the Guarantor (including the auditor's report thereon and the notes thereto) in respect of the financial years ended on 31 December 2015 and 31 December 2016, respectively;

(aa) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;

(bb) any reports, letters, balance sheets, valuations and statements of experts included or referred to in the Base Prospectus (other than consent letters);

(cc) any Final Terms relating to Covered Bonds which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. In the case of any Covered Bonds which

are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Covered Bondholders; and

(dd) any other document incorporated by reference.

Copies of all such documents shall also be available to Covered Bondholders at the Specified Office of the Representative of the Covered Bondholders.

Financial statements available

For so long as the Programme remains in effect or any Covered Bonds listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent publicly available financial statements and consolidated financial statements of the Issuer may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent.

For so long as the Programme remains in effect or any Covered Bonds listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent available financial statements of the Guarantor may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent.

The external auditors have given, and have not withdrawn, their consent to the inclusion of their report on the accounts of the Issuer and the Guarantor in this Base Prospectus in the form and context in which it is included.

In addition, for so long as the Programme remains in effect or any Covered Bonds listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent Investor Report may be obtained, free of charge, during normal business hours at the specified office of the Luxembourg Listing Agent.

Publication on the Internet

This Base Prospectus, any supplement hereto and the Final Terms will be available on the internet site of the Luxembourg Stock Exchange, at *www.bourse.lu*.

Material Contracts

Neither the Issuer nor the Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Covered Bondholders.

Auditors

EY S.p.A. was the independent auditor for Banca Popolare di Milano S.c. a.r.l. for the period 2007-2015. The appointment of EY S.p.A. expired upon the approval of Banca Popolare di Milano S.c. a.r.l.'s financial statements as at and for the year ending 31 December 2015. The financial statements of Banca Popolare di Milano S.c. a.r.l. as of and for the year ended on 31 December 2015, incorporated by reference in the Base Prospectus, have been audited by EY S.p.A. EY S.p.A. did not refuse to issue the audit reports on the financial statements as of and for the year ended on 31 December 2015 nor the audit report contained qualifications or disclaimers of opinion.

EY S.p.A. was the independent auditor for Banco Popolare Società Cooperativa and the Guarantor for the period 2013-2015. The appointment of EY S.p.A. expired upon the approval of the financial statements of

Banco Popolare Società Cooperativa and the Guarantor as at and for the year ending on 31 December 2015. The financial statements as of and for the year ended on 31 December 2015 of Banco Popolare Società Cooperativa and as of and for the year ended on 31 December 2015 of the Guarantor, incorporated by reference in the Base Prospectus, have been audited by EY S.p.A. EY S.p.A. did not refuse to issue the audit reports on the financial statements as of and for the year ended on 31 December 2015 of Banco Popolare Società Cooperativa and as of and for the year ended on 31 December 2015 of the Guarantor nor the audit reports contained qualifications or disclaimers of opinion.

EY S.p.A., is authorised and regulated by the MEF registered on the special register of auditing firms held by the MEF. EY S.p.A. is also a member of ASSIREVI – Associazione Nazionale Revisori Contabili.

Following the expiry of the appointment of EY S.p.A.,

(i) Banca Popolare di Milano S.c. a r.l. appointed PricewaterhouseCoopers S.p.A. as independent auditor; and

(ii) Banco Popolare Società Cooperativa and the Guarantor appointed Deloitte & Touche S.p.A. as independent auditor.

PricewaterhouseCoopers S.p.A. was the independent auditor for Banca Popolare di Milano S.c. a.r.l. for financial year ending on 31 December 2016. The financial statements of Banca Popolare di Milano S.c. a.r.l. as of and for the year ended on 31 December 2016, incorporated by reference in the Base Prospectus, has been audited by PricewaterhouseCoopers S.p.A. PricewaterhouseCoopers S.p.A. did not refuse to issue the audit reports on the financial statements as of and for the year ended on 31 December 2016 nor the audit report contained qualifications or disclaimers of opinion.

