Prospectus

BANCO BPM S.P.A.

(*incorporated as a joint stock company (società per azioni) in the Republic of Italy*)

€10,000,000,000 Covered Bond Programme

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

BPM Covered Bond 2 S.r.l.

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

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

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

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

BPM Covered Bond 2 S.r.l. (the **Guarantor**) has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee (the **Guarantee**) which is backed by a pool of assets (the **Cover Pool**) made up of a portfolio of residential mortgage loans assigned and to be assigned to the Guarantor by the Seller (and/or, as the case may be, by any Additional Seller) and of other Eligible Assets and Substitution Assets. Recourse against the Guarantor under the Guarantee is limited to the Cover Pool.

Amounts payable under the Covered Bonds may be calculated by reference to EURIBOR, or to LIBOR, in each case as specified in the relevant Final Terms. As at the date of this Prospectus, EURIBOR is provided and administered by the European Money Markets Institute (**EMMI**), and LIBOR is provided and administered by ICE Benchmark Administration Limited (**ICE**). At the date of this Prospectus, ICE is authorised as a benchmark administrator, and included on, whereas EMMI is not included on, the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to Article 36 of Regulation (EU) 2016/1011 (the **Benchmarks Regulation**). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that EMMI is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

This document has been approved as a base prospectus issued in compliance with the Prospectus Directive 2003/71/EC, as amended, to the extent they have been implemented in a Member State of the European Economic Area (the **Prospectus Directive**) by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), which is the competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Directive (the **Prospectus**). By approving the Prospectus the CSSF assumes no responsibility as to the economic and financial soundness of any transactions under the Programme or the quality or solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Law on prospectuses for securities. Application has been made for Covered Bonds to be admitted during the period of 12 months from the date of this Prospectus to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2014/65/EU (as amended from time to time, the **MiFID II**). The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

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

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

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

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

The Covered Bonds issued under the Programme, if rated, are expected to be assigned the following credit ratings: Aa3 by Moody's Frances SAS (**Moody's** or the **Rating Agency**). The credit rating applied for in relation to the Covered Bonds will be issued by the Rating Agency which is established in the European Union and has been registered under Regulation (EU) No 1060/2009 (the **CRA Regulation**), as resulting from the list of registered credited rating agencies (reference number 2015/1127) published on 10 July 2015 by the European Securities and Markets Authority (ESMA). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please refer to the ESMA webpage http://www.esma.europa.eu/page/List-registeredand-certified-CRAs in order to consult the updated list of registered credit rating agencies.

Important – EEA Retail Investors. If the Final Terms in respect of any Covered Bonds include a legend entitled "Prohibition of Sales to EEA Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (UE) 2016/97 (as amended, **IDD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (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.

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

ARRANGER FOR THE PROGRAMME

BARCLAYS

DEALERS

BANCA AKROS ***BARCLAYS BANK IRELAND PLC*** ***BARCLAYS BANK PLC***

The date of this Prospectus is 5 July 2019.

This Prospectus is 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 of the Guarantor and of the rights attaching to the Covered Bonds.

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

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

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue, offering or sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Representative of the Bondholders or any of the Dealers or the Arranger, or any of their respective affiliates or advisers. Neither the delivery of this Prospectus nor any sale or allotment made in connection therewith shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or the Guarantor or in other information contained herein since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

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

The distribution of this Prospectus and the offering or sale of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the 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, Covered Bonds may not be offered, sold or delivered within the United States or to US persons. There are further restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the European Economic Area, including the United Kingdom and the Republic of Italy, and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Prospectus, see Subscription and Sale.*

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

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

For the avoidance of doubt, the content of any website referred to in this Prospectus does not form part of the Prospectus.

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

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

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

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RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect their ability to fulfil their obligations under the Covered Bonds issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.

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

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

Investment Considerations relating to the Banco BPM Group

Factors that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds issued under the Programme

Risks related to the impact of global macro-economic factors, 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 global macro-economic factors

The performance of the Banco BPM Group is influenced by: Italian and EU-wide macroeconomic conditions, the conditions of the financial markets in general, and in particular, by the stability and trends in the economies of those geographical areas in which Banco BPM conducts its activity. The earning capacity and solvency of the Banco BPM Group are affected, *inter alia*, by factors such as investor perception, long-term and short-term interest 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 borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

Overall, 2017 was characterized by a global economic recovery. In the favourable international and European scenario, Italy recorded a period of economic recovery, increasing its GDP compared to previous recent years. Although still wide, the gap with the best performing economies of the Eurozone was reduced in 2017.

Subsequently, an inconclusive general election in Italy in March 2018 led to a prolonged period of negotiation among the rival parties and the Italian president and a coalition government was finally formed at the beginning of June 2018. This resulted in market instability and the economic implications of the policies of the new Italian Government remain uncertain.

In addition, 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) the outcome of the commercial dispute between the US and China, which could have an effect on international trade and therefore global production; (c) 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; (d) the sustainability of the sovereign debt of certain countries and related recurring tensions on the financial markets; and (e) 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 borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Banco BPM Group.

Risks related to the United Kingdom leaving the European Union

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 majority of people who participated, 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 (the **Withdrawal Agreement**), taking account of the framework for its future relationship with the Union. Article 50 requires that such Withdrawal 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.

The United Kingdom planned to withdraw from the European Union no later than 29 March 2019, however such departure was delayed as the Parliament of the United Kingdom have so far not agreed to the Withdrawal Agreement. As a result, the new deadline for the exit of the United Kingdom from the European Union is 31 October 2019. However, such exit could be delayed once again if all European countries, including the United Kingdom, were to agree to a further extension.

The outcomes of the negotiations around Brexit and the consequences of Brexit itself are still 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 changes in the 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 problems in European Union countries with large public debts and budget deficits, causing the most damage to banks that had greater exposure to domestic sovereign debt and a revaluation of sovereigns' credit risk. As a consequence, in several euro-area countries yield spreads on government bonds with respect to the German Bund widened markedly and domestic banks' funding capacity was affected, especially in the wholesale segment. The repercussions of the global economic slowdown and market turmoil were particularly severe in Italy.

From autumn 2011, the ECB implemented important measures to support the European economy and financial stability, including: the SMP (Securities Market Programme) that entails 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 began purchasing euro-denominated, investment-grade securities issued by euro area governments and European institutions up to Euro 60 billion each month. The programme was intended to be carried out until September 2016, and in any case until there were signs of a sustained adjustment in the path of inflation or deflation that is consistent with the aim of achieving inflation rates approaching 2%.

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" programme, from Euro 60 billion to Euro 80 billion, expanding the asset purchase to the bonds issued by non-financial entities with high credit ratings, which was reduced back to Euro 60 billion from April 2017. As part of the liquidity support action, the ECB introduced a new series of Targeted Longer-Term Refinancing Operations (TLTRO-II) with even more favourable terms: counterparties had access to financing for up to 30 per cent of the stock of loans eligible as at 31 January 2016

and interest rates applicable to the transactions were those that applied to the Eurosystem's main refinancing transactions at the time of each such transaction and for its entire duration.

On 13 December 2018, the Governing Council of the ECB decided to end the net purchases under the Quantitative Easing programme in December 2018, but announced that it "*intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the Asset Purchase Programme for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation*".

On 7 March 2019, the Governing Council of the ECB decided to launch a new series of quarterly targeted longer-term refinancing operations (**TLTRO-III**), starting in September 2019 and ending in March 2021, each with a maturity of two years. Under TLTRO-III, financial institutions will be entitled to borrow up to 30% of the stock of eligible loans as at 28 February 2019 at a rate indexed to the interest rate on the main refinancing operations over the life of each operation. According to the ECB's press release announcing this measure, these new operations will help to preserve favourable bank lending conditions and the smooth transmission of monetary policy.

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 was a gradual decrease of Italian Government's and corporate bond risk premia in the period between 2014 and 2017. This trend was interrupted in May 2018 after the inconclusive general elections of March 2018, during the negotiations to form a coalition government, as financial markets feared the stability of any government appointed and the critical positions of the involved parties towards the European Commission policies. After three months of negotiation, the Five Star Movement (*Movimento 5 Stelle*) and the League (*Lega*) – who have in the past expressed opposition to the Euro - received approval to form the new government. This period of uncertainty led to an increase in the BTP/Bund spread to 288 basis points at the end of May 2018 with an unprecedented widening of up to 120 basis points on the 2-4 year tenors, a segment that was pricing in the redenomination risk.

A narrowing of the spread in the short-term segment of the sovereign curve occurred only in December 2018 when agreement was reached with the European Commission on the contents of the budget package. The 10-year spread, which had stopped at 280 basis points in May 2018 (from 120 basis points in January 2018), reached 320 basis points in mid-November 2018, before returning to 255 basis points at the end of 2018. Certain material improvement in the Italian sovereign market, then led the 10-year spread to below 250 basis points in March 2019, this also because of the postponement of monetary policy normalisation and the prospect of a new liquidity injection through the TLTRO-III.

Nonetheless, in Italy, a climate of uncertainty continues to prevail and this has brought the 10-year spread to rise again to over 250 basis points following the European Parliament elections.

The Group is exposed to Italian government bonds. Consequently, the Issuer is particularly exposed to any adverse changes and fluctuations in the market for Italian government

securities, the political situation and the sovereign debt rating. A decrease in the market price for Italian government bonds could negatively affect the value of its assets and therefore have an adverse effect on the Group's business, results of operations, financial condition and cash flows. In addition, if the credit ratings of Italy and other relevant countries deteriorate, the Issuer may be required to revise the risk weighting attributed to these assets for the calculation of risk-weighted assets (**RWA**), which could have an adverse effect on the Issuer's capital ratios. The Issuer may also be required to revise the discount criteria applied by counterparties in refinancing transactions, such as in the ECB's TLTRO refinancing transactions, resulting in an increase in the collateral required or a reduction in the liquidity obtained in relation to such collateral.

In addition, the lingering uncertainties arising from geopolitical tensions, including the Brexit vote and the withdrawal of the UK from the European Union, could have a material adverse effect on the economies of the EU Member States in general, and the Italian economy in particular, with a consequential upsurge of the sovereign debt crisis.

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

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

Risks related to Italian economic conditions and 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.

The Banco BPM Group primarily operates in Italy and in particular in Northern Italy. As of 31 December 2018, 1,380 of the overall 1,804 branches of the Banco BPM Group are located in Northern Italy, with Lombardy, Piedmont and Veneto being the three regions with the highest number of branches (663, 209 and 212, respectively).

The business of the Banco BPM Group is particularly sensitive to adverse macroeconomic conditions in Italy and in particular in Northern Italy. Any adverse economic condition in Italy could have a material adverse effect on the business, results of operation or financial condition of the Banco BPM Group.

A return to declining or stagnating GDP, increasing or stagnating unemployment and poor conditions in the capital markets in Italy could decrease consumer confidence and investment, and result in higher rates of loan impairment and/or NPLs (as defined below) and default and insolvency, and cause an overall reduction in demand for the Group's services. Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

One of the elements creating economic uncertainty is the political situation in Italy. An inconclusive general election in Italy in March 2018 led to a prolonged period of negotiation among the rival parties and the Italian President and a coalition government was finally formed at the beginning of June 2018. Italy's government submitted to the European Commission its draft 2019 budget that includes plans to increase spending. The EC rejected the proposed budget for 2019 and requested the Italian government to review it. At the end of December 2018, after a period marked by tensions between the European Commission and Italy's government, an agreement was reached on the basis of a lower deficit.

The economic implications of the policies of the new Italian Government remain uncertain. Political instability, if material, could negatively affect the country's economic recovery, and it cannot be ruled out that changes to economic policies and/or political instability could have a material adverse effect on the Group's business, results of operations and financial condition.

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).

The Italian market is currently in the process of consolidation and is characterized by significant competitive pressures, due partly to: (i) the implementation of European Union directives regarding the liberalization of the banking sector, which incentivized competition in the traditional banking sector and led to a progressive reduction in the margin between lender and borrower interest rates; (ii) changes to certain Italian tax and banking laws; and (iii) the introduction of services with a strong technological innovative component.

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 between Banca Popolare di Milano S.c.a r.l. (**BPM**) and Banco Popolare Società Cooperativa (**Banco Popolare**) (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 its customers complying with their payment obligations and 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, are intended to guarantee adequate capital resources and an adequate liquidity profile of the Banco BPM Group, but might not be sufficient to protect the Group against, for example, unexpected changes in the creditworthiness of a counterparty.

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

Risks connected to the deterioration of credit quality

The Banco BPM Group is subject to credit risk. The Banco BPM Group's policies for managing and controlling the quality of the loan portfolio, and the associated risks, are based on rules of sound and prudent management. The policies are implemented through the processes of distributing, managing and monitoring credit risks that varied according to the circumstances of the market, business sector and characteristics of each borrower. The loan portfolio is closely monitored on a continuous basis in order to promptly identify any signs of imbalance and to take corrective measures aimed at preventing any deterioration.

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

The coverage of the non-performing exposures of the Banco BPM Group as at 31 December 2018 was equal to 43.1%. The coverage of the bad loans of the Banco BPM Group as at 31 December 2018 was equal to 59.6%.

Banco BPM Group's net non-performing loans, as of 31 December 2018, amounted to Euro 6,727 million, with a decrease of Euro 6,300 million or 48.4%, as compared to 31 December 2017, and represented 6.5% of Banco BPM Group's total net loans.

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

Risks related to the disposal of non-performing loans

In light of the Merger and the fact that the combined entity resulting from the Merger was one of the largest banking groups in Italy as at 31 December 2016, based on revenues, assets and net income, the ECB highlighted the need for the Banco BPM Group to accelerate the reduction of non-performing loans including, for the avoidance of doubt, loans classified in its financial statements as bad loans, unlikely to pay (**UTP**), and past due (together, **NPLs**), and requested the preparation of a clear action plan for reducing NPLs and increasing the average coverage ratios of NPLs. In compliance with the requirements of the ECB, the Strategic Plan (as defined below) included the details of a plan to reduce the holding of NPLs by the end of 2020 by way of disposals for an approximate aggregate amount of Euro 8 billion. . The Issuer proposed a revised target to the ECB in 2018, highlighting an acceleration in NPLs disposal plan, with a new objective of Euro 13 billion of disposals by the end of 2020. As at the date of this Prospectus, the target has been reached and approximately Euro 17.2 billion of the NPLs have now been sold.

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

Liquidity and Funding risks

Liquidity risk is the risk that the Issuer may not have the cash resources to be able to meet its payment obligations, scheduled or unscheduled, when due. "Funding Liquidity Risk" refers to the risk that the Issuer is not able to meet its scheduled or unscheduled payment obligations in an efficient manner due to its inability to access funding sources, without prejudicing its banking activities and/or financial condition. "Market Liquidity Risk" refers to the risk that

the Issuer is only able to realise its assets at a loss as a result of the market conditions and/or timing requirements. Having access to adequate liquidity and long-term funding, in any form, to run its core activity is crucial for Banco BPM to achieve its strategic objectives. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

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

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

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

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

Operational risk

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

Nonetheless, the Banco BPM Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks (especially those due to potential exogenous factors such as external frauds), including risks that the Banco BPM Group fails to identify or anticipate.

Other financial risks

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

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

(a) *Risks related to interest rates*

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

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

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

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

The Banco BPM Group's results depend in part on the performance of financial markets. In particular, the unfavourable development of the financial markets in recent years has affected: (i) the placement of products relating to assets under management and assets under administration, with resulting adverse effects on the amounts of placement commissions received; (ii) management commissions due to the reduced value of assets (direct effect) and

redemptions resulting from unsatisfactory performance (indirect effect); (iii) the operations of the *Investment Banking* line of business, in particular with respect to placement of financial products and customer dealing, with adverse effects on the amount of commissions received; and (iv) results from the management of the banking and trading portfolios.

The Banco BPM Group has specific policies and procedures in place to identify, monitor and manage these types of risk. However, the volatility and possible insufficient liquidity of the markets, as well as the change of investor preferences towards different kinds of products and/or services, may have an adverse effect on the business, financial condition and 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 or expiry of the transaction, where the Issuer or other Banco BPM Group company has an outstanding claim against such counterparty, in addition to market risks and operational risks.

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

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

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 (the **Strategic Plan**), 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. Since the

Strategic Plan was prepared, the Issuer has proposed a revised and increased target for NPL disposals to the ECB.

The Strategic Plan is based on numerous assumptions and hypotheses, some of which relate to events not fully under the control of the board of directors and management of Banco BPM. In particular, the Strategic Plan contains a set of assumptions, estimates and predictions that are based on the occurrence of future events and actions to be taken by, *inter alia*, the board of directors of Banco BPM, in the period from 2016 to 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 variables 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.

As of the date of this Base Prospectus, a significant number of Strategic Plan projects have been completed, including the IT systems integration, the merger of BPM S.p.A. into the parent company, the reorganisation of the distribution network, the cost optimisation, the overall derisking with a significant portfolio disposal, the rationalisation of the product factories in the asset management / bancassurance business and the reorganisation of private / investment banking activities. Finally, the NPL platform sale and the consumer credit factories reorganisation are expected to be finalised during 2019, while there is a focus on projects aiming at the Digital Omnichannel Transformation and the Retail and Corporate growth.

Considering the completion of most actions aiming at the reorganization and rationalization, the Group will approve a new strategic plan by the end of 2019.