PricewaterhouseCoopers S.p.A., the address of which is at via Monte Rosa 91, Milan, Italy, are registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree n. 39/2010 as implemented by MEF (Decree n. 144 of 20 June 2012).

Deloitte & Touche S.p.A. was the independent auditor for Banco Popolare Società Cooperativa and the Guarantor for the financial year ending on 31 December 2016. The financial statements as of and for the year ended on 31 December 2016 of Banco Popolare Società Cooperativa and as of and for the year ended on 31 December 2016 of the Guarantor, incorporated by reference in the Base Prospectus, have been audited by Deloitte & Touche S.p.A. Deloitte & Touche S.p.A. did not refuse to issue the audit reports on the financial statements as of and for the year ended on 31 December 2016 of Banco Popolare Società Cooperativa and as of and for the year ended on 31 December 2016 of the Guarantor nor the audit reports contained qualifications or disclaimers of opinion.

Deloitte & Touche S.p.A., with registered office in Milan, Via Tortona No. 25, is registered in the Register of Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010, as implemented by MEF (Decree No. 144 of 20 June 2012).

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 their 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. are currently the independent auditors of the Issuer.

PricewaterhouseCoopers S.p.A. was appointed to perform the audit of the annual financial statements of the Guarantor for the year ending on 31 December 2017 until the year ending on 31 December 2019. PricewaterhouseCoopers S.p.A. are currently the independent auditors of the Guarantor.

DOCUMENTS INCORPORATED BY REFERENCE

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

1. Issuer's by-laws (*Statuto*) as of the date hereof;
2. Guarantor's by-laws (*Statuto*) as of the date hereof;
3. the unaudited consolidated condensed interim financial statements of Banco BPM S.p.A. as at and for the six months ended 30 June 2017;
4. the consolidated audited annual financial statements of Banca Popolare di Milano S.c. a r.l., including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;
5. the consolidated audited annual financial statements of Banca Popolare di Milano S.c. a r.l., including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016;
6. the consolidated audited annual financial statements of Banco Popolare Società Cooperativa, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;
7. the consolidated audited annual financial statements of Banco Popolare Società Cooperativa, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016;
8. the unaudited consolidated condensed interim financial statements of Banco Popolare – Società Cooperativa as at and for the six months ended 30 June 2016;
9. the Guarantor's audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;
10. the Guarantor's audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016; and
11. the base prospectus dated 28 September 2015 relating to the Issuer (as successor to Banco Popolare Soc. Coop.) "€ 10,000,000,000 Covered Bond Programme".

The table below sets out the relevant page references for: (i) the Issuer's by-laws (*Statuto*) as of the date hereof; (ii) the Guarantor's by-laws (*Statuto*) as of the date hereof; (iii) the unaudited consolidated condensed interim financial statements of Banco BPM S.p.A. as at and for the six months ended 30 June 2017; (iv) the consolidated audited annual financial statements of Banca Popolare di Milano S.c. a r.l., including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015; (v) the consolidated audited annual financial statements of Banca Popolare di Milano S.c. a r.l., including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016; (vi) the consolidated audited annual financial statements of Banco

Popolare Società Cooperativa, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ending ended on 31 December 2015; (vii) the consolidated audited annual financial statements of Banco Popolare Società Cooperativa, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016; (viii) the unaudited consolidated condensed interim financial statements of Banco Popolare – Società Cooperativa as at and for the six months ended 30 June 2016; (ix) the Guarantor's audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015; (x) the Guarantor's audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016; and (xi) the base prospectus dated 28 September 2015 relating to the Issuer (as successor to Banco Popolare Soc. Coop.) "€ 10,000,000,000 Covered Bond Programme". Information contained in the documents incorporated by reference other than information listed in the table below does not form part of this Base Prospectus and is either not relevant for the investor or it is covered elsewhere in this Base Prospectus.