Risks related to Sanctions

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

counterparties which may fall under economic sanctions and/or counterparties that are located in sanctioned countries.

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

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

As of the date of this Prospectus, with regard to the diamonds sales activity carried out by a specialized third party company, the Intermarket Diamond Business (the **IDB**), through the banking channel, on 30 October 2017 an administrative sanction was imposed by the Antitrust Authority (AGCM) on IDB and the reporting banks, including Banco BPM, for allegedly incorrect commercial practice under the Consumer Code. The Bank filed an appeal against the AGCM's decision, which has been rejected by the Regional Administrative Court (TAR); Banco BPM appealed the TAR ruling which appeal is now pending before the Supreme Administrative Court (*Consiglio di Stato*).

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

The Banco BPM Group is managing the clients' complaints and litigation arising from such reporting activity through a dedicated task force and the provisions set forth in the 2018 Annual Financial Statements.

For further information please see the paragraph in this Prospectus headed "*Legal Proceedings of the Group- Ongoing Legal and Administrative Proceedings - Proceedings related to the diamonds reporting activities*" and the paragraph headed "*Other events during the year – Complaints about disputes and investigations relating to the reporting to the company Intermarket Diamond Business S.p.A. of customers interested in the purchase of diamonds made in previous years*" in the Group Report on Operations in Banco BPM's consolidated financial statements as at and for the year ended 31 December 2018, incorporated by reference in this Prospectus.

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

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

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 relating to European and Italian banking regulations

Risks related to inspections by the ECB and other Supervisory Authorities

The Banco BPM Group is subject to enquiries and inspections by the ECB in its capacity as the Bank's supervisory authority and other supervisory authorities in the ordinary course of its business. The outcomes of any such enquiries and inspections may lead to organisational interventions and the Banco BPM Group may be required to implement certain measures aimed at rectifying any shortcomings detected during such enquiries and inspections. A supervisory authority may also take a range of disciplinary actions against the representatives of the Issuer with administrative, management or control functions.

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

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

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

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

Following the crisis of the financial markets in the last several years, the Basel Committee on Banking Supervision approved a number of capital adequacy and liquidity requirements (**Basel III**), aimed at strengthening the existing capital rules, including raising the quality of CET1 capital in a harmonised manner, introducing also requirements for Additional Tier 1 (**AT1**) and Tier 2 capital instruments.

At a European level, the Basel III rules have been implemented through two separate legislative instruments: Directive 2013/36/EU of 26 June 2013 (the **CRD IV**) and Regulation (EU) No. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the **CRR** and together with the CRD IV, the **CRD IV Package**), whose provisions are directly binding and applicable in each member state. The CRD IV and the CRR were approved by the European Council on 20 July 2013 and entered into force on 1 January 2014. Furthermore, on 14 March 2016 the ECB adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions available in Union law, published on 24 March 2016 and the ECB Guide on options and discretions available in Union law (the **ECB Guide**). This regulation specifies certain of the options and discretions conferred on competent authorities under Union law concerning prudential requirements for credit institutions that the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of Regulation (EU) No 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. Depending on the manner in which these options or discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise such options or discretions in the future, additional or lower capital requirements may be required. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide which addresses eight options and discretions and complements the existing ECB Guide and Regulation (EU) No. 2016/445.

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

In Italy, the Bank of Italy published the supervisory regulations on banks with circular No. 285 of 17 December 2013 (**Circular No. 285**), which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules. The Government implemented the CRD IV with Legislative Decree No. 72 of 12 May 2015, which entered into force on 27 June 2015.

With respect to capital requirements, Italian banks are currently required to comply with: (a) a CET1 capital ratio of 4.5%; (b) a Tier 1 capital ratio of 6.0%; and (c) a Total Capital Ratio of 8.0%. These minimum ratios are complemented by the following capital buffers to be met with CET1 capital:

1. *capital conservation buffer*: the capital conservation buffer applies to the Issuer pursuant to Circular No. 285 and, starting from 1 January 2019, is equal to 2.5% of risk-weighted assets (**RWAs**);

2. *counter-cyclical capital buffer*: set by the relevant competent authority between 0% and 2.5% (but may be set higher than 2.5% where the competent authority considers

that the conditions in the Member State justify it), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive. The counter-cyclical capital buffer for the second quarter of 2019 was set by the Bank of Italy at 0%;

3. *capital buffers for global systemically important institutions (**G-SIIs**)*: set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (*e.g.* size, interconnectedness, substitutability of the services provided, global cross-border activity and complexity), and has become fully effective starting from 1 January 2019, which does not apply to the Banco BPM Group; and

4. *capital buffers for other systemically important institutions at domestic level (**O-SIIs**)*: up to 2.0% as set by the relevant competent authority and must be reviewed at least annually, to compensate for the higher risk that such banks represent to the domestic financial system. On 30 November 2017 the Bank of Italy identified the Banco BPM Group as an O-SII. Banco BPM Group is required to reach gradually a reserve equal to 0.25% with linear increments between 1 January 2019 and 1 January 2022.

In addition, to the above-listed capital buffers, under Article 133 of the CRD IV, each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of that sector in order to prevent and mitigate long-term non-cyclical systemic or macroprudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. As at the date of this Prospectus, no provision has been taken on the systemic risk buffer in Italy.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of CRD IV).

In addition, supervisors, pursuant to the CRD IV Package, may require institutions to maintain capital to cover other risks (so called Pillar 2 capital requirements). The combined buffer represents an additional layer of capital which banks need to hold to counter systemic, macro-prudential and other risks not covered by idiosyncratic Pillar 1 and Pillar 2 minimum capital requirements.

On 8 February 2019, the ECB notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual Supervisory Review and Evaluation Process (**SREP**) conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013. The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, procedures and mechanism to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. Therefore, in compliance with Article 16(2)(a) of Regulation (EU) No. 1024/2013 which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, a requirement of 2.50% was introduced to be added to the minimum capital requirements. Taking into account this additional capital requirement, the Banco BPM Group is required to meet, for 2019, the following capital ratios at consolidated level: (i) CET1 ratio of 9.31%; (ii) Tier 1 ratio of 10.81%; (iii) Total Capital ratio of 12.81%; and (iv) Total SREP Capital requirement of

10.25%. The Banco BPM Group satisfied these prudential ratios at 31 December 2018, with a CET1 ratio of 12.1%, a Tier 1 ratio of 12.3% and a Total Capital ratio of 14.7%, in each case at phase-in level. However, there can be no assurance that the total capital requirements imposed on the Issuer or the Group from time to time may not be higher than the levels of capital available at such time. Also, there can be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Group.

The Basel III agreements provided for (i) the introduction of (i) a Liquidity Coverage Ratio or (**LCR**), which expresses the ratio between the amount of available assets readily monetizable, in order to establish and maintain a liquidity buffer which will permit the bank to survive for 30 days in the event of serious stress (as of 1 January 2018, the indicator is subject to a minimum regulatory requirement of 100 per cent.; and (ii) a Net Stable Funding Ratio (**NSFR**), with a time period of more than one year, introduced to ensure that the assets and liabilities have a sustainable expiry structure. The Commission Delegated Regulation (EU) No. 2015/61, adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015 specifies the calculation rules of the LCR, while the relevant provisions concerning NSFR are included in the amendments to the CRR comprised in the EU Banking Reform referred to below.

In November 2016, the European Commission announced a comprehensive package of reforms to amend the CRD IV Package and also the BRRD and the SRM Regulation to further strengthen the resilience of EU banks (the **EU Banking Reform**). In December 2018, the European Parliament and the Council of the European Union reached a provisional political agreement on the proposed amendments to the CRD IV, the CRR, the BRRD and the SRM Regulation comprised in the EU Banking Reform. The final text of the EU Banking Reform was published in the Official Journal of the European Union on 7 June 2019 and entered into force 20 days thereafter, on 27 June 2019.

Many of the changes to the CRR are directly applicable to the Banco BPM Group from that date, with the remainder to apply in phases beginning in December 2020. The majority of the CRD IV amendments and the amendments to the BRRD will need to be transposed into Italian law within 18 months before taking effect, while the SRM Regulation will also apply from December 2020. The EU Banking Reform includes, among other things, a binding 3% leverage ratio and a binding detailed NSFR (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. In particular, the binding 3% leverage ratio is added to the own funds requirements set forth in Article 92(1) of the CRR. The leverage ratio requirement is a parallel requirement to the risk-based own funds requirements, and will apply - from June 2021 - to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments. Institutions should be able to use any CET1 capital that they use to meet their leverage-related requirements to also meet their risk-based own funds requirements, including the combined buffer requirement.

In addition, under the new Article 92(a) to the CRR, each institution that is a G-SII is expected to be required to comply with, commencing 1 January 2022, a leverage ratio buffer requirement (equal to 50% of the G-SII buffer referred to above) above the minimum leverage ratio. Failure by a G-SII to meet this leverage ratio buffer requirement will result in application of the restrictions on distribution provisions by reference to the Leverage ratio related Maximum Distributable Amount (**L-MDA**). The EU Banking Reform furthermore

amends Article 131(5) of the CRD IV by increasing the O-SII buffer to up to 3% of the total risk exposure amount, and requires the Commission to investigate whether a leverage ratio buffer is appropriate also for O-SII. The 3% leverage ratio, the G-SII leverage ratio buffer requirement and the NSFR introduced by the EU Banking Reform are consistent with the corresponding requirements agreed upon at international level by the Basel Committee on Banking Supervision (the **Basel Committee**).

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

Moreover, 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.

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

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

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the **IOSCO Benchmark Principles**) and Regulation (EU) 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 applies 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 applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as 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 a "benchmark" index, including in any of the following circumstances:

(i) an index which is a "benchmark" could 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, increasing or affecting the volatility of the published rate or level of the relevant "benchmark", and could lead to adjustments to the terms of the Covered Bonds, including determination by the Calculation Agent of the rate or level in its discretion.

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

For example, the sustainability of the London interbank offered rate (**LIBOR**) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such "benchmarks". On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR "benchmark" after 2021 (the **FCA Announcement**). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR "benchmark" or any other "benchmark", or changes in the manner of administration of any "benchmark",

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

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Covered Bonds referencing a "benchmark".

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 taking of any action under it could materially affect the value of any Covered Bonds

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

The BRRD provides the competent authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so that it can ensure the continuity of the institution's critical financial and economic functions, whilst minimising the impact of an institution's failure on the economy and financial system.

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

The BRRD also provides for a Member State as a last resort, after having assessed and made use of the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public

equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirement of the EU state aid framework and the BRRD. In particular, a single resolution fund financed by bank contributions at a national level is being established and Regulation (EU) No. 806/2014 establishes the modalities for the use of the fund and the general criteria to determine contributions to the fund.

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

In addition to the General Bail-In Tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments at the point of non-viability and before any other resolution action is taken (**non-viability loss absorption**).

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

In the context of these resolution tools, the resolution authorities also have the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to Article 44(2) of the BRRD.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 of 16 November 2015 and 181/2015 (together, the **BRRD Decrees**), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the General Bail-In Tool, and (ii) the BRRD provides, at Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the General Bail-In Tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally.

With respect to the BRRD Decrees, Legislative Decree No. 180 of 16 November 2015 sets forth provisions regulating resolution plans, the commencement and closing of resolution procedures, the adoption of resolution measures, crisis management related to cross-border groups, powers and functions of the national resolution authority and also the regulation of the national resolution fund. On the other hand, Legislative Decree No. 181 of 16 November 2015 introduces certain amendments to the Consolidated Banking Act and the Financial Services Act, by introducing provisions regulating recovery plans, intra-group financial

support, early intervention measures and changes to creditor hierarchy. Moreover, this decree also amends certain provisions regulating the extraordinary administration procedure (*amministrazione straordinaria*), in order to make them compliant with the European regulation. The regulation on the liquidation procedures applied to banks (*liquidazione coatta amministrativa*) are also amended in compliance with the new regulatory framework and certain new market standard practices.

On 1 June 2016, the Commission Delegated Regulation (EU) No. 2016/860 of 4 February 2016 (**Delegated Regulation (EU) 2016/860**) specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of BRRD was published on the Official Journal of the European Union. In particular this regulation lays down rules specifying further the exceptional circumstances provided for in Article 44(3) of BRRD, where the resolution authority may exclude, or partially exclude, certain liabilities from the application of the write down or conversion powers where the General Bail-In Tool is applied. The Delegated Regulation (EU) No. 2016/860 entered into force on 21 June 2016.

Pursuant to Article 44 (2) of the BRRD, as implemented by Article 49 of Legislative Decree No. 180 of 16 November 2015, resolution authorities shall not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments), that exceeds the value of the assets, 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 of 16 November 2015 has amended the bail-in creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which rank *pari passu* with any unsecured liability owed to the Bondholders under the national insolvency regime currently in force in Italy, will rank higher than such unsecured liabilities in normal insolvency proceedings. Therefore, on application of the General Bail-In Tool, such creditors will be written-down/converted into equity capital instruments only after such unsecured liabilities. The safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection since, as noted above, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

Legislative Decree No. 181 of 16 November 2015 has also introduced strict limitations on the exercise of the statutory rights of set-off which are normally available under insolvency laws,

in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary.

Therefore under the BRRD the liabilities in relation to the Covered Bonds that exceed the value of the Cover Pool may be subject to write-down or conversion into equity capital instruments or any application of the General Bail-In Tool, which may result in such holders losing some or all of their investment. 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 holders of the Covered Bonds, the price or value of their investment in any Covered Bonds and/or the ability of the Issuer to satisfy its obligations under any 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 paragraph 3, let. A), which came into force on 1 July 2018. Amongst other things, the Decree amends the Consolidated Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is EUR 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

In addition to the capital requirements under the CRD IV Package, the BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the **MREL**). The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding and to ensure adequate capitalisation to continue exercising critical functions post resolution. The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not subject to supervision by the ECB) or to the Single Resolution Board (the **SRB**) (for banks subject to direct supervision of the ECB). Commission Delegated Regulation (EU) 2016/1450 supplementing the BRRD specifies the criteria which further define the way in which resolution authorities or the SRB shall calculate MREL and provides that an appropriate transitional period to reach the final MREL requirement may be determined.

The Financial Stability Board published the "Total Loss-Absorbing Capacity (TLAC) Term Sheet" on 9 November 2015, applicable to G-SIBs (referred to as G-SIIs in the European Union framework). The EU Banking Reform has introduced amendments aimed at implementing and integrating the TLAC requirements into the general MREL rules, thereby avoiding duplication from the application of two parallel requirements and ensuring that both the TLAC and MREL requirements are met with largely similar instruments. The resolution authorities will also be able, on the basis of bank-specific assessments, to require that G-SIIs comply with an institution-specific supplementary MREL requirement (a 'Pillar 2' add-on requirement).

Under the amendments to the BRRD introduced by the EU Banking Reform, where an entity fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities, resolution authorities have the power to

prohibit certain discretionary payments in excess of the Maximum Distributable Amount related to the minimum requirement for own funds eligible liabilities (the **M-MDA**). The Relevant Authority may furthermore exercise its supervisory powers under Article 104 of the CRD IV in case of breach of the minimum requirement for own funds and eligible liabilities.

The powers set out in the BRRD and the application of the MREL requirement impact the management of credit institutions and investment firms as well as, in certain circumstances, the rights of creditors, including holders of Covered Bonds issued under the Programme. The implementation of the BRRD may, therefore, have a negative effect on the Covered Bonds held by a Bondholder and on the Issuer's financial condition.

Risks related to recent and forthcoming regulatory and accounting changes

In addition to the own funds and eligible liabilities and liquidity requirements introduced by Basel III, the CRD IV, the BRRD and the EU Banking Reform, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation which entered into force on 2 July 2014 with implementation required at Member States level as from January 2018 subject to certain transitional arrangements. A new framework for European securitisation (implemented through Regulation (EU) 2017/2042 and Regulation (EU) 2017/2401) has introduced the long awaited rules for issuing simple, transparent and standardised transactions and replaced the provisions of the CRR relating to the regulatory capital treatment of securitisation exposures held by EU credit institutions and investment firms.

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

Following the publication of the EU Banking Reform proposals, on 7 December 2017, the Basel Committee endorsed the outstanding Basel III post-crisis regulatory reforms. The reforms, which include revisions to the measurement of the leverage ratio and a leverage ratio buffer for global systemically important banks (G-SIBs), which takes the form of a Tier 1 capital buffer set at 50% of a G-SIB's risk weighted capital buffer, will take effect from 1 January 2022 and will be phased in over five years. These are being introduced in the EU through the amendments to the CRR contained in the EU Banking Reform.

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

are exposed; and strengthening the conditions to use internal models to enhance consistency and risk-weight comparability across banks. The new rules include a phase-in period.

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

The Issuer is exposed to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from International Accounting Standards as endorsed and adopted in Europe). In particular, in the future the Issuer may need to revise the accounting and regulatory treatment of some existing assets, liabilities and transactions (and related income and expenses), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead to the Issuer having to restate financial data published previously.

The Banco BPM Group is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). Specifically, the Banco BPM Group, like other parties operating in the banking sector, may need to revise the accounting and regulatory treatment of certain transactions (and the related income and expense). Investors should be aware that implementation of the new accounting principles or standards and regulations (or changes thereto) may have a material adverse effect on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

VAT group

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

On 31 October 2018, the Italian Tax Authority has issued a circular letter whereby it has specified that funds, as pools of segregated assets, would be liable only for the VAT payment obligations specifically related to their assets. Nevertheless, it has not been expressly specified that the same limitation applies also to the assets held by a covered bond guarantor.

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

Risks relating to new regulatory measures on NPLs

On 14 March 2018, the European Commission (the **EC**) published certain legislative proposals aimed at addressing the issues connected with the existing stock of NPLs held by European banks – namely (i) a proposal for a Regulation (the **Proposed NPLs Regulation**) amending the CRR as regards minimum loss coverage for NPLs; (ii) a proposal for a directive on credit servicers, credit purchasers and the recovery of collateral; and (iii) a blueprint on asset management companies, accompanying the EC's "Second Progress Report" on NPLs. On 18 December 2018, the co-legislators reached a provisional agreement which resulted in a final compromise text of the Proposed NPLs Regulation that has introduced several significant modifications to the original proposal. In particular, the distinction between exposures classified as non- performing because the obligor is past due more than 90 days or if it is non-performing for other triggers contained in the original proposal has been removed. In addition, write-offs and forbearance measures will also be taken into account when calculating the specific credit risk adjustments and when applying the relevant coverage factor.

In parallel with the above proposals, on 15 March 2018 the ECB issued an addendum, "Addendum to the Guidance on non-performing loans" (the **ECB Addendum**) to its "Guidance to banks on NPLs of March 2017" (the **NPLs Guidance**). The ECB Addendum details the ECB supervisory expectations as regards the minimum levels of NPLs provisioning by significant credit institutions. These Guidelines (based on a Pillar 2 approach, to be incorporated into SREP decisions) are to be applied to all new non performing exposures (i.e. Past Due, Unlikely to pay, Bad Loans) classified as such since 1 April 2018. The ECB Addendum sets out an expectation that, as of 1 April 2018, new unsecured NPLs must be fully covered after a period of two years from the date of their classification as NPLs. For example, the supervisor would expect a loan that is classified as an unsecured NPL on 1 May 2018 to be fully provisioned for by May 2020. For new secured NPLs, a certain level of provisioning is expected after three years of classification as an NPL, or "NPL vintage, which then increases over time until year seven. In this case, if a secured loan was classified as an NPL on 1 May 2018, the supervisor would expect these NPLs to be at least 40 per cent. provisioned for by May 2021, and totally provisioned by May 2025. The potential gap between the coverage envisaged by the new rules and the provisions applied at the reference date can be addressed through a Core Tier 1 deduction or an increase of provisions. While the goals pursued by the ECB under the ECB Addendum are the same as those underlying the Proposed NPLs Regulation, there are some significant differences between the EC and ECB measures on NPLs.

The Proposed NPLs Regulation will impose a "Pillar 1" minimum regulatory backstop for the provisioning of NPLs by EU banks. The minimum provisioning level is calculated by multiplying the value of the relevant NPLs within the portfolio by the factors indicated in the Proposed NPLs Regulation, which differ depending on (i) the number of years after the date on which the exposure was classified as non-performing, and (ii) whether the NPL is classified as "secured" or "unsecured" exposure (and if secured, whether the exposure is secured by immovable collateral or residential loan guaranteed by an eligible protection provider or is secured by other funded or unfunded credit protection) in accordance with the criteria set forth in the Proposed NPLs Regulation. In particular, under the Proposed NPLs Regulation the Issuer will be required to apply a minimum provisioning level for NPLs equal

to 100% after ten years (in case of exposures secured by immovable assets or residential loan) eight years (in case of exposures secured by other funded or unfunded credit protection) or four years (in case of unsecured exposures) from the date when the exposure was classified as non-performing. If the aggregate amount of provisions and other eligible items is lower than such minimum provisioning level, any shortfall (so-called "insufficient coverage amount") shall be fully deducted from CET1 items.

The statutory prudential backstop to be introduced under the Proposed NPLs Regulation shall only apply to exposures originated after the date of entry into force of the regulation and not to prior legacy exposures. However, the Proposed NPLs Regulation specifies that where the terms and conditions of an exposure which was incurred prior to the date of entry into force of the regulation are modified by the institution in a way that increases the institution's exposure to the obligor, the exposure shall be considered as having been incurred on the date of the modification so that such exposure becomes subject to the new regime including the statutory prudential backstop.

While the Proposed NPLs Regulation is aimed at introducing common provisioning requirements applying to credit institutions established in all EU Member States, the ECB Addendum specifies the ECB's (non-binding) supervisory expectations for significant credit institutions directly supervised by the ECB under the SSM. These supervisory expectations apply to all exposures classified as non-performing after 1 April 2018. However, the compliance with such supervisory expectations will be assessed by the ECB only from the 2021 SREP process.

Even though the calibration criteria used under the ECB Addendum to determine the expected minimum provisioning level are similar to those provided under the Proposed NPLs Regulation, the quantitative expectations set out under the ECB Addendum are higher than those provided in the Proposed NPLs Regulation. In particular, under the ECB Addendum significant banks are expected to cover 100% of the amount of NPLs that are secured after seven years of the date when such exposure was classified as non-performing by the relevant bank.

The ECB reserves the right to discuss on a case-by-case basis any divergences from the prudential provisioning expectations outlined in the ECB Addendum in the context of the SREP. Each bank shall inform its joint supervisory team (**JST**) on the coverage levels. The JST will assess any differences between coverage levels and supervisory expectations through off-site activities, on-site examinations or both. The outcome of the supervisory assessment will be taken into account in the SREP. The ECB will consider specific circumstances which may make the prudential provisioning expectations inappropriate for a specific portfolio or exposure. If, after giving due consideration to such specific circumstances, the ECB is of the view that the prudential provisions do not adequately cover the expected credit risk, supervisory measures under the Pillar 2 framework might be adopted.

At the date of this Prospectus there is no clarity on when the Proposed NPLs Regulation will be finally approved and whether the proposed legislative measures will be enacted in their current form. However, the introduction of a minimum statutory backstop for prudential provisioning on NPLs could require the Issuer to increase its coverage ratios on newly originated NPLs. The same outcomes may derive from the satisfaction of the quantitative expectations set out in the ECB Addendum. This may cause adverse effects on the business, financial condition and results of operation of the Issuer and/or of the Banco BPM Group.

Large exposures as defined under EU regulations

The Issuer faces risks as a result of its large exposures to a single client or group of connected clients, and under the CRR, it is required to monitor and report the number of such exposures without reference to risk weighting, including inter-Group counterparties, having a nominal amount equal to or greater than 10 per cent. of own funds. "Exposures" means the sum of balance-sheet risk assets and off-balance sheet transactions (excluding those deducted from capital for regulatory purposes) in relation to a customer or group of related customers without the application of weighting factors. These reporting criteria result in the inclusion, in the financial statement reporting large risks, of those entities (with a weighting of 0 per cent.) that have an unweighted exposure equal to or greater than 10 per cent. of eligible capital for the purposes of large risks.

Covered Bond Legislative Package

In March 2018, the European Commission proposed a dedicated EU legal and regulatory framework for covered bonds, consisting of a directive and a regulation (the **Covered Bond Legislative Package**).

More in particular, the directive is aimed at providing a common definition of covered bonds, defining the structural features of the instrument and identifying the assets that can be considered eligible in the pool backing the debt obligations. The directive is also aimed at establishing a special public supervision for covered bonds and setting out the rules allowing the use of the 'European Covered Bonds' label. The regulation is aimed at amending the CRR with the purpose of strengthening the conditions for granting preferential capital treatment to covered bonds, by adding further requirements.

On 18 April 2019, the European Parliament adopted and endorsed the Covered Bond Legislative Package. However, the vote of the European Parliament remained provisional as it had not been translated into all languages of the European Union ahead of the vote. The final text will be officially approved in the first plenary meeting of the new mandate of the European Parliament, most probably in July 2019, and will then have to be followed by a technical vote in the Council.

As a consequence of the above, the publication of the Covered Bond Legislative Package in the Official Gazette of the European Union will most probably be postponed and the official entry into force of the Covered Bond Legislative Package will likely not occur before October 2019 – twenty days after the relevant publication. The Member States will then have 18 months after the entry into force to transpose the directive into national law (indicatively, within April 2021), and the transposed law and the regulation will be applied throughout the European Union within the following 12 months.

As the national law transposing the directive and the regulation will be applied throughout the European Union starting from, indicatively, April 2022, the impact of the application of such provisions, albeit relevant, cannot be predicted by the Issuer as at the date of this Base Prospectus.

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.

Mortgage borrower protection

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

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

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

- the right of first home-owners to suspend instalment payments under mortgage loans up to a maximum of two times and for a maximum aggregate period of 18 months (Italian Law No. 244 of 24 December 2007, the **2008 Budget Law**);

- the right (i) to suspend the payments of instalments in respect of the principal of mortgage loans granted to small and medium enterprises for a period of 12 months or the right to extend the relevant maturity date; (ii) to suspend the payment of principal instalments of leasing transactions for a period of 12 or 6 months; (iii) to extend the loan maturity up to l00% of the residual amortisation period, but not exceeding 3 years for unsecured loans (*mutui chirografari*), and 4 years for mortgage loans (*mutui ipotecari*); (iv) to extend the loan maturity up to 270 days, for bank loans granted against assignment of receivables (*anticipazioni bancarie su crediti*) in respect of which one or more payments are delinquent (conventions between ABI and the Ministry of Economic and Finance of 3 August 2009, 28 February 2012, 21 December 2012, 1 July 2013 and 31 March 2015, in force until 31 July 2018, the **PMI Moratorium**);

- the right to suspend the payment of principal instalments relating to mortgage loans for a 12 months period, where requested by the relevant Debtor during the period from 1 June 2015 to 31 July 2018 (Convention between ABI and the consumers' associations stipulated on 31 March 2015, the ***Credito Famiglie***);

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

- for certain municipalities of the Emilia-Romagna region affected by earthquake events as of 20 and 29 May 2012 and some floodings, the right of suspension up to 31 December 2015 of the payments of both principal and interest instalments, or principal instalments only, due under loan facilities from banks and other financial intermediaries, in favour of persons carrying out a business or commercial activity in buildings, totally or partially destroyed or unusable, located in such municipalities (Law Decree n. 4 of 28 January 2014, as converted into Law n. 50 of 28 March 2014, as amended by Law Decree n. 74 of 12 May 2014);

- for the municipalities of Grosseto, Livorno, Massa Carrara, Pisa and Lucca affected by adverse weather conditions from 11 to 14 October 2014 and from 5 to 7 November 2014, the right of suspension up to 31 December 2015 of the payments of both principal and interest instalments, or principal instalments only, due under loan facilities from banks and other financial intermediaries, in favour of persons carrying out a business or commercial activity in buildings, totally or partially destroyed or unusable, located in such municipalities (Order n. 215 of 24 December 2014);

- for the municipalities of Firenze, Arezzo, Lucca, Massa Carrara, Prato and Pistoia affected by adverse weather conditions on 5 March 2015, the right of suspension up to the end of the emergency period declared by the government (26 October 2015) of the payments of both principal and interest instalments, or principal instalments only, due under loan facilities from banks and other financial intermediaries, in favour of persons carrying out a business or commercial activity in buildings, totally or partially destroyed or unusable, located in such municipalities (Order n. 255 of 25 May 2015).

- automatic suspension of instalment payments of mortgages and loans, up to 31 December 2016, to residents, both individuals and businesses, in 62 municipalities affected by the earthquake and listed in the relevant decree (law decree number 189 of October 2016, the **Decree 189**);

- extension of suspension of instalment payments as per Decree 189 to further municipalities, up to 31 December 2016 (Council of Ministers Order of 15 November 2016, published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 283 of 3 December 2016, the (**Order 283**). Considering the shortness of such suspensions provided under Decree 189 and Order 283, the Bank has suspended the relevant payments free of charge;

- automatic suspension of instalment payments of mortgages and loans, up to 31 December 2017, to residents, both individuals and businesses, in certain municipalities affected by the earthquake and listed in the relevant decree (law decree number 244 of 30 December 2016, the **Decreto Milleproroghe**). In relation to individuals the *Decreto Milleproroghe* provide first home-owners with the right to suspend instalment payments under mortgage loans up to 30 December 2017 in case of damages which do not permit access thereto. In relation to businesses, the *Decreto*

Milleproroghe provide with the automatic suspension of instalment payments under mortgage loans up to 30 December 2017 only to certain municipalities listed therein;

- the right to suspend instalment payments relating to mortgage loans in case of (i) damages which do not permit access to the relevant building, (ii) commercial businesses located in the relevant municipalities up to a maximum period corresponding to the state of emergency as per Council of Ministers Order dated 20 September 2017 and declaration of up to 180 days state of emergency caused by exceptional weather conditions in Livorno, Rosignano Marittimo e Collesalvetti (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 226 of 27 September 2017 (**Order 226**);

- the right to suspend instalment payments relating to mortgage loans in case of (i) damages which do not permit access to the relevant building, (ii) commercial businesses located in the relevant municipalities up to a maximum period corresponding to the state of emergency as per Council of Ministers Order dated 8 September 2017 and declaration of up to 180 days state of emergency caused by a hearthquake in the Ischia Island (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 218 of 18 September 2017 (**Order 218**).

This legislation may have an adverse effect on the Cover Pool and, in particular, on any cash flow projections concerning the Cover Pool as well as on the over-collateralisation required in order to maintain the then current ratings of the Covered Bonds. However, the Asset Coverage Test has been structured in such a way to assign a zero weight to any Renegotiated Loan; therefore, to the extent that any Renegotiated Loan included in the Cover Pool may lead to a breach of Tests, the Issuer will be required to sell to the Guarantor subsequent portfolios of Eligible Asset and/or Top-Up Assets in accordance with the Cover Pool Management Agreement and the Master Assets Purchase Agreement in order to remedy such breach. However upon occurrence of an Issuer Event of Default a massive number of Renegotiated Loans may adversely affect the cashflows deriving from the Cover Pool and as a consequence the repayment of the Covered Bonds.

Law No. 3 of 27 January 2012

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

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

(i) the setting of the recovery plan;

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

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

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

Reduced interest rate margin

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

Investment Considerations relating to the Guarantor

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

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

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

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

Limited resources available to the Guarantor

Following the occurrence of an Issuer Event of Default and service of an Issuer Default Notice on the Issuer and on the Guarantor, all amounts payable under the Covered Bonds will

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

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

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

Reliance of the Guarantor on third parties

The Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Guarantor. In particular, but without limitation, each of the Servicer and the Sub-Servicer(s) has been appointed to service Receivables in the Portfolios sold to the Guarantor and the Calculation Agent has been appointed to calculate and monitor compliance with the Mandatory Tests, the Amortisation Test and the Asset Coverage Test and to provide cash management services to the Guarantor. In the event that any of these parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Cover Pool or any part thereof or pending such realization (if the Cover Pool or any part thereof cannot be sold) the ability of the Guarantor to make payments under the Guarantee may be affected. For instance, if the Servicer or the Sub-Servicer(s) has failed to administer the Mortgage Loans adequately, this may lead to higher incidences of non-payment or default by Borrowers. The Guarantor is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Guarantee, as described in the following two investment considerations.

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

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

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

Reliance on Swap Providers

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

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

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

If the Guarantor is obliged to pay a termination payment under any Swap Agreement, such termination payment will rank ahead of amounts due on the Covered Bonds (in respect of the Covered Pool Swap) and with amounts due under the Guarantee (in respect of the Interest

Rate Swap). Accordingly, the obligation to pay a termination payment may adversely affect the ability of the Guarantor to meet its obligations under the Covered Bonds or the Guarantee.

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

Limited description of the Cover Pool

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

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

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

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

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

Maintenance of the Cover Pool

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

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

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

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

Prior to the delivery of an Issuer Default Notice and subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer on 31 August 2015 concerning, *inter alia*, (i) the compliance with the issuing criteria set out in the Bank of Italy Regulations in respect of the issuance of covered bonds; (ii) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Substitution Assets included in the Cover Pool; (iii) the arithmetical accuracy of the calculations performed by the Issuer in respect of the Mandatory Tests and the compliance with the limits set out in Decree No. 310 with respect to covered bonds issued and the Eligible Assets and Substitution Assets included in the Cover Pool as determined in the Mandatory Test; (iv) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310 and the Bank of Italy Regulations; (v) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme, and (vi) the completeness, truthfulness and timely delivery of the information provided to investrors pursuant to article 129, paragraph 7, of the Regulation (EU) No. 575/2013 of the European Parliament and of

the Council of the European Union of 26 June 2013. In addition, the Asset Monitor will, pursuant to the terms of the Asset Monitor Agreement, (a) prior to the delivery of an Issuer Default Notice, verify on behalf of the Issuer, on a semi-annual basis or more frequently upon downgrading of the Issuer below Ba3 by Moody's, the calculations performed by the Calculation Agent in respect of the Asset Coverage Test; and (b) following the delivery of an Issuer Default Notice, verify, on behalf of the Guarantor, the calculations performed by the Calculation Agent in respect of the Mandatory Tests on a semi-annual basis and more frequently in certain circumstances and in respect of the Amortisation Test on a monthly basis. See further "*Description of the Transaction Documents – Asset Monitor Agreement*".