Comparative Table of Documents incorporated by reference

Document	Information incorporated	Page numbers
Issuer's by-laws (*Statuto*).	Entire document	
Guarantor's by-laws (*Statuto*).	Entire document	
The unaudited consolidated condensed interim financial statements of Banco BPM S.p.A. as at and for the six months ended 30 June 2017.		
	Consolidated balance sheet	Page 46
	Consolidated Income Statement	Page 47
	Statement of Consolidated Comprehensive Income	Page 48
	Statement of Changes in Consolidated Shareholders' Equity	Pages 49-50
	Cashflow Statement	Pages 51-52
	Notes to the consolidated financial statements	Pages 54-173
	Independent Auditors' Report	Pages 166-167
The consolidated audited annual financial statements of Banca Popolare di Milano S.c. a r.l., including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015.		

Document	Information incorporated	Page numbers
	Consolidated Balance Sheet	Pages 112-113
	Consolidated Income Statement	Page 114
	Statement of Consolidated Comprehensive Income	Page 115
	Statement of Changes in Consolidated Shareholders' Equity	Pages 116-119
	Cashflow Statement	Page 120
	Notes to the consolidated financial statements	Pages 121-438
	Independent Auditors' Report	Pages 453-455
The consolidated audited annual financial statements of Banca Popolare di Milano S.c. a r.l., including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016.		
	Consolidated Statement of Financial Position	Page 114-115
	Consolidated Income Statement	Page 116
	Statement of Consolidated Comprehensive Income	Page 117
	Statement of Changes in Consolidated Shareholders' Equity	Pages 118-121
	Cashflow Statement	Page 122
	Notes to the consolidated financial statements	Pages 123-439
	Independent Auditors' Report	Pages 463-466
The consolidated audited annual financial statements of Banco Popolare Società Cooperativa, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ending ended on 31		

Document	Information incorporated	Page numbers
December 2015.		
	Consolidated Statement of Financial Position	Page 150
	Consolidated Income Statement	Page 151
	Statement of Consolidated Comprehensive Income	Page 152
	Statement of Changes in Consolidated Shareholders' Equity	Pages 153-154
	Cashflow Statement	Page 155
	Notes to the consolidated financial statements	Pages 157-387
	Independent Auditors' Report	Pages 146-147
The consolidated audited annual financial statements of Banco Popolare Società Cooperativa, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016.		
	Consolidated Statement of Financial Position	Page 144
	Consolidated Income Statement	Page 145
	Statement of Consolidated Comprehensive Income	Page 146
	Statement of Changes in Consolidated Shareholders' Equity	Page 147-148
	Cashflow Statement	Page 149
	Notes to the consolidated financial statements	Page 151-373
	Independent Auditors' Report	Page 139-142
The unaudited consolidated condensed interim financial statements of Banco Popolare – Società Cooperativa as at and		

Document	Information incorporated	Page numbers
for the six months ended 30 June 2016		
	Consolidated balance sheet	Page 40
	Consolidated Income Statement	Page 41
	Statement of Consolidated Comprehensive Income	Page 42
	Statement of Changes in Consolidated Shareholders' Equity	Page 43
	Cashflow Statement	Page 45
	Notes to the consolidated financial statements	Page 46
	Independent Auditors' Report	Page 112
Guarantor's audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015.		
	Statement of Financial Position	Page 21
	Income statement	Page 21
	Statement of Comprehensive Income	Page 22
	Statement of Changes in Quotaholders' Equity	Page 23
	Cashflow Statement	Page 25
	Notes to the Financial Statements	Pages 26-71
	Independent Auditors' Report	Pages 19-21
Guarantor's audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016.		
	Statement of Financial Position	Page 24
	Income statement	Page 24
	Statement of Comprehensive	Page 25

Document	Information incorporated	Page numbers
	Income	
	Statement of Changes in Quotaholders' Equity	Page 26
	Cashflow Statement	Page 28
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Base prospectus dated 28 September 2015 relating to the Issuer (as successor to Banco Popolare Soc. Coop.) "€ 10,000,000,000 Covered Bond Programme".		
	Terms and Conditions of the Covered Bonds	Page 220-263
	Rules of the Organisation of the Covered Bondholders	Page 264-287

The unaudited consolidated condensed interim financial statements of Banco BPM S.p.A. as at and for the six months ended 30 June 2017 were subject to limited review by PricewaterhouseCoopers S.p.A.