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

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

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

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

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

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

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

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

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

- default by Borrowers in the payment of amounts due on their Mortgage Loans;
- changes to the lending criteria of the Issuer;
- set-off risks in relation to some types of Mortgage Loans in the Cover Pool;
- limited recourse to the Guarantor;
- possible regulatory changes by the Bank of Italy, CONSOB and other regulatory authorities;
- timing of a relevant sale of assets; and
- regulations in Italy that could lead to some terms of the Mortgage Loans being unenforceable.

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

Value of the Cover Pool

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

Limits to the Integration

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

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

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

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

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

Clawback of the sales of the Receivables

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

Default by borrowers in paying amounts due on their Mortgage Loans

Borrowers may default on their obligations due under the Mortgage Loans for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in borrowers' individual, personal or financial circumstances may affect the ability of borrowers to repay the Mortgage Loans.

Loss of earnings, illness, divorce and other similar factors may lead to an increase in default by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Mortgage Loans. In addition, the ability of a borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

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

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

Insurance coverage

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

Changes to the lending criteria of the Sellers

Each of the Mortgage Loans originated by the Sellers will have been originated in accordance with its lending criteria at the time of origination. Each of the Mortgage Loans sold to the Guarantor by the Sellers, but originated by a person other than the Sellers (a **Third Party Originator**), will have been originated in accordance with the lending criteria of such Third Party Originator at the time of origination. It is expected that the Sellers' or the relevant Third Party Originator's, as the case may be, lending criteria will generally consider type of property, term of loan, age of applicant, the loan-to-value ratio, mortgage indemnity guarantee policies, high loan-to-value fees, status of applicants and credit history. In the event of the sale or transfer of any Mortgage Loans to the Guarantor, each of the Sellers will warrant that (a) such Mortgage Loans as were originated by it were originated in accordance with the Sellers' lending criteria applicable at the time of origination and (b) such Mortgage Loans as were originated by a Third Party Originator, were originated in accordance with the relevant Third Party Originator's lending criteria applicable at the time of origination. The Seller retains the right to revise its lending criteria from time to time subject to the terms of

the relevant Master Receivables Purchase Agreements. Other Third Party Originators may additionally revise their lending criteria at any time. However, if such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans, that may lead to increased defaults by Borrowers and may affect the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Guarantee. However, Defaulted Receivables in the Cover Pool will be given a zero weighting for the purposes of the calculation of the Mandatory Tests, the Amortisation Test and the Asset Coverage Test.

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

The assignment of receivables under the Securitisation and Covered Bonds Law is governed by article 58, paragraph 2, 3 and 4, of the Consolidated Banking Act. According to such provision, such assignment becomes enforceable against the relevant debtors as of the later of (i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), and (ii) the date of registration of the notice of assignment in the local Companies' Registry. Consequently, the rights of the Guarantor may be subject to the direct rights of the Borrowers against the Seller including rights of set-off on claims arising prior to notification in the Official Gazette and registration at the Local Companies' Registry. The notification in the Official Gazette and the registration at the local Companies' Registry are not capable for such assignment to become enforceable against Debtors which are not resident in Italy. In this respect it should be noted that, under the Master Receivables Purchase Agreements, BPM has undertaken to take any step in order to have the assignment of the Receivables *vis-à-vis* Debtors which are not resident in Italy enforceable pursuant to the laws of the relevant jurisdiction. In addition, it should be noted that the Cover Pool may include a maximum of 2% of Debtors who are not resident in Italy.

The exercise of set-off rights by Borrowers may adversely affect any sale proceeds of the Cover Pool and, ultimately, the ability of the Guarantor to make payments under the Guarantee.

Usury Law

The interest payments and other remuneration paid by the Borrowers under the Mortgage Loans are subject to Italian law No. 108 of 7 March 1996 (as amended from time to time, the **Usury Law**), which introduced legislation preventing lenders from applying interest rates equal to, or higher than, rates (the **Usury Rates**) set every three months on the basis of a decree issued by the Italian Treasury (the last such decree having been issued on 27 June 2018). In addition, even where the applicable Usury Rates are not exceeded, interest and other benefits and/or remuneration may be held to be usurious if: (a) they are disproportionate to the amount lent (taking into account the specific situations of the transaction and the average rate usually applied for similar transactions); and (b) the person who paid or agreed to pay them was in financial and economic difficulties. The provision of usurious interest, benefits or remuneration has the same consequences as non-compliance with the Usury Rates. In certain judgements issued during 2000, the Italian Supreme Court (Corte di

Cassazione) ruled that the Usury Law applied both to loans advanced prior to and after the entry into force of the Usury Law.

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

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

According to recent court precedents, the remuneration of any given financing must be below the applicable Usury Rates from time to time applicable. Based on this recent evolution of case law on the matter, it might constitute a breach of the Usury Regulations if the remuneration of a financing is lower than the applicable Usury Rates at the time the terms of the financing were agreed but becomes higher than the applicable Usury Rates at any point in time thereafter (see, for instance, *Cassazione* 11 January 2013 No. 603). However, it is worth mentioning that, by more recent decisions, the Italian Supreme Court has clearly stated that, in order to establish if the interest rate exceeds the Usury Rate, it has to be considered the interest rate agreed between the parties at the time of the signing of the financing agreement, regardless of the time of the payment of such interest (see, for instance, *Cassazione* 27 September 2013, No. 22204; *Cassazione* 25 September 2013, No. 21885; Cassazione 19 October 2017, No. 24675).

Recently, the Italian Supreme Court (*Corte di Cassazione*), under decision No. 350/2013, as recently confirmed by decision number 23192/17, has clarified, for the first time, that the default interest is relevant for the purposes of determining if an interest rate is usurious. That interpretation is in contradiction with the current methodology for determining the Usury Rates, considering that the relevant surveys aimed at calculating the applicable average rate never took into account the default interest rates. In addition, the Italian Supreme Court, under decision No. 602/2013, has held that, with regard to loans granted before the entry into force of Usury Law, an automatic reduction of the applicable interest rate to the Usury Rates applicable from time to time shall apply.

Compounding of interest (Anatocismo)

Pursuant to article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable may be capitalised after a period of not less than six months only (a) under an agreement subsequent to such accrual or (b) from the date when any legal proceedings are commenced

in respect of that monetary claim or receivable. Article 1283 of the Italian civil code allows derogation from this provision in the event that there are recognised customary practices (*usi*) to the contrary.

Banks and financial companies in the Republic of Italy have traditionally capitalised accrued interest on a quarterly basis on the grounds that such practice could be characterised as a customary practice (*uso normativo*). However, a number of recent judgments from Italian courts (including judgments from the Italian Supreme Court (*Corte di Cassazione*) No. 2374/99, No. 2593/2003, No. 21095/2004, No. 4094/2005 and No. 10127/2005) have held that such practices are not *uso normativo*. Consequently, if customers of the relevant 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 (**Decree No. 342**), enacted by the Italian Government under a delegation granted pursuant to law No. 142 of 19 February 1992, has considered the capitalisation of accrued interest (anatocismo) made by banks prior to the date on which it came into force (19 October 1999) to be valid. After such date, the capitalisation of accrued interest is no longer possible upon the terms established by a resolution of the Interministerial Credit & Saving Committee (**CICR** or ***Comitato Interministeriale per il Credito e il Risparmio***) issued on 22 February 2000. Decree No. 342 has been challenged and decision No. 425 of 17 October 2000 of the Italian Constitutional Court has declared as unconstitutional under the provisions of Decree No. 342 regarding the validity of the capitalisation of accrued interest made by banks prior to the date on which Decree No. 342 came into force.

As a consequence thereof, to the extent the Seller(s) were to capitalise interests in violation of the principle stated by article 1283 of the Italian civil code, a Debtor could challenge such practice and this could have a negative effect on the returns generated from the contracts.

Recently, article 31 of Law Decree *Competitività* (as defined below), has amended article 120, paragraph 2, of the Consolidated Banking Act by providing that interest shall not accrue on capitalised interests. In addition, on 8 August 2016, the decree no. 343 of 3 August 2016 issued by the Minister of Economy and Finance, in his quality of President of the CICR, implementing article 120, paragraph 2, of the Banking Law, has been published.

However, prospective bondholders should note that under the terms of the Warranty and Indemnity Agreement, the Seller has represented that the Mortgage Loan Agreements have been executed and performed in compliance with the provisions of article 1283 of the Italian civil code and has furthermore undertaken to indemnify the Issuer from and against all damages, loss, claims, liabilities, costs and expenses incurred by it arising from the non-compliance of the terms and conditions of any Mortgage Loan Agreement with the Italian law provisions concerning the capitalisation of accrued interest.

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.

Consumer Credit Legislation

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

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

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

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

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

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

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

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

Mortgage Credit Directive

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

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

The Mortgage Credit Directive came into effect on 20 March 2014 and was required to be implemented in Member States by 21 March 2016. On 1 June 2015, in accordance with Article 18, Article 20(1) and Article 28 of the Mortgage Credit Directive, the EBA published its final Guidelines on creditworthiness assessment, as well as its final Guidelines on arrears and foreclosure, that support the national implementation by Member States of the Mortgage Credit Directive.

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

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

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

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

proceeds deriving from the sale of such real estate asset is lower than the remaining amount due by the borrower under the loan agreement.

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

On 29 September 2016, the Ministry of Economy and Finance – Chairman of CICR – issued decree no. 380 (the **Decree 380**) which implemented Chapter 1-bis of Title VI of the Consolidated Banking Act, with the view to creating a transparent and efficient market for consumer mortgage credit and providing an adequate level of protection to consumers. Further to Decree 380, on 30 September 2016, the Bank of Italy has published an amended version of its regulations on transparency of banking and financial operations (*Trasparenza delle operazioni e dei servizi bancari e finanziari. Correttezza delle relazioni tra intermediari e clienti*).

Given the novelty of this new legislation and the absence of any jurisprudential interpretation, no assurance can be given that the Mortgage Legislative Decree will not adversely affect the ability of the Guarantor to make payments under the Guarantee.

General Investment Considerations

Issuer liable to make payments when due on the Covered Bonds

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

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

Obligations under the Covered Bonds

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

of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

Bondholders are bound by Extraordinary Resolutions and Programme Resolution

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

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

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

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

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

authorities and discretions, the Representative of the Bondholders may not act on behalf of the Sellers.

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

Change of counterparties

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

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

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

Extendable obligations under the Guarantee

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

To the extent that the Guarantor has received an Issuer Default Notice in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Guarantee Priority of Payments and as described in Conditions 8

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

Limited secondary market

There is, at present, a secondary market for the Covered Bonds but it is neither active nor liquid, and there can be no assurance that an active or liquid secondary market for the Covered Bonds will develop. The Covered Bonds have not been, and will not be, offered to any persons or entities in the United States of America or registered under any securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under "Subscription and Sale". If an active or liquid secondary market develops, it may not continue for the life of the Covered Bonds or it may not provide Bondholders with liquidity of investment with the result that a Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Bondholder to realise a desired yield.

Ratings of the Covered Bonds

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

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

Moody's is established in the EEA and is registered under Regulation 1060/2009/EC (as amended, the **CRA Regulation**). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the Regulation) unless the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. (Please refer to the ESMA webpage

http://www.esma.europa.eu/page/List-registered-and-certified-CRAs in order to consult the updated list of registered credit rating agencies).

Market declines and volatility

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

Covered Bonds issued under the Programme

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

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

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

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

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

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

Legal investment considerations may restrict certain investments

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

Changes in law

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

Securitisation and Covered Bonds Law

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

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

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

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

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

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

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

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

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

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.

Priority of Payments

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

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

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

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

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

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

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

Potential conflicts of interest

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

Covered Bonds subject to optional redemption by the Issuer

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

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

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

Zero Coupon Covered Bonds

The Issuer may issue Covered Bonds bearing no interest, which may be offered and sold at a discount to their nominal amount.

Amortising Covered Bonds

The Issuer may issue amortising Covered Bonds with a predefined, prescheduled amortisation schedule where, alongside interest, the Issuer will pay, at each Interest Payment Date specified in the relevant Final Terms, a portion of principal until maturity.

Redemption for tax reasons

In the event that the Issuer were obliged to increase the amounts payable in respect of any Covered Bonds due to any withholding or deduction for or on account of, any present or

future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (as referred to in Condition 10 (*Taxation*)), as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (including any treaty to which the Tax Jurisdiction is a party) or any change in the application or official or generally published interpretation of such laws or regulations (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Covered Bonds and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all outstanding Coverd Bonds in accordance with the Terms and Conditions. In such circumstances, the price of the Covered Bonds may be adversely impacted and an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Covered Bonds.

Fixed/Floating Rate Covered Bonds

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

Interest rate risks

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

Floating rate risks

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

Covered Bonds issued at a substantial discount or premium

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

Green Covered Bonds, Social Covered Bonds and Sustainability Covered Bonds

In respect of any Covered Bond issued with a specific use of proceeds, such as a "Green Covered Bond", "Social Covered Bond" and "Sustainable Covered Bond", there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.

The applicable Final Terms relating to any specific Series or Tranche may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Covered Bonds specifically for projects and activities that promote climate-friendly and other environmental purposes (**Green Projects**) and / or that promote access to labour market and accomplishment of general interest initiatives (**Social Projects**) and/or to finance or re-finance a combination of both Green and Social Projects (**Sustainability Covered Bonds**). Prospective investors should have regard to the information in the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Covered Bonds together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer or the Dealers that the use of such proceeds for any Green Projects and for any Social Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of, or related to, the relevant Green Projects or the relevant Social Projects).Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Projects or any Social Projects will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects and any Social Projects. As at the date of this Prospectus, the Issuer has not published a framework relating to an investment in Green Projects and in Social Projects although the Issuer intends to publish such framework prior to the issuance of any Covered Bonds which specify that the relevant proceeds will be used for Green Projects and for Social Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Covered Bonds and in particular with any Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Covered Bonds. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Covered Bonds. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Covered Bonds are listed or admitted to trading on any dedicated "green", "social", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the

Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects and to any Social Projects.

Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Covered Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of the Covered Bonds.

While it is the intention of the Issuer to apply the proceeds of any Covered Bonds so specified for Green Projects and/or Social Projects in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Projects and any Social Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally disbursed for the specified Green Projects and for the specified Social Projects. Nor can there be any assurance that such Green Projects or such Social Projects, will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure by the Issuer will not constitute an Issuer Event of Default under the Covered Bonds. Any such event or failure to apply the proceeds of any issue of Covered Bonds for any Green Projects and for any Social Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying, in whole or in part, with any matters for which such opinion or certification is opining or certifying on and/or any such Covered Bonds no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Covered Bonds and also potentially the value of any other Covered Bonds which are intended to finance Green Projects and to finance Social Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease; (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds, and (3) the Investor's Currency-equivalent market value of the Covered Bonds.

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

SUPPLEMENTS, FINAL TERMS AND FURTHER PROSPECTUSES

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

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

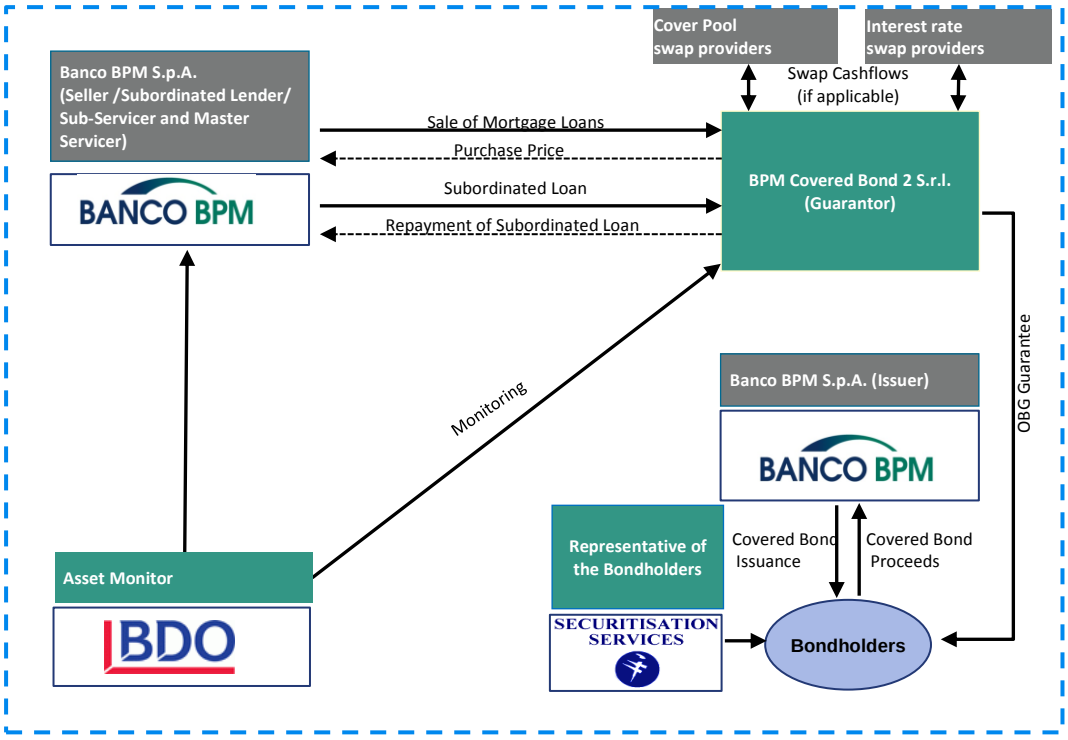
The terms and conditions applicable to any particular Tranche of Covered Bonds will be the conditions set out in the section entitled "Terms and Conditions of the Covered Bonds", as amended and/or replaced to the extent described in the Drawdown Prospectus or completed in the relevant Final Terms. In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

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

STRUCTURE OVERVIEW

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

Structure Diagram



Structure Overview

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

- *Subordinated Loan Agreement*: Under the terms of the Subordinated Loan Agreement, the Seller will grant to the Guarantor term loan facilities in an aggregate amount equal to the Total Commitment, for the purposes of funding the payments described in the paragraph headed "*The proceeds of Term Loans*" below. Prior to service of an Issuer Default Notice each Term Loan will be repaid by the Guarantor on each Guarantor Payment Date, according to the Pre-Issuer Default Principal Priority of Payments within the limits of the Guarantor Available Funds. Following the service of an Issuer Default Notice, the Term Loans shall be repaid within the limits of the Guarantor Available Funds subject to the repayment in full (or, prior to the service of a Guarantor Default Notice, the accumulation of funds sufficient for the

purpose of such repayment) of all Covered Bonds. Each Term Loan that has been repaid pursuant to the terms of the Subordinated Loan Agreement will be available for redrawing during the Availability Period within the limits of the Total Commitment. Payments by the Issuer of amounts due under the Covered Bonds are not conditional upon receipt by the Issuer of payments from the Guarantor pursuant to the relevant Subordinated Loan Agreement. Amounts owed by the Guarantor under the Subordinated Loan Agreement will be subordinated to amounts owed by the Guarantor under the Guarantee.