The consolidated financial statements of Banca Popolare di Milano S.c. a.r.l. as at and for the years ended on 31 December 2015 and 31 December 2016 have been audited, respectively, by EY S.p.A. and by PricewaterhouseCoopers S.p.A., as indicated in their reports thereon. The consolidated financial statements of Banco Popolare Società Cooperativa as at and for the years ended on 31 December 2015 and 31 December 2016 have been audited, respectively, by EY S.p.A. and by Deloitte &Touche S.p.A., as indicated in their reports thereon. The unaudited consolidated condensed interim financial statements of Banco Popolare Società Cooperativa as at and for the six months ended 30 June 2016 were subject to limited review by Deloitte & Touche S.p.A.

The consolidated financial statements of the Guarantor as at and for the years ended on 31 December 2015 and 31 December 2016 have been audited, respectively, by EY S.p.A. and by Deloitte & Touche S.p.A., as indicated in their reports thereon.

The financial statements incorporated by reference herein are English translations of the Italian financial statements prepared for and used in Italy, and have been translated for the convenience of international readers. Banca Popolare di Milano S.c. a.r.l. takes responsibility for the translation of the balance sheets, statements of income and notes of the financial statements relating to it and incorporated by reference herein, whereas the translation of the auditors' report was received directly from the independent auditors of Banca Popolare di Milano S.c. a.r.l., respectively EY S.p.A. for the year ended on 31 December 2015 and PricewaterhouseCoopers S.p.A. for the year ended on 31 December 2016. Banco Popolare Società Cooperativa takes responsibility for the translation of the balance sheets, statements of income and notes of the financial statements relating to it and incorporated by reference herein, whereas the translation of the auditors' report was received directly from the independent auditors of Banco Popolare Società Cooperativa, respectively EY S.p.A. for the year ended on 31 December 2015 and Deloitte & Touche S.p.A. for the year

ended on 31 December 2016. The Guarantor takes responsibility for the translation of the balance sheets, statements of income and notes of the financial statements relating to it and incorporated by reference herein, whereas the translation of the auditors' report was received directly from the independent auditors of the Guarantor, respectively EY S.p.A. for the year ended on 31 December 2015 and Deloitte & Touche S.p.A. for the year ended on 31 December 2016.

Each of EY S.p.A., Deloitte & Touche S.p.A. and PricewaterhouseCoopers S.p.A. have given, and have not withdrawn, their consent to the inclusion of their reports on the accounts of Banca Popolare di Milano S.c. a.r.l., Banco Popolare Società Cooperativa and the Guarantor (as applicable) in this Base Prospectus in the form and context in which they are included.

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

Availability of Documents

Copies of all documents incorporated herein by reference may be obtained without charge at the head office of the Luxembourg Listing Agent in the city of Luxembourg and may be obtained at the website of the Luxembourg Stock Exchange (*www.bourse.lu*). Written or oral requests for such documents should be directed to the specified office of the Luxembourg Listing Agent.

BASE PROSPECTUS SUPPLEMENT

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

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

SELECTED CONSOLIDATED FINANCIAL DATA

The information set out in this Base 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 Banca Popolare di Milano S.c. a r.l. as at and for the years ended 31 December 2015 and 31 December 2016, which were audited by EY S.p.A. and PricewaterhouseCoopers S.p.A., respectively;

(b) the audited consolidated annual financial statements of Banco Popolare – Società Cooperativa as at and for the years ended 31 December 2015 and 31 December 2016, which were audited by EY S.p.A. and Deloitte & Touche S.p.A., respectively;

(c) the unaudited consolidated condensed interim financial statements of Banco BPM S.p.A. as at and for the six months ended 30 June 2017 which were subject to limited review by PricewaterhouseCoopers S.p.A.; and

(d) the unaudited consolidated condensed interim financial statements of Banco Popolare – Società Cooperativa as at and for the six months ended 30 June 2016, which were subject to limited review by Deloitte & Touche S.p.A.,

that are incorporated by reference into this Base Prospectus.

The consolidated interim financial statements have been prepared in accordance with the international financial reporting and accounting standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and with the related interpretations by the International Financial Reporting Interpretations Committee ("**IFRIC**"), as adopted by the European Commission pursuant to EC Regulation 1606 of 19 July 2002. This regulation requires international accounting and financial reporting standards to be used for preparing the consolidated financial statements of listed companies starting from 2005. With regard to the disclosure provided, the consolidated interim financial statements as at 30 June 2017 have been prepared in a condensed format, as envisaged by accounting standard IAS 34 regarding "Interim financial reporting".

So long as any of the Covered Bonds remain outstanding copies of the above-mentioned consolidated financial statements will be made available at the office of the Issuing and Paying Agent and at the registered office of the Issuer, in each case free of charge.

The statistical information presented herein may differ from information included in the historical consolidated financial statements and interim financial reports. In certain cases, the financial and statistical information is derived from financial and statistical information reported to the Bank of Italy or from internal management reporting.

The information set out below in relation to the first half of 2017 and as at 30 June 2017 is taken from the unaudited consolidated condensed interim financial statements of Banco BPM S.p.A. as at and for the six months ended 30 June 2017 which were subject to limited review by PricewaterhouseCoopers S.p.A. The information set out below in relation to the first half of 2016 is taken from the unaudited consolidated condensed interim financial statements of Banco Popolare – Società Cooperativa as at and for the six months ended 30 June 2016, which were subject to limited review by Deloitte & Touche S.p.A. The information set out below as at 31 December 2016 is taken from the audited consolidated annual financial statements of Banco Popolare – Società Cooperativa as at and for the year ended 31 December 2016, which were audited by Deloitte & Touche S.p.A.

Group financial highlights

(in millions of Euro)	**1st half 2017 (unaudited)**	**1st half 2016 (unaudited)**
Reclassified income statement figures		
Financial margin	1,141.9	754.7
Net fee and commission income	1,090.7	639.3
Operating income	2,378.9	1,539.4
Operating expenses	(1,525.3)	(1,116.1)
Income (loss) from operations	853.6	423.3
Income (loss) before tax from continuing operations without Badwill	131.5	(566.2)
Net income (loss) without Badwill	94.2	n/a
Badwill	3,076.1	n/a
Net income (loss) without FVO (*)	n/a	(387.2)
FVO Impact (*)	n/a	7.1
Net income (loss)	3,170.4	(380.2)

(*) From 30 June 2017 the impact of the change in the Bank's creditworthiness (FVO) has recorded to net equity (item 140 of the Balance sheet), net of tax effect.

(in millions of Euro)	**30/06/2017 (unaudited)**	**31/12/2016 (audited)**
Balance sheet figures		
Total assets	167,720.3	117,411.0
Loans to customers (net)	109,440.5	75,840,2
Financial assets and hedging derivatives	38,145.7	25,650.4
Shareholders' equity	12,390.2	7,575.3
Customers' financial assets		
Direct funding	110,240.4	80,446.7
Indirect funding	104,096.2	69,201.8
- Asset management	61,919.0	36,425.6
- Mutual funds and SICAVs	37,995.9	21,107.4
- Securities and fund management	7,300.6	4,866.0
- Insurance policies	16,622.5	10,452.1
- Administered assets	42,177.2	32,776.3
Information on the organisation		
Average number of employees and other staff (*)	23,652	16,626
Number of bank branches	2,302	1,731