- *The proceeds of Term Loans*: The Guarantor will use the proceeds of the Term Loans received under the Subordinated Loan Agreements (a) to fund the payment of the purchase price of the Eligible Assets and/or (b) to purchase Substitution Assets, in each case in accordance with the terms of the Master Receivables Purchase Agreement and the Cover Pool Management Agreement.

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

- *Guarantor*: the Guarantor is a corporate entity belonging to the Banco BPM Group. The authorised and issued quota capital of the Guarantor is €10,000.00 and 20 per cent is held by Stitching Bapoburg and 80 per cent by Banco BPM. The Guarantor has issued no voting securities other than such quotas. For further details, see section "*The Guarantor*" below;

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

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

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

  After the occurrence of a Segregation Event payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Default Notice has been served

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

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

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

- *Mandatory Tests*: The Programme provides that the assets of the Guarantor are subject to certain tests intended to ensure that the Guarantor can meet its obligations under the Guarantee as set out under Article 3 of Decree No. 310 and to demonstrate their capacity to produce funds to service any payments due and payable under the Covered Bonds upon enforcement of the Guarantee. Accordingly, for so long as any Covered Bonds remain outstanding, the Issuer must always ensure that the following tests are satisfied on each Calculation Date:

  (a) *Nominal Value Test*: the aggregate outstanding principal balance of the Eligible Cover Pool shall be higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date, provided that, prior to the delivery of an Issuer Default Notice, such test will always be deemed met to the extent that the Asset Coverage Test (as defined below) is met as of the relevant Calculation Date;

  (b) *Net Present Value Test*: the Net Present Value Test is intended to ensure that the net present value of the Eligible Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected to be borne or due with

respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date;

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

For a more detailed description, see section "*Credit Structure - Tests*" below.

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

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

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

within the limit of the Guarantor Available Funds. Interest will continue to accrue on any unpaid amount during such extended period and be payable on each Guarantor Payment Date up to the Extended Maturity Date in accordance with Condition 8 (*Redemption and Purchase*).

- *Servicing*: Pursuant to the Master Servicing Agreement: (i) the Guarantor has appointed the Master Servicer to carry out the administration, management and collection activities and to act as "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento*" pursuant to article 2, sub paragraph 3, of the Securitisation and Covered Bond Law in relation to the Cover Pool, and (ii) in case of accession of Additional Sellers to the Programme, the Master Servicer will delegate, as the case may be, to the Additional Seller, in its capacity as Sub-Servicer, responsibility for carrying out on behalf of the Guarantor the management, administration, collection and recovery activities with respect to the Receivables transferred by the Additional Seller to the Guarantor and to carry out certain monitoring and reporting activities with respect to the Receivables transferred by the Additional Seller to the Guarantor.

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

GENERAL DESCRIPTION OF THE PROGRAMME

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

PARTIES

Issuer	**Banco BPM S.p.A.**, a bank incorporated in Italy as a *società per azioni*, having its registered office at Piazza F. Meda, 4, Milan, Italy, registered with the Companies' Register of Milan under number 09722490969 and with the register of banking groups held by the Bank of Italy "*Codice meccanografico*" 5034 under number 8065, authorised to carry out business in Italy pursuant to the Consolidated Banking Act (**Banco BPM** or the **Issuer**). For a more detailed description of the Issuer, see section "*Business Description of Banco BPM Società per Azioni*".
Guarantor	**BPM Covered Bond 2 S.r.l.**, a company incorporated in Italy as a *società a responsabilità limitata* pursuant to the Securitisation and Covered Bonds Law, with a share capital equal to Euro 10.000,00, having its registered office in Via Eleonora Duse 53, 00197 – Rome, enrolled with the Companies' Register of Rome under number 13317131004, enrolled with the register held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act (the **Guarantor**). For a more detailed description of the Guarantor, see "*The Guarantor*".
Seller	**Banco BPM S.p.A.**, a bank incorporated in Italy as a *società per azioni*, having its registered office at Piazza F. Meda, 4, Milan, Italy, registered with the Companies' Register of Milan under number 09722490969 and with the register of banking groups held by the Bank of Italy "*Codice meccanografico*" 5034 under number 8065, authorised to carry out business in Italy pursuant to the Consolidated Banking Act.
Additional Seller(s)	any bank (other than Banco BPM) which is a member of the Banco BPM Group that wishes to sell Eligible Assets to the Guarantor, subject to satisfaction of certain conditions (which shall include a prior written notice to the Rating Agency), and which, for such purpose, shall enter into, *inter alia*, a master receivables purchase agreement with the Guarantor, on substantially the same terms and conditions of the Master

PARTIES

	Receivables Purchase Agreements.
Arranger	**Barclays Bank PLC**, acting through its investment bank divisions with office at 5, The North Colonnade Canary Wharf, London E14 4BB, United Kingdom and any other entity appointed as an arranger for the Programme, save that in the event of the exit by the United Kingdom from the European Union, (i) **Barclays Bank PLC** shall automatically cease to be appointed as Arranger, and (ii) **Barclays Bank Ireland PLC** shall be appointed as Arranger, in each case with effect from the Withdrawal Date.
Dealer(s)	**Banca Akros S.p.A.**, **Barclays Bank PLC** and **Barclays Bank Ireland PLC** and any other dealer appointed from time to time in accordance with the Programme Agreement, which appointment may be for the issue of a specific Series of Covered Bonds or on an ongoing basis.
Master Servicer	Pursuant to the terms of the Master Servicing Agreement, Banco BPM will act as Master Servicer. For a more detailed description of Banco BPM, see section "*The Issuer*".
Sub-Servicers	**Banco BPM S.p.A.** and each Additional Seller who will accede to the Master Servicing Agreement and will act as Sub-Servicer in relation to the relevant Portfolio.
Subordinated Lender	**Banco BPM S.p.A.** and each Additional Seller, in its capacity as subordinated lender pursuant to the relevant Subordinated Loan Agreement.
Investment Manager	Pursuant to the Cash Allocation, Management and Payment Agreement, Banco BPM has been appointed as Investment Manager. For a more detailed description of Banco BPM, see section "*The Issuer*".
Calculation Agent	Pursuant to the Cash Allocation, Management and Payment Agreement, Banco BPM has been appointed as Calculation Agent. For a more detailed description of Banco BPM, see section "*The Issuer*".
Representative of the Bondholders	**Securitisation Services S.p.A.**, a company incorporated under the laws of the Republic of Italy, with fully paid-up share capital of €2,000,000.00, having its registered office at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy, fiscal code and enrolment in the companies' register of Treviso number 03546510268, currently registered under number 50 on the register held by the Bank of Italy pursuant to Article 106, subject to the activity of direction and coordination (*soggetta all'attività di direzione e coordinamento*) pursuant to Article

	2497 of the Italian Civil Code of Banca Finanziaria Internazionale S.p.A., part of the "Gruppo Banca Finanziaria Internazionale".
Asset Monitor	A reputable firm of independent accountants and auditors will be appointed as Asset Monitor pursuant to a mandate granted by the Issuer and the Asset Monitor Agreement, as an independent monitor to perform tests and procedures including those in accordance with the applicable legal regulations. The initial Asset Monitor will be BDO Italia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi, 94 - 20131 Milano, Italy, share capital of Euro 1,000,000, of which paid Euro 1,000,000, fiscal code and enrolment with the companies register of Milan No. 07722780967, R.E.A. 1977842 and enrolled under No. 167911 with the special register of accounting firms held by the *Commissione Nazionale per le Società e la Borsa* pursuant to article 161 of the Financial Laws Consolidation Act.
Account Bank	**BNP Paribas Securities Services**, a bank organised and incorporated under the laws of the Republic of France as a *société en commandite par actions*, having its registered office at 3 Rue d'Antin, 75002 Paris, France, acting through its Milan Branch, with offices in Piazza Lina Bo Bardi, 3 – 20124 Milano, Italy, with capital stock of Euro 182,839,216, fiscal code, VAT number and enrolment with the company register of Milan n. 13449250151, registered with the roll of banks held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act at n. 5483 will act as Account Bank pursuant to the Cash Allocation, Management and Payment Agreement (**BNP**).
Luxembourg Listing and Paying Agent	**BNP Paribas Securities Services, Luxembourg Branch**.
Principal Paying Agent	**BNP** will act as Principal Paying Agent, pursuant to the terms of the Cash Allocation Management and Payment Agreement.
Back-up Account Bank	**Banco BPM** will act as Back-up Account Bank pursuant to the terms of the Cash Allocation, Management and Payment Agreement.
Interest Swap Provider(s)	One or more suitably rated entities as may be appointed for each Series or Tranche of Covered Bonds.
Cover Pool Swap Providers	One or more suitably rated entities as may be appointed to hedge possible variances between the rates of interest payable on the Mortgage Loans and EURIBOR.

PARTIES

Guarantor Corporate Servicer	**KPMG Fides Servizi di Amministrazione S.p.A.**, a company incorporated under the laws of Italy, having its registered office at via Vittor Pisani 27, Milan, Italy, acting through its branch in Rome, at Via Eleonora Duse 53, Rome, Italy, has been appointed as Guarantor Corporate Servicer pursuant to the Corporate Services Agreement.
Guarantor Quotaholders	**Stichting Bapoburg**, a company incorporated under the laws of the Netherlands, having its registered office in Hoogoorddreef 15, The Netherlands, holding 20% of the Guarantor's quotas, and Banco BPM, holding 80% of the Guarantor's quotas, are the quotaholders of the Guarantor.

THE PROGRAMME

Programme description	A covered bond issuance programme under which Covered Bonds (*Obbligazioni Bancarie Garantite*) will be issued by the Issuer to Bondholders and guaranteed by the Guarantor under the Guarantee.
Programme Limit	The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed €10,000,000,000 (or its equivalent in other currencies to be calculated as described in the Programme Agreement). The Issuer may however increase the aggregate nominal amount of the Programme in accordance with the Programme Agreement.

THE COVERED BONDS

Form of Covered Bonds	The Covered Bonds will be issued in bearer and dematerialised form or in any other form as set out in the relevant Conditions and/or Final Terms. The Covered Bonds issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli account holders and title thereto will be evidenced by book entries. Monte Titoli will act as depository for Euroclear and Clearstream. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.
Denomination of Covered Bonds	The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealers in accordance with the Conditions and specified in the relevant Final Terms save that the minimum denomination of each Covered Bond will be Euro 100,000 or such other amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

PARTIES

Status of the Covered Bonds	The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a winding-up, liquidation, dissolution or bankruptcy of the Issuer, any funds realised and payable to the Bondholders will be collected by the Guarantor on their behalf.
Specified Currency	Covered Bonds will be issued, subject to any applicable legal or regulatory restrictions, in such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms).
Maturities	The Covered Bonds will have such Maturity Date as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Redemption	The applicable Final Terms relating to each Series of Covered Bonds will indicate either that the Covered Bonds of such Series of Covered Bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following a Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer or at the option of the Bondholders on a date or dates specified prior to the specified Maturity Date and at a price and on other terms as may be agreed between the Issuer and the Dealer(s) (as set out in the applicable Final Terms). For further details, see Condition 8 (*Redemption and Purchase*). For the avoidance of doubt any reference in this Prospectus to such Condition 8 (*Redemption and Purchase*) shall be read as a redemption at 100 per cent of the aggregate principal amount of the Covered Bonds.
Extended Maturity Date	The applicable Final Terms relating to each Series of Covered Bonds issued may indicate that the Guarantor's obligations under the Guarantee to pay Guaranteed Amounts equal to the final redemption amount of the applicable Series of Covered Bonds on their Maturity Date may be deferred until the Extended Maturity Date. Where such Extended Maturity Date

	is provided for in the Final Terms, the deferral will occur automatically if the Issuer fails to pay in full the final redemption amount on the Maturity Date for such Series of Covered Bonds and if the Guarantor does not pay the final redemption amount in respect of the relevant Series of Covered Bonds (for example, because the Guarantor has insufficient funds after making other payments ranking higher in accordance with the Guarantee Priority of Payments) by the Extension Determination Date. Interest will continue to accrue and be payable on the unpaid amount up to the Extended Maturity Date. If the term of the Covered Bond is extended, the Extended Maturity Date shall be the date falling one calendar year after the relevant Maturity Date and the Guarantor will make payments of Guaranteed Amounts on each relevant Guarantor Payment Date until the Extended Maturity Date. For further details, see Condition 8 (*Redemption and Purchase*).
Issue Price	Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid (as set out in the relevant Final Terms).
Interest	Covered Bonds may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or zero coupon and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms). Interest on Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s).
Fixed Rate Covered Bonds	Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
Floating Rate Covered Bonds	Floating Rate Covered Bonds will bear interest at a rate determined: on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency

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

PARTIES

	For further details, see Condition 11 (*Segregation Event and Events of Default*).
Notice to the Rating Agency	The issue of certain types of Covered Bonds (including Zero Coupon Covered Bonds or Covered Bonds whose Final Terms do not provide for an Extended Maturity Date) in each case as specified in the applicable Final Terms as well as the sale of any Subsequent Portfolio which has characteristics and/or features that differ materially from the characteristics and/or features of the Initial Portfolio, including any Subsequent Portfolio which comprises loans originated by entities different from Banco BPM, shall be subject to prior notice to the Rating Agency.
Listing and admission to trading	Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list and to trading on the Regulated Market of the Luxembourg Stock Exchange. The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.
Ratings	Each Series of Covered Bond may or may not be assigned a rating by one or more Rating Agencies, as set out in the relevant Final Terms. If the Covered Bonds issued under the Programme may be assigned a rating, the credit rating applied for in relation to the Covered Bonds will be issued by credit rating agencies established in the EEA and registered under Regulation (EU) No 1060/2009 (as amended from time to time, the **CRA Regulation**).
	Moody's is a rating agencies established in the EEA and registered under the CRA Regulation.
Governing Law	The Covered Bonds will be governed by Italian law or by any other law as set out in the relevant Conditions and/or Final Terms. The Transaction Documents will be governed by Italian law, except for the Deed of Charge (if any) and the Swap Agreements (if any), which will be governed by English law.

Breach of Tests

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

Segregation Events

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

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

In such case:

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

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

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

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

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor will sell the Eligible

Assets and the Substitution Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the rights of pre-emption in favour of the relevant Seller in respect of such Eligible Assets and Substitution Assets pursuant to the relevant Master Receivables Purchase Agreement and the Cover Pool Management Agreement.

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

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

Issuer Events of Default

An Issuer Event of Default will occur if:

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

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

(iii) a default is made in the performance by the Issuer of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series and/or any obligation to ensure compliance of the Cover Pool with the Tests) under the provisions of the Covered Bonds of any Series or any other Transaction Document to which the Issuer is a party which, unless certified by the Representative of the Bondholders, in

its sole opinion, to be incapable of remedy shall continue for more than 30 days or such longer period as the Representative of the Bondholders may permit, after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Issuer by the Representative of the Bondholders, or

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

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

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

Upon the service of an Issuer Default Notice:

(a) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that such events shall not trigger an acceleration against the Guarantor;

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

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

(d) the Amortisation Test shall be applied in addition to the Mandatory Tests;

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

provided that, in case of the Issuer Event of Default referred to under point (v) above, the effects listed in items from (a) to (e) above will only apply for as long as the suspension of

payments will be in force and effect and accordingly (A) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the suspension period and (B) at the end of the suspension period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer).

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

Guarantor Event of Default

A Guarantor Event of Default will occur if:

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

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

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

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

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

PARTIES

After the delivery of a Guarantor Default Notice, all Series of Covered Bonds then outstanding will become immediately due and payable by the Guarantor at their Early Termination Amount together with any accrued interest and will rank *pari passu* among themselves in accordance with the Post-enforcement Priority of Payments. For the avoidance of doubt if a Guarantor Event of Default ever occurs with respect to a Series only, each other Series of Covered Bonds will cross accelerate at the same time against the Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves.

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

THE TESTS

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

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

THE GUARANTOR AND THE GUARANTEE

Guarantee

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

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

Cover Pool

The Guarantee will be backed by the Cover Pool constituted by (i) the Portfolios comprised of Receivables and related collateral assigned to the Guarantor by the Seller (and/or any Additional Seller(s), if any, as the case may be), in accordance with the terms of the Master Receivables Purchase Agreements

and (ii) any other Eligible Assets and Substitution Assets held by the Guarantor with respect to the Covered Bonds and the proceeds thereof which will, *inter alia*, comprise the funds generated by the Eligible Assets and the Substitution Assets including, without limitation, funds generated by the sale of assets from the Cover Pool and funds paid in the context of a liquidation of the Issuer.

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

Limited recourse

The obligations of the Guarantor to the Bondholders and, in general, to the Seller (and/or any Additional Seller(s), if any) and other creditors will be limited recourse obligations of the Guarantor. The Bondholders, the Seller (and /or any Additional Seller(s), if any) and such other creditors will have a claim against the Guarantor only to the extent of the Guarantor Available Funds subject to the relevant Priorities of Payments, in each case subject to, and as provided for in, the Guarantee and the other Transaction Documents.

Term Loans

The Seller (and each Additional Seller(s) (if any)) will grant to the Guarantor a Term Loan for the purposes of (a) funding the purchase (in full or in part) from the Seller (and any Additional Seller(s), if any) of Subsequent Portfolios in order to collateralise new Series of Covered Bonds to be issued under the Programme and/or (b) funding the purchase of Substitution Assets and/or other Eligible Assets in order to remedy a breach of the Tests or of the representations and warranties provided by the Seller (and any Additional Seller(s), if any). Should a Term Loan be advanced for the purpose of purchasing Eligible Assets to serve the Cover Pool for a future issuance of a Corresponding Series of Covered Bonds, upon the issuance of the relevant corresponding Series of Covered Bonds (the **Conversion Date**), such Term Loan shall be converted into a Converted Loan. Starting from the Conversion Date, (i) the Converted Loan shall accrue interest on its principal amount outstanding at a rate equal to the interest accruing on the corresponding Series of Covered Bonds and the interest periods applicable to such Converted Loan will match the Interest Periods applicable to the corresponding Series of Covered Bonds. The Guarantor will pay interest on each Converted Loan and/or Premium in respect of each Term Loan but will have no liability to gross up for withholding Taxes. Payments from the Guarantor to the Seller (and each Additional Seller(s), if any) under the Term Loans and the Converted Loans will be limited recourse and subordinated and paid in accordance with the Priorities of Payments to the extent the Guarantor has available funds, provided that any extra available fund will be used to repay the Term Loans.

	For further details, see "*Description of the Transaction Documents – Subordinated Loan Agreement*".
Excess Assets and support for further issues	Any Eligible Assets and Substitution Assets forming part of the Cover Pool which are in excess of the value of the Eligible Assets and Substitution Assets required to satisfy the Tests may be (i) purchased by the Seller (or the relevant Additional Seller(s), if any) in accordance with the provisions of the Cover Pool Management Agreement and the relevant Master Receivables Purchase Agreement or (ii) applied to acquire further Eligible Assets and Substitution Assets so as to support the issue of new Series of Covered Bonds and ensure compliance with such Tests, or (iii) retained in the Cover Pool. Provided that in each case any such disposal or purchase shall occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310 and no disposal under item (i) above may occur if it would cause the Tests to be breached. For further details, see "*Description of the Transaction Documents - The Cover Pool Management Agreement*".
Segregation of Guarantor's rights and collateral	The Covered Bonds benefit from the provisions of Article 7-*bis* of the Securitisation and Covered Bonds Law, pursuant to which the Cover Pool is segregated by operation of law from the Guarantor's other assets. In accordance with Article 7-*bis* of the Securitisation and Covered Bonds Law, prior to and following a winding up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Guarantee to be called, proceeds of the Cover Pool paid to the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to the Bondholders, to the Swap Providers under the Swap Agreements (if any) and to any other creditors exclusively in satisfaction of the transaction costs of the Programme. The Cover Pool may not be seized or attached in any form by creditors of the Guarantor other than the entities referred to above, until full discharge by the Guarantor of its payment obligations under the Guarantee or cancellation thereof.
Cross-collateralisation	Each Eligible Asset and Substitution Asset transferred from the Sellers to the Guarantor or otherwise acquired by the Guarantor will from time to time form the collateral supporting

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

respect of any loss, liability, claim, expense or damage suffered or incurred by any holder of the Covered Bonds or by any Other Guarantor Creditor as a result of the performance of its duties save where such loss, liability, claim, expense or damage is suffered or incurred as a result of gross negligence (*colpa grave*), wilful default (*dolo*) or fraud (*frode*) of the Representative of the Bondholders.

SALE AND DISTRIBUTION

Distribution

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

Each Series of Covered Bonds issued will be denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply and will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. There are restrictions on the offer, sale and transfer of Covered Bonds in the United States, the European Economic Area (including the United Kingdom and the Republic of Italy) and in Japan. Other restrictions may apply in connection with the offering and sale of a particular Series of Covered Bonds. For further details, see section "*Subscription and Sale*" below.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2017 (the **2017 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A.;

(b) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2018 (the **2018 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A.;

(c) the press release issued on 6 February 2019 on the audited consolidated financial statements of Banco BPM as at and for the year ended 31 December 2018 (the **6 February 2019 Press Release**);

(d) the press release issued on 8 May 2019 on the unaudited consolidated financial statements of Banco BPM as at and for the three months ended 31 March 2019 (the **8 May 2019 Press Release**); and

(e) the non consolidated annual financial statements of the Guarantor as at and for the years ended 31 December 2017 and 31 December 2018;

(f) the auditor's reports, in their entirety, in respect of the Guarantor's annual financial statements for the years ended 31 December 2017 and 31 December 2018; and

(g) the articles of association (*statuto*) of the Issuer (incorporated for information purposes),

and, in the case of the documents listed under (a) and (b), together with the audit reports prepared in connection therewith. Any statement contained in this Prospectus or in a document which is incorporated by reference herein (including without limitation the documents listed under (a) to (b)) shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer, and from the principal office in Luxembourg of BNP Paribas Securities Services, Luxembourg Branch (the **Luxembourg Listing Agent**) for the time being in Luxembourg and will also be published on the Luxembourg Stock Exchange's web site (*http://www.bourse.lu*).

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

The tables below set out the relevant page references for (i) the notes and the auditor's report in respect of each of the 2017 Annual Financial Statements and the 2018 Annual Financial Statements; and (ii) the notes and the auditor's report in respect of each of the annual financial statements of the Guarantor as at and for the year ended 31 December 2017 and 31 December 2018.

Cross Reference List

(a) Banco BPM S.p.A.

Document	Information incorporated	Page numbers
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2017	Consolidated financial statements:	
	Balance sheet	153
	Income statement	154
	Statement of comprehensive income	155
	Statement of changes in shareholders' equity	156-157
	Cashflow statement	158-159
	Explanatory notes	161-451
	Report of the independent auditors	137-149
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2018	Significant Events During the Financial Year	29-34
	Consolidated financial statements:	
	Report of the independent auditors	137-150
	Balance sheet	152-153
	Income statement	154
	Statement of comprehensive income	155
	Statement of changes in shareholders' equity	156-157
	Cashflow statement	158-160
	Explanatory notes	161-492
The 6 February 2019 Press Release	Entire document	*Entire document*
The 8 May 2019 Press Release	Entire document	*Entire document*
The articles of association (*statuto*) of the Issuer	Entire document	*Entire document*

(b) BPM Covered Bond 2 S.r.l.

Document	Information incorporated	Page numbers
BPM Covered Bond 2 S.r.l. audited non consolidated annual financial statements as at and for the financial year ended 31	Balance sheet	21
	Income statement	21
	Statement of comprehensive income	22
	Statement of changes in quotaholders'	22-23

Document	Information incorporated	Page numbers
December 2017	*equity*	
	Statement of cash flows	24
	Explanatory notes	25-101
	Report of independent auditors	*Entire and separate document*
BPM Covered Bond 2 S.r.l. audited non consolidated annual financial statements as at and for the financial year ended 31 December 2018	*Statement of financial position*	22
	Income statement	23
	Statement of comprehensive income	23
	Statement of changes in quotaholders' equity	24
	Statement of cash flows	25
	Notes to the Financial Statements	27-121
	Report of independent auditors	*Entire and separate document*

The information incorporated by reference that is not included in the cross-reference lists above is considered additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 (as amended).

TERMS AND CONDITIONS OF THE COVERED BONDS

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

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

1. Introduction

Programme: Banco BPM (formerly Banca Popolare di Milano S.c. a r.l.) (the **Issuer**) has established a covered bond programme (the **Programme**) for the issuance of up to €10,000,000,000 in aggregate principal amount of covered bonds (*obbligazioni bancarie garantite*) (the **Covered Bonds**) guaranteed by BPM Covered Bond 2 S.r.l. (the **Guarantor**). The Covered Bonds are issued pursuant to: (i) Article 7-*bis* of Law No. 130 of 30 April 1999 (as amended, the **Securitisation and Covered Bonds Law**), (ii) the Ministerial Decree No. 310 of the Ministry for the Economy and Finance of 14 December 2006 (the **Decree No. 310**) and (iii) the regulation of the Bank of Italy of 17 May 2007, as subsequently amended on 24 March 2010 (the **Bank of Italy Regulations**).

Final Terms: Covered Bonds are issued in series (each a **Series**) and each Series may comprise one or more tranches of Covered Bonds (each a **Tranche**). Each Tranche is the subject of final terms (the **Final Terms**) which complete these terms and conditions (the **Conditions**). The terms and conditions applicable to any particular Tranche of Covered Bonds are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

Guarantee: Each Series of Covered Bonds is the subject of a guarantee dated 31 August 2015 (the **Guarantee**) entered into between the Guarantor and the Representative of the Bondholders for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series issued under the Programme. The Guarantee will be backed by the Cover Pool (as defined below). The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments.

Programme Agreement and Subscription Agreement: The Issuer and the Dealer(s) have agreed that any Covered Bonds of any Tranche which may be agreed, from time to time, between the Issuer and the Dealer(s) to be issued by the Issuer and subscribed for by the relevant Dealer(s). Each Tranche shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or to be made or given pursuant to the terms of a programme agreement (the **Programme Agreement**) entered into between the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s). In relation to each Tranche of Covered Bonds the Issuer and the relevant Dealer(s) has entered into a subscription agreement on or about the date of the relevant Final Terms (the **Subscription Agreement**). According to the terms of the Programme Agreement, the Issuer has the faculty to nominate any institution as a new Dealer or in respect of the Programme or only in relation to a particular Tranche of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

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

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

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

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

Summaries: Some provisions of these Conditions are summaries across the Transaction Documents and remain subject to the more detailed provisions provided thereon. Bondholders are entitled to, are bound by and are deemed to have notice of any of the provision of any Transaction Document which is applicable to them. During normal business hours Bondholders can inspect copies of the Transaction Documents at the registered office of the Representative of the Bondholders and, where applicable, at the Specified Office(s) of the Paying Agents.

2. **Interpretation**

(a) Definitions

In these Conditions the following expressions have the following meanings:

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

Account Bank means BNP Paribas Securities Services, Milan Branch or any other entity acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement.

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

Account Bank Report Date means the date falling two Business Days prior to each Calculation Date.

Account Bank Report means the report produced by the Account Bank pursuant to the Cash Allocation, Management and Payment Agreement.

Account Mandates means the resolutions, instructions and signatures authorities relating to each of the Accounts.

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

Accrual Yield has the meaning given in the relevant Final Terms.

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

Additional Criteria means, with respect to the Initial Portfolio, the criteria listed in schedule 2 to the relevant Master Receivables Purchase Agreement and with respect to any Subsequent Portfolios, the criteria listed in schedule 3 to the relevant Master Receivables Purchase Agreement.

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

Additional Seller means any additional seller which may from time to time enter into the Programme.

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

Adjustment Purchase Price means the adjusted purchase price payable under clause 5.3 if the Master Receivables Purchase Agreement.

Arranger means Barclays Bank PLC and any other entity appointed as an arranger for the Programme, save that in the event of the exit by the United Kingdom from the European Union, (i) Barclays Bank PLC shall automatically cease to be appointed as Arranger, and (ii) Barclays Bank Ireland PLC shall be appointed as Arranger, in each case with effect from the Withdrawal Date and references in the Programme Documents to the Arranger following the Withdrawal Date shall be construed accordingly.

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

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

Affected Receivables has the meaning specified in clause 8.1 of the Warranty and Indemnity Agreement.

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

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

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

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

Asset Monitor Agreement means the asset monitor agreement entered into on 31 August 2015 between, *inter alios*, the Asset Monitor and the Issuer.

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

Availability Period means the period from the date of execution of the Subordinated Loan Agreement to the Programme Maturity Date (or the Extended Programme Maturity Date, as the case may be).

Back-up Account Bank means Banco BPM or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payment Agreement.

Back-up Servicer means any back-up servicer which may be appointed pursuant to the terms of the Master Servicing Agreement.

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

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

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

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

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

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

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

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

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

Broken Amount(s) means the amount set out in the relevant Final Terms.

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

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

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

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

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

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

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

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

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

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

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

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

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

Calculation Period means the period from one Calculation Date (included) to the next Calculation Date (excluded).

Call Option has the meaning given in the Condition 8(d).

Cash Allocation, Management and Payment Agreement means the Cash Allocation, Management and Payment Agreement entered into on 31 August 2015 between the Issuer, the Guarantor, the Master Servicer, the Seller, the Account Bank, the Collection Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders.

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

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

Collateral Account has the meaning set out in Clause 7.3 of the Intercreditor Agreement.

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

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

Collection Account means the euro denominated account established in the name of the Guarantor with the Collection Account Bank number 83300 (IBAN: IT04O0558401600000000083300), or such other substitute or additional accounts, as may be opened in accordance with the Cash Allocation, Management and Payment Agreement, and the **Collection Accounts** means all of them.

Collection Period means each quarterly period, commencing on (and including) the first calendar day of each of January, April, July, October and ending on (and including) the last calendar day of March, June, September and December, in the case of the first Collection Period, commencing on (and excluding) the Valuation Date and ending on (and including) the last calendar day of the month preceding the first Guarantor Payment Date.

Collections means all amounts received or recovered by the Master Servicer and/or any Sub-Servicer in respect of the Receivables.

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

Conditions means the Terms and Conditions of the Covered Bonds and **Condition** means a condition of thereof.

CONSOB means Commissione Nazionale per le Società e la Borsa.

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

Converted Loan means a loan (i) originally granted as a Term Loan advanced for the purpose of financing (in whole or in part) the purchase of Eligible Assets to be used as collateral for the issuance of a Series of Covered Bonds, whose interest and redemption profile changes in accordance with Clause 7.5 of the Subordinated Loan Agreement upon issuance of the relevant Corresponding Series of Covered Bonds.

Corporate Services Agreement means the agreement entered into on 26 August 2015 between the Guarantor and the Guarantor Corporate Servicer pursuant to which the Guarantor Corporate Servicer will provide certain administration services to the Guarantor.

Corresponding Series of Covered Bonds means, in respect of a Converted Loan, the Series of Covered Bonds issued pursuant to the Programme and notified by the Subordinated Lender to the Guarantor in the Term Loan Conversion Notice.

Covered Bonds means each series of covered bonds (*obbligazioni bancarie garantite*) issued or to be issued by the Issuer pursuant to the terms and subject to the conditions of the Programme Agreement.

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

Cover Pool Swap Agreement means the swap agreement that the Guarantor and the Cover Pool Swap Provider may enter into from time to time in respect of the Cover Pool.

Cover Pool Management Agreement means the agreement entered into on 31 August 2015 between the Issuer, the Guarantor, the Calculation Agent and the Representative of the Bondholders.

Credit and Collection Policy means the procedures for the management, collection and recovery of Receivables attached as schedule 1 to the Master Servicing Agreement.

Criteria means, collectively, the Common Criteria, the Additional Criteria (as listed, respectively, in schedules 1, 2 and 3 to the Master Receivables Purchase Agreement) and any Further Criteria determined pursuant to the terms of the Master Receivables Purchase Agreements.

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

D_{196} is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

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

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

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

where:

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

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

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

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

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

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of

February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

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

Dealer means each of Barclays Bank PLC, Barclays Bank Ireland PLC and Banca Akros S.p.A. – Gruppo Banco BPM and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 6 (*Form of Dealer Accession Letter*) of the Programme Agreement and excludes any entity whose appointment has been terminated pursuant to Clause 14 of the Programme Agreement, save that in the event of the exit by the United Kingdom from the European Union, Barclays Bank PLC shall automatically be deemed to have its appointment terminated pursuant to the provisions of Clause 14.2 of the Programme Agreement with effect from the Withdrawal Date and references in the Programme Documents to the Dealers following the Withdrawal Date shall be construed accordingly.

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

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

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

Deed of Charge means the English law deed of charge to be entered upon execution by the Guarantor of any Swap Agreement between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors) and/or each supplemental deed entered into pursuant thereto.

Defaulted Receivable means any Receivable arising from Mortgage Loans included in the Portfolio having at least (i) one annual Instalment which is past due and unpaid for more than 180 days, (ii) two semi-annual Instalments which are past due and unpaid, (iii) three quarterly Instalments which are past due and unpaid, or (iv) seven monthly Instalments which are past due and unpaid.

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

Delinquent Receivable means any Receivable arising from Mortgage Loans included in the Portfolio having (a) at least (i) one annual Instalment which is past due and unpaid for more than 90 days, (ii) one semi-annual Instalment which is past due and unpaid for more than 90 days, (iii) two quarterly Instalments which are past due and unpaid, and/or (iv) four monthly Instalments which are past due and unpaid.

Distressed Receivables means, any Receivable arising from Mortgage Loans included in the Portfolio, in relation to which the relevant Debtor is deemed to be in a state of permanent distress in accordance with the Master Servicer's internal policy, even if such permanent distress is not judicially ascertained.

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

Drawdown Date means the date on which a Term Loan is advanced under the Subordinated Loan Agreements during the Availability Period and that corresponds to:

(a) in respect of the Initial Portfolio and any Subsequent Portfolio, the date on which the relevant purchase price has to be paid to Banco BPM S.p.A., as the case may be, by the Guarantor pursuant to the terms of the Master Receivables Purchase Agreement; and

(b) in respect of the Substitution Assets, the date on which the purchase price for the Substitution Assets has to be paid to the relevant Seller by the Guarantor pursuant to the terms of the Cover Pool Management Agreement and the Master Receivables Purchase Agreement.

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

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

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

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

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

Early Redemption Date means, as applicable, the Optional Redemption Date (Call), the Optional Redemption Date (Put) or the date on which any Series of Covered Bonds is to be redeemed pursuant to Condition 8(c) (*Redemption for tax reasons*).

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

Effective Date means the date on which, respectively, the Master Receivables Purchase Agreement, the Master Servicing Agreement, the Warranty and Indemnity Agreement and the Subordinated Loan Agreement have been entered into.

Eligible Assets means the Receivables arising from the Residential Mortgage Loans.

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

Eligible Institution means any depository institution organised under the laws of any state which is a member of the European Union, Switzerland or of the United States, (I) whose short-term unsecured, unsubordinated and unguaranteed debt obligations of which are rated at least "P-3" by Moody's (or any other rating level from time to time provided for in the Rating Agency's criteria) and whose long term unsecured, unsubordinated and unguaranteed debt obligations of which are rated at least "Ba3" by Moody's (or any other rating level from time to time provided for in the Rating Agency's criteria), or (II) whose obligations are guaranteed by an entity whose short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "P-3" by Moody's (or any other rating level from time to time provided for in the Rating Agency's criteria), and whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "Baa3" by Moody's (or any other rating level from time to time provided for in the Rating Agency's criteria).

Eligible Investment Date means any Business Date on which the Eligible Investments are made.

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

Eligible Investment means (i) any Euro denominated security rated at least "Baa3" and/or "P-3" by Moody's, where they have a maturity of up to 30 calendar days or, if greater than 30 calendar days, which may be liquidated without loss within 30 days of a downgrade below "P-3" by Moody's, and/or (ii) any Euro denominated security rated at least "Baa2" and/or "P-2" by Moody's, where they have a maturity of greater than 30 and up to 90 calendar days or, if greater than 90 calendar days, which may be liquidated without loss within 90 days of a downgrade below "P-3" by Moody's, and/or (iii) any Euro denominated security rated at least "A3" and/or "P-1" by Moody's, where they have a maturity of greater than 90 and up to 180 calendar days or, if greater than 180 calendar days, which may be liquidated without loss within 180

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

EU Directive on the Reorganisation and Winding up of Credit Institutions means Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions.

EU Insolvency Regulation means Council Regulation (EC) No. 1346/2000 of 29 May 2000 and the Recast EU Insolvency Regulation 2015/848/EU.

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

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

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

Euro, **€** and **EUR** refer to the single currency of member states of the European Union which adopt the single currency introduced in accordance with the treaty establishing the European Community.

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

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

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

Excess Receivables means any Receivables forming part of the Cover Pool which arise from Mortgage Loans that are in excess of the value of the Mortgage Loans required to satisfy the Asset Coverage Tests.

Excluded Group means the Issuer, any affiliate of the Issuer, the Guarantor, any controlled affiliate of the Guarantor and references to a "member of the Excluded Group" shall mean any one of them.

Expenses Account means the euro denominated account established in the name of the Guarantor with the Collection Account Bank number 83344 (IBAN: IT21A0558401600000000083344), or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

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

Expiry Date means the date falling two years and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their terms and conditions.

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

Extended Programme Maturity Date means the date falling one year after the Programme Maturity Date.

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

Extraordinary Resolution has the meaning set out in the Rules.

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

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

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

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

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

First Series of Covered Bonds means the first Series of Covered Bonds issued by the Issuer in the context of the Programme on 14 September 2015.

Fixed Coupon Amount has the meaning given 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 Condition 5 (*Fixed Rate Provisions*).

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

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

FSMA means the Financial Services and Markets Act 2000.

Further Criteria means the criteria identified in accordance with Clause 2.4.3. of the Master Receivables Purchase Agreements.

Guarantee means the guarantee issued on 31 August 2015 by the Guarantor for the benefit of the Beneficiaries.

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

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

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

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

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

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

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

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

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

Guarantor Payment Date means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 18th day of each of January, April, July and October or, if such day is not a Business Day, the immediately following Business Day, with the first Guarantor Payment Date being 18 October 2015; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

Guarantor means BPM Covered Bond 2 S.r.l., a company incorporated in Italy as a *società a responsabilità limitata* pursuant to the Securitisation and Covered Bonds Law, with a share capital equal to Euro 10.000,00, having its registered office in Via Eleonora Duse 53, 00197 – Rome, enrolled with the Companies' Register of Rome under number 13317131004, enrolled with the register held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

Individual Purchase Price means (i) the most recent book value (*ultimo valore di iscrizione in bilancio*) of the relevant Receivable, minus all principal Collections received by the relevant Seller (from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione in bilancio*) is calculated (included) to the relevant Valuation Date (excluded)) and increased of any Accrued Interest on such Receivables as at the relevant Transfer Date; or, at the option of the relevant Seller (ii) such other value, as indicated by the relevant Seller in the Transfer Notice, as will allow the Seller to consider each duty or tax due as if the relevant Receivables had not been transferred for the purpose of article 7-*bis*, sub-paragraph 7, of the Securitisation and Covered Bond Law and in relation to which an auditing firm has certified that from their verifications there is no reason to believe that the criteria applied to calculate the purchase price of the relevant Receivables are different from those applicable to the relevant Seller in the preparation of its financial statements.

Initial Portfolio Purchase Price means the consideration paid by the Guarantor to the Seller for the transfer of the Initial Portfolio, calculated in accordance with clause 4.1 of the Master Receivables Purchase Agreement.

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

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

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

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

(c) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to Article 74 of the Consolidated Banking Act); or

(d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2484 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or

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

(f) such company, entity or corporation becomes subject to any proceedings resulting from the implementation of directive 2014/59/UE of the European Parliament and of the Council of 15 May 2014 establishing a framework for

the recovery and resolution of credit institutions and investment firms (the **Bank Recovery and Resolution Directive**).

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

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

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

Intercreditor Agreement means the agreement entered into on 31 August 2015 between the Guarantor and the Other Guarantor Creditors.

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

Interest Available Funds means in respect of any Guarantor Payment Date, the aggregate of, without double counting:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest Determination Cut-off Date means the date which falls fifteen (15) calendar days before the end of the Interest Period relating to the Interest Determination Date in respect of which the provisions of paragraphs (iv)(aa) to (iv)(cc) of Condition 6(d) shall be applied by the Issuer;

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

Interest Instalment means the interest component of each Instalment.

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

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

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

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

Interest Rate Swap Agreement means each interest rate swap agreement that may be entered into between the Guarantor and an Interest Rate Swap Provider in the context of the Programme.

Interest Rate Swap Provider means any entity acting as an interest rate swap provider pursuant to an Interest Rate Swap Agreement.

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

Investment Manager Report means the report produced by the Investment Manager pursuant to the Cash Allocation, Management and Payments Agreement.

Investment Manager means Banco BPM or any other entity acting as such pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

ISDA Definitions means the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.

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

Issue Date means each date on which a Series of Covered Bonds is issued as set out in the relevant Final Terms.

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

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

Issuer means Banco BPM.

Latest Valuation means, at any time with respect to any Real Estate Asset, the value given to the relevant Real Estate Asset by the most recent valuation (to be performed

in accordance with the requirements provided for under the Prudential Regulations) addressed to the relevant Seller or obtained from an independently maintained valuation model, acceptable to reasonable and prudent institutional mortgage lenders in Italy.

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

Loan Event of Default means the event specified as such in Clause 9 (*Loan Event of Default*) of the Subordinated Loan Agreement.

Loan Interest Period means, in relation to a Term Loan, each period determined in accordance with Clause 6.2 of the Subordinated Loan Agreement.

Luxembourg Listing and Paying Agent means BNP Paribas Securities Services, Luxembourg Branch or any other entity from time to time acting in such capacity.

Mandate Agreement means the mandate agreement entered into on or about 31 August 2015 between the Representative of the Bondholders and the Guarantor.

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

Margin has the meaning given in the relevant Final Terms.

Market Value means the arithmetic mean between the value at which the Covered Bonds are being traded on the relevant regulated market and the average value of trading of such Covered Bonds in the preceding calendar month.

Master Definitions Agreement means this Agreement.

Master Receivables Purchase Agreement means any master receivables purchase agreement entered into between the Guarantor and a Seller, including the master receivables purchase agreement entered into between Banco BPM S.p.A. (formerly Banca Popolare di Milano S.c. a r.l.) and the Guarantor on 26 August 2015.

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

Master Servicer's Reports means the Quarterly Master Servicer's Reports.

Master Servicing Agreement means the servicing agreement entered into on 26 August 2015 between the Guarantor and the Master Servicer.

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

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

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

Meeting has the meaning set out in the Rules.

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

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

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

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

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

Moody's means Moody's Frances SAS.

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

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

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

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

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

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

Non Performing Receivables: means any Receivable (including, for the avoidance of doubts, any Defaulted Receivables and/or Distressed Receivables) 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 a state of permanent distress and handled by the Servicer's Office Litigation.

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

Offer Date means, with respect to each Subsequent Portfolio, the date falling 5 (five) Business Days prior to each Transfer Date, in accordance with Clause 3.1 of the Master Receivables Purchase Agreement.

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

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

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

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

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

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

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

Originator means Banco BPM S.p.A. in its capacity as such pursuant to the Master Receivables Purchase Agreement.

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

Outstanding Principal Balance means any Principal Balance outstanding in respect of a Mortgage Loan.

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

(a) 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

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

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

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

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

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

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

Potential Commingling Amount means (i) nil, if the Issuer's Counterparty Risk Assessment is at least "A3(cr)" by Moody's or if any of the remedies provided for under Clauses 3.11.1, 3.11.2 of the Master Servicing Agreement has been implemented, or, in any other case, (ii) the amount calculated by Banco BPM, on a quarterly basis, in accordance with the from time to time applicable methodology of the Rating Agency.

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

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

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

Premium means, on each Guarantor Payment Date, an amount payable by the Guarantor on each Term Loan in accordance with the relevant Priority of Payments and equal to the Guarantor Available Funds as at such date, after all amounts payable in priority thereto have been made in accordance with the relevant Priority of Payments.

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

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

Principal Available Funds means in respect of any Guarantor Payment Date, the aggregate of, without double counting:

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

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

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

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

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

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

(vii) provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of principal due and payable under any Converted Loan (provided that all principal amounts outstanding under a relevant Series of Covered Bonds which have fallen due for repayment on

such Guarantor Payment Date have been repaid in full by the Issuer), or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of principal on the Covered Bonds under the Guarantee, *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds,

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

(viii) any amounts paid out of item *Ninth* of the Pre-Issuer Default Interest Priority of Payments; and

(ix) any principal amounts standing to the credit of the Transaction Account, other than the Potential Commingling Amount (to the extent they are not entitled to be released).

Principal Balance means for any Mortgage Loan as at any given date, the aggregate of: (a) the original principal amount advanced to the relevant Debtor and any further amount advanced on or before the given date to the relevant Debtor secured or intended to be secured by the related Security Interest; and (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Loan or with the relevant Debtor's consent and added to the amounts secured or intended to be secured by that Mortgage Loan; and (c) any other amount (including, for the avoidance of doubt, Accrued Interest and interest in arrears) which is due or accrued (whether or not due) and which has not been paid by the relevant Debtor and has not been capitalised, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date.

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

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Principal Paying Agent; and

(b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Principal Paying Agent.

Principal Instalment means the principal component of each Instalment.

Principal Paying Agent means BNP Paribas Securities Services, Milan Branch, or any other entity acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement.

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

Programme Agreement means the programme agreement entered into on 31 August 2015 between the Guarantor, the Issuer, the Dealers and the Representative of the Bondholders.

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

Programme Maturity Date means the date following 10 years after the date of publication of this Prospectus or, if later, with respect to the redemption of the Term Loans in accordance with the Subordinated Loan Agreement, the date when final redemption payments on the last maturing Series of Covered Bonds become due and payable pursuant to the extension of the relevant Maturity Date.

Programme Resolution has the meaning set out in the Rules.

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

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

Prospectus means the prospectus prepared in connection with the issue of the Covered Bonds.

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

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

Put Option has the meaning given in the Condition 8(f).

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

Put Option Receipt means a receipt issued by the Principal Paying Agent to a depositing Bondholder upon deposit of Covered Bonds with the Principal Paying

Agent by any Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Bondholder.

Quarterly Master Servicer's Report Date means the date falling on the 18th of each of January, April, July and October of each year.

Quarterly Master Servicer's Report means the quarterly report delivered by the Master Servicer on each Quarterly Master Servicer's Report Date and containing details on the Collections of the Receivables during the relevant Collection Periods prepared in accordance with the Master Servicing Agreement.

Quota Capital Account means the euro denominated account established in the name of the Guarantor with the Account Bank number 83303 (IBAN: IT32R0558401600000000083303), or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

Quotaholders means Banco BPM and Stichting Bapoburg and **Quotaholder** means each of them.

Quotaholders' Agreement means the agreement entered into on 31 August 2015 between the Guarantor, the Quotaholders and the Representative of the Bondholders.

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

Rating Agency means Moody's.

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

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

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

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

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

(d) all rights in relation to the reimbursement of expenses and in relation to any losses, costs, indemnities and damages and any other amount due to each Seller in relation to the Mortgage Loans, the Mortgage Loan Agreements, including penalties and any other amount due to each Seller in the case of prepayments of the Mortgage Loans, and to the warranties and insurance related thereto, including the rights in relation to the reimbursement of legal, judicial and other possible expenses incurred in connection with the collection

and recovery of all amounts due in relation to the Mortgage Loans up to and as from the relevant Valuation Date;

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

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

Recoveries means any amounts received or recovered by the Master Servicer and/or the Sub-Servicers in relation to any Non Performing Receivables and any Delinquent Receivables.

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

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

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

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

Regular Period means:

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

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

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

other than the Interest Payment Date falling at the end of the irregular Interest Period.

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

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

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

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

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

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

Renegotiated Loan means a Mortgage Loan included in the Eligible Cover Pool whose relevant borrower benefits from a suspension of payment of the instalments in respect of principal or any other regulation issued by the Bank of Italy and replacing the Prudential Regulations.

Report Date means the date falling two Business Days prior to each Calculation Date.

Representative of the Bondholders means Securitisation Services S.p.A. or any other entity appointed as representative of the Bondholders pursuant to the Transaction Documents.

Request of Term Loan means a notice sent by the Guarantor to the Subordinated Lender substantially in the form set out in Schedule 2 (*Request*) of the Subordinated Loan Agreement.

Reserve Account means the euro denominated account established in the name of the Guarantor with the Account Bank number 802040901 (IBAN: IT10A0347901600000802040901), or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

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

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

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

(b) if no Cover Pool Swap Agreement has been entered into, or if a Cover Pool Swap Agreement has been entered into with an entity belonging to the Banco BPM Group, an amount equal to any interest amounts due in relation to any Series of Covered Bonds outstanding in the immediately following three months; or (B) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group, but (i) no Interest Rate Swap Agreement has been entered into in relation to a Series of Covered Bonds or (ii) an Interest Rate Swap Agreement has been entered into with an entity belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due in relation to such Series of Covered Bonds in the immediately following three months; or (C) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group and an Interest Rate Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due to the Interest Rate Swap Provider in respect of the relevant Interest Rate Swap Agreement in the immediately following three months, calculated applying the Floating Rate Option (as defined in the ISDA Definitions) for each relevant Interest Rate Swap Agreement determined on a forward basis.

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

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

Retention Amount means an amount equal to €10,000.

Rules means the Rules of the Organisation of the Bondholders attached as Exhibit 1 to the Terms and Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

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

Securities Account means the euro denominated account established in the name of the Guarantor with the Account Bank with number 2040900, or such other substitute

account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

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

Securitisation and Covered Bonds Law means Italian Law No. 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

Security Interest means:

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

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

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

Security means the security created pursuant to the Deed of Charge.

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

Seller means Banco BPM S.p.A. and any other entity belonging to the Banco BPM Group acceding in such capacity to the Programme.

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

Servicer Termination Event means an event which allows the Guarantor to terminate the Master Servicer's appointment and appoint a Substitute Servicer, according to Clause 9.1 of the Servicing Agreement.

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

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

Specified Office means:

(a) in the case of the Principal Paying Agent, Piazza Lina Bo Bardi 3, 20124 Milan, Italy; or

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

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

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

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

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

Subordinated Loan Agreement means any subordinated loan agreement entered into between Subordinated Lender and the Guarantor, including the subordinated loan agreement entered into between Banco BPM S.p.A. and the Guarantor on 26 August 2015.

Subsequent Portfolio Purchase Price means the consideration which the Guarantor shall pay to the Seller for the transfer of Subsequent Portfolios, calculated in accordance with Clause 4.2 of the Master Receivables Purchase Agreement.

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

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

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

Substitute Servicer means the successor of the Servicer upon the occurrence of a Servicer Termination Event, which may be appointed by the Guarantor pursuant to clause 9.4 of the Servicing Agreement.

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

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

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

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

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

Swap Collateral means the collateral provided by a Swap Provider to the Guarantor under the relevant Swap Agreements.

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

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

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.

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

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

Term Loan means a loan made available to the Guarantor under the Facility (or the principal amount outstanding for the time being of such loan) (i) advanced for the purpose of purchasing Substitution Assets; and/or advanced for the purpose of purchasing other Eligible Assets to be sold in accordance with the Cover Pool Management Agreement for an amount equal to the principal amount of Substitution Assets or Eligible Assets, as the case may be, to be purchased or the lower amount necessary for such purpose, taking into account the Guarantor Available Funds; and/or (ii) equal to any principal amount still outstanding of a Converted Loan on the Maturity Date (or the Extended Maturity Date) of the Corresponding Series of Covered Bonds and not paid at such date.

Terms and Conditions means the Terms and Conditions of the Covered Bonds.

Test Grace Period means the period starting on the date on which the breach of any Test is notified by the Calculation Agent and the day falling one calendar month therafter.

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

Test Remedy Period means the period starting from the date on which a Breach of Test Notice is delivered and ending on the date falling one calendar month therafter.

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

Total Commitment means the Euro equivalent of the Programme Limit plus any other amount necessary to meet the Asset Coverage Test, to the extent not cancelled, reduced or increased by the Parties under the Subordinated Loan Agreement.

Trade Date means, as appropriate, the date on which the issue of the relevant Series of Covered Bonds is priced.

Transaction Account means the euro denominated account established in the name of the Guarantor with the Account Bank number 802040900 (IBAN: IT40Z0347901600000802040900), or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

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

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

Transfer Date means the date designated by the Seller in the relevant Transfer Agreement.

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

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

Valuation Date means (i) in respect of the Initial Portfolio transferred by BPM S.p.A., on 22 August 2015, and (ii) in respect of each other Initial Portfolio sold by any Additional Seller or in respect of each Subsequent Portfolio, the date on which the economic effects of the transfer of the relevant Portfolio will commence as specified in the relevant Transfer Agreement.

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

WA Remaining Maturity means the greater of (i) the weighted average remaining maturity of all Covered Bonds then outstanding and (ii) one (1) year.

Warranty and Indemnity Agreement means any warranty and indemnity agreement entered into between the Seller and the Guarantor, including the warranty and indemnity agreement entered into between BPM S.p.A. and the Guarantor on 26 August 2015.

Withdrawal Date means the date on which the United Kingdom exits the European Union.

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

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

(b) *Interpretation*

In these Conditions:

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

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

(iii) if an expression is stated in Condition 2(a) (Definitions) to have the meaning given in the relevant Final Terms, but the relevant Final Terms give no such meaning or specify that such expression is "not applicable" then such expression is not applicable to the Covered Bonds;

(iv) any reference to a Transaction Document shall be construed as a reference to such Transaction Document, as amended and/or supplemented up to and including the Issue Date of the relevant Covered Bonds;

(v) any reference to a party to a Transaction Document (other than the Issuer and the Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Transaction Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a single Tranche only; and

(vi) any reference in any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

3. Denomination, Form and Title

The Covered Bonds are in the Specified Denomination or Specified Denominations which may include a minimum denomination of €100,000 (or, where the Specified Currency is a currency other than euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, all as specified in the relevant Final Terms and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency). The Covered Bonds will be issued in bearer and dematerialised form and will be held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli Account Holders and title thereto will be evidenced by book entries in accordance with the provisions of the Financial Laws Consolidation Act and the Joint Regulation, as amended and supplemented from time to time. The Covered Bonds will be held by Monte Titoli on behalf of the Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical document of title will be issued in respect of the Covered Bonds. The rights and powers of the Bondholders may only be exercised in accordance with these Conditions and the Rules.

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 Agent 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.

4. Status and Guarantee

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

(b) *Status of the Guarantee*: The payment of Guaranteed Amounts in respect of each Series of Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made following the delivery of an Issuer Default Notice subject to, and in accordance with, the relevant Priority of Payments pursuant

to which specified payments will be made to other parties prior to payments to the Bondholders.

5. Fixed Rate Provisions

(a) *Application:* This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Dates, subject as provided in Condition 9 (*Payments*) up to (and including) the relevant Maturity Date or, Extended Maturity Date, as the case may be. Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. Payments of interest on any Guarantor Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6. Floating Rate Provisions and Benchmark Replacement

(a) *Application:* This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Dates, subject as provided in Condition 9 (*Payments*) up to (and including) the relevant Maturity Date or, Extended Maturity Date, as the case may be. Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Rate of Interest*: The Rate of Interest from time to time payable in respect of each Covered Bonds with Floating Rate Provisions, will be determined in the manner specified in the applicable Final Terms.

(d) *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 Interest Period will be determined by the Principal Paying Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

provided, however, that if the Principal Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in

accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period; **except that**, (i) if the Issuer or Principal Paying Agent determines that the absence of quotation is due to the discontinuation of the Relevant Screen Page, or (ii) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Reference Rate will be determined in accordance with paragraph (iv) below.

(iv) (1) If the Issuer or the Principal Paying Agent determines at any time prior to, on or following any Interest Determination Date, that the Relevant Screen Page on which appears the Reference Rate has been discontinued, or (2) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint an agent (the **Reference Rate Determination Agent**), which will not later than the Interest Determination Cut-off Date determine in a commercially reasonable manner whether a substitute or successor rate for purposes of determining the Reference Rate on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Reference Rate is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will use such successor rate to determine the Reference Rate. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the **Replacement Reference Rate**), for purposes of determining the Reference Rate on each Interest Determination Date falling on or after such determination: (i) the Reference Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (ii) references to the Reference Rate in the Conditions and the Final Terms applicable to the relevant Covered Bonds will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in Condition 6(e) (*ISDA* Determination) below; (iii) the Reference Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (iv) the Issuer will give notice as soon as reasonably practicable to the Bondholders, the Principal Paying Agent specifying the Replacement Reference Rate, as well as the details described in Condition 6(e) (*ISDA* Determination) below.

(aa) The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, Principal Paying Agent, and the Bondholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Reference Rate or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute Replacement Reference Rate in an identical manner as described in paragraph (iv) above, which will then (in the absence of manifest error) be final and binding on the Issuer, the Principal Paying Agent and the Bondholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will remain unchanged.

(bb) If the Reference Rate Determination Agent determines that the Relevant Screen Page on which appears the Reference Rate has been discontinued or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation has been adopted but for any reason a Replacement Reference Rate has not been determined later than the Interest Determination Cut-off Date, no Replacement Reference Rate will be adopted, and the Relevant Screen Page on which appears the Reference Rate for the relevant Interest Period will be equal to the last Reference Rate available on the Relevant Screen Page as determined by the Principal Paying Agent.

(cc) The Reference Rate Determination Agent may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of the Covered Bonds) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (in which case any such determination shall be made in consultation with an independent financial advisor), (iii) the Principal Paying Agent or (iv) any other entity which the Issuer considers has the necessary competences to carry out such role.

(e) *ISDA* Determination*:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying

Agent were acting as Principal Paying Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(C) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(f) *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.

(g) *Calculation of Interest Amount:* The Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) *Publication:* The Principal Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Guarantor and the Paying Agent(s) and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Bondholders. The Principal Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount

but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

(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(s), the Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(j) *Determination and calculation by the Representative of the Bondholders*: If for any reason at any relevant time the Principal Paying Agent or, where the applicable Final Terms specifies a calculation agent, such calculation agent does not for any reason comply with its obligation to determine the Rate of Interest or any Interest Amount in accordance with the above provisions or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraphs (c) and (g) above, the Representative of the Bondholders shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Principal Paying Agent or, as the case may be, the calculation agent. In doing so, the Representative of the Bondholders shall apply the foregoing provisions of this Condition 6 (*Floating Rate Provisions and Benchmark Replacement*), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

7. **Zero Coupon Provisions**

(a) *Application:* This Condition 7 is applicable to the Covered Bonds only if the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Covered Bonds:* If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

8. **Redemption and Purchase**

(a) *Scheduled redemption*: To the extent outstanding, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 8(b) (*Extension of maturity*) and Condition 9 (*Payments*).

(b) *Extension of maturity*: Without prejudice to Condition 11 (*Segregation Event and Events of Default*), if an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the relevant Final Terms and, the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the Extension Determination Date, then (subject as provided below), payment of the unpaid amount by the Guarantor under the Guarantee shall be deferred until the Extended Maturity Date *provided that* any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

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

The Guarantor shall notify the relevant holders of the Covered Bonds (in accordance with Condition 17 (*Notices*), any relevant Swap Provider(s), the Rating Agency, the Representative of the Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the Maturity Date as specified in the preceding paragraph of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the Covered Bonds pursuant to the Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

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

Interest will continue to accrue on any unpaid amount during such extended period, at the Rate of Interest specified in the relevant Final Terms, and be payable on the Maturity Date and on each Interest Payment Date up to and on the Extended Maturity Date.

Where an Extended Maturity Date is specified in the relevant Final Terms as applying to a Series of Covered Bonds, a failure to pay by the Guarantor on the Maturity Date shall not constitute a Guarantor Event of Default.

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

(i) at any time (if the Floating Rate Provisions are not specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

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

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Covered Bonds; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

(C) where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be

obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 8(c) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 8(c) (*Redemption for tax reasons*).

(d) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) *Partial redemption:* If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 8(d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Bondholders referred to in Condition 8(d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Redemption at the option of Bondholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Bondholder redeem such Covered Bonds held by it on the Optional

Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8(f) (*Redemption at the option of Bondholders*), the Bondholder must, not less than 30 nor more than 45 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the deposit in Bondholder. Once deposited in accordance with this Condition 8(f) (*Redemption at the option of Bondholders)*, no duly completed Put Option Notice may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption *Date* (Put), payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall mail notification thereof to the Bondholder at such address as may have been given by such Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 8(f) (*Redemption at the option of Bondholders*), the Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(g) *Redemption of Amortising Covered Bonds*: if the relevant Final Terms provide for Amortising Covered Bonds, the Redemption Amount payable on each Interest Payment Date on such Amortising Covered Bonds will be specified in *the* relevant Final Terms.

(h) *No other redemption:* The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 8(a) (*Scheduled redemption*) to (g) (*Redemption of Amortising Covered Bonds*) *above* and as specified in the Final Terms.

(i) *Early redemption of Zero Coupon Covered Bonds:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Covered Bonds at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bonds become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(j) *Purchase:* The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price. The Guarantor shall not purchase any Covered Bonds at any time.

(k) *Cancellation:* All Covered Bonds redeemed by the Issuer or any such Subsidiary in accordance with this Condition 8 (*Redemption and Purchase*) shall be cancelled and may not be reissued or resold.

9. **Payments**

(a) *Payments through clearing systems*: Payment of interest and repayment of principal in respect of the Covered Bonds will be credited, in accordance with the instructions of Monte Titoli, by the Principal Paying Agent on behalf of the Issuer or the Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.

(b) *Payments subject to fiscal laws:* All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to Bondholders in respect of such payments.

(c) *Payments on Business Days:* If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(d) *Payments subject to FATCA:* Notwithstanding anything to the contrary in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of that Code, any regulations or agreements thereunder, official interpretations thereof, or any law or agreement implementing an intergovernmental approach thereto. None of the Issuer, any Paying Agent or any other person shall be required to pay additional amounts with respect to any withholding or deduction.

10. **Taxation**

(a) *Gross up by Issuer:* All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes, duties, assessments or governmental charges of whatever nature

imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

(i) in relation to any payment or deduction of any interest, premium or other proceeds of any Covered Bond on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Decree No. 239 with respect to any Covered Bonds and in all circumstances in which the procedures to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Decree No. 239, or related implementing regulations, have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(ii) presented for payment by a Bondholder who is a non-Italian resident individual or legal entity which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Italian tax authorities according to Article 6 of Decree No. 239; or

(iii) held by or on behalf of a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Covered Bonds by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Covered Bonds.

(b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

11. Segregation Event and Events of Default

11.1 *Segregation Event*

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

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

In such case:

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

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

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

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

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

11.2 *Issuer Events of Default*

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

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

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

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

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

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

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

Upon the service of an Issuer Default Notice:

(a) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that such events shall not trigger an acceleration against the Guarantor;

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

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

(d) the Amortisation Test shall be applied in addition to the Mandatory Tests;

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

provided that, in case of the Issuer Event of Default referred to under Condition 11.2 (v) above, the effects listed in items from (a) to (e) above will only apply for as long as the suspension of payments will be in force and effect and accordingly (i) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the suspension period and (ii) at the end of the suspension period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer).

11.3 *Guarantor Events of Default*

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

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

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

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

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

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

Upon the delivery of a Guarantor Default Notice, unless a Programme Resolution is passed resolving otherwise:

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

(b) if a Guarantor Event of Default ever occurs with respect to a Series only, each other Series of Covered Bonds will cross accelerate at the same time against the Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves;

(c) the Guarantor shall immediately sell all assets included in the Cover Pool in accordance with the procedures set out in the Cover Pool Management Agreement;

(d) the Representative of the Bondholders, subject to and in accordance with the terms of the Guarantee, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount equal to the Principal Amount Outstanding on each Covered Bond, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 10(a) (*Gross up by Issuer*)) in accordance with the Post-enforcement Priority of Payments to the Other Guarantor Creditors; and

(e) the Representative of the Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a Programme Resolution of the Bondholders and then only if it is indemnified and/or secured to its satisfaction.

11.4 *Determinations, etc.*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11 by the Representative of the Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor and all Bondholders and (in such absence as aforesaid) no liability to the Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

12. **Limited recourse and non petition**

12.1 *Limited recourse*

The obligations of the Guarantor under the Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the Securitisation and Covered Bonds Law, Decree 310 and the Bank of Italy Regulations. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

12.2 *Non petition*

Only the Representative of the Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Obligations or enforce the Guarantee and/or the Security and no Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Obligations or to enforce the Guarantee and/or the Security. In particular:

(a) no Bondholder (nor any person on its behalf, other than the Representative of the Bondholders, where appropriate) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Bondholders to enforce the Guarantee and/or Security or take any proceedings against the Guarantor to enforce the Guarantee and/or the Security;

(b) no Bondholder (nor any person on its behalf, other than the Representative of the Bondholders, where appropriate) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any amount due from the Guarantor;

(c) until the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or *pari passu* thereto, no Bondholder (nor any person on its behalf, other than the Representative of the Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

(d) no Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

13. **Prescription**

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

14. **Representative of the Bondholders**

(a) *Organisation of the Bondholders*: The Organisation of the Bondholders shall be established upon, and by virtue of, the issue of the first Series of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of all the Covered Bonds of whatever Series. Pursuant to the Rules, for as long as any Covered Bonds of any Series are outstanding, there shall at all times be a Representative of the Bondholders. The appointment of the Representative of the Bondholders as legal representative of the Organisation of the Bondholders is made by the Bondholders subject to and in accordance with the Rules.

(b) *Initial appointment*: In the Programme Agreement, the Dealers have appointed the Representative of the Bondholders to perform the activities described in the Mandate Agreement, in the Programme Agreement, in these Conditions (including the Rules), and in the other Transaction Documents and the Representative of the Bondholders has accepted such appointment for the period commencing on the Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds of whatever Series have been cancelled or redeemed in accordance with their respective terms and conditions.

(c) *Acknowledgment by Bondholders*: Each Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by the Transaction Documents; and

(ii) acknowledges and accepts that the Dealers shall not be liable in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Bondholders as a result of the performance by the Representative of the Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

15. **Agents**

In acting under the Cash Allocation, Management and Payment Agreement and in connection with the Covered Bonds, the Paying Agents act solely as agents of the Issuer and, following service of an Issuer Default Notice or a Guarantor Default

Notice, as agents of the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Principal Paying Agent and its initial Specified Office is set out in these Conditions. Any additional Paying Agents and their Specified Offices are specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however, that:*

(a) the Issuer and the Guarantor shall at all times maintain a principal paying agent; and

(b) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Bondholders.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

17. **Notices**

(a) *Notices given through Monte Titoli*: Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.

(b) *Notices in Luxembourg*: As long as the Covered Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice to Bondholders shall also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

(c) *Other publication*: The Representative of the Bondholders shall be at liberty to sanction any other method of giving notice to Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to listing, trading and/or quotation and provided that notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Bondholders shall require.

18. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

19. **Governing Law and Jurisdiction**

(a) *Governing law*: These Conditions, the Covered Bonds