(*) Weighted average 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

	30/06/2017 (*)	31/12/2016
Alternative performance measures		
Profitability ratios (%)		
Annualised ROE	1.53%	Not sign.
Annualised Return on Assets (ROA)	0.11%	Not sign.
Financial margin / Operating income	48.00%	47.14%
Net fee and commission income / Operating income	45.85%	43.08%
Operating expenses / Operating income	64.12%	81.29%
Operational productivity figures (000s of Euro)		
Operating income per employee (***)	201.2	184.1
Operating expenses per employee (***)	129.0	149.6
Credit risk ratios (%)		
Net bad loans/Loans to customers (net)	6.33%	8.23%
Unlikely to pay/Loans to customers (net)	6.58%	8.22%
Net bad loans/Shareholders' equity	55.93%	82.36%
Other ratios		
Financial assets and hedging derivatives / Total assets	22.74%	21.85%
Derivative assets/Total assets	1.64%	1.72%
- trading derivatives/total assets	1.45%	1.34%
- hedging derivatives/total assets	0.19%	0.38%
Net trading derivatives (****)/Total assets	0.74%	1.33%
Regulatory capitalisation and liquidity ratios		
Common equity tier 1 ratio (CET1 capital ratio)	11.07%	12.97%
Tier 1 capital ratio	11.31%	13.08%
Total capital ratio	13.43%	16.17%
Tier 1 capital ratio/Tangible assets	5.31%	4.39%
Liquidity Coverage Ratio (LCR)	159.81%	219.88%
Leverage ratio	5.00%	4.23%
Banco BPM stock		
Number of outstanding shares	1,515,182,126	827,760,910
Official closing prices of the stock		
- Maximum	3.11	9.15
- Minimum	2.16	1.79
- Average	2.69	3.54

Annualised basic EPS (**)	0.062	(2.774)
Annualised diluted EPS (**)	0.062	(2.774)

(*) The ratios were calculated excluding the economic effect of the Badwill.

(**) The annualis ed result does not represent a forecast of profits for the year.

(***) Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies, the amount of which is shown in the previous table.

(****) The aggregate of net trading derivatives corresponds to the mismatch, in absolute terms, between the derivatives included under item 20 of assets in the Balance Sheet "Financial assets held for trading" and item 40 of liabilities "Financial liabilities held for trading".

The alternative performance indicators ("APIs") shown in the table above have been identified by the directors to facilitate the understanding of the economic and financial performance of the Banco BPM Group's operations. The APIs are not envisaged in IAS/IFRS and, although they are calculated based on financial statement data, they are not subject to a full or limited audit.

The above-mentioned indicators are based on the guidelines of the European Securities and Markets Authority (ESMA) of 5 October 2015 (ESMA/2015/1415), applicable as of 3 July 2016, and incorporated in Consob communication no. 0092543 of 3 December 2015.

In this regard, it should be specified that for each API the calculation formula has been provided, and the figures used in the calculations can be identified using the information contained in the table above or in the reclassified financial statements provided in the section "Consolidated condensed interim financial statements", as reported in the unaudited consolidated condensed interim financial statements of Banco BPM as at and for the six months ended 30 June 2017 incorporated by reference to this Base Prospectus.

For more details with respect to the API please refer to the following paragraph: "Overview of Financial Information of BPM and Banco Popolare".

(in millions of Euro)	**30/06/2017 (unaudited)**		**31/12/2016 (audited)**	
	Net exposure	**% impact**	**Net exposure**	**% impact**
Bad loans	6,930.0	6.3%	6,238.9	8.3%
Unlikely to pay	7,203.3	6.6%	6,234.2	8.2%
Past due	103.2	0.1%	95.3	0.1%
Non-performing loans	**14,236.5**	**13.0%**	**12,568.4**	**16.6%**
Performing loans	**95,204.0**	**87.0%**	**63,271.9**	**83.4%**
Total loans to customers	**109,440.5**	**100.0%**	**75,840.2**	**100.0%**

GLOSSARY

The following terms are used throughout this Base Prospectus. The page number opposite a term indicates the page on which such term is first defined. These and other terms used in this Base Prospectus are subject to, and in some cases are summaries of, the definitions of such terms set out in the Transaction Documents, as they may be amended from time to time.

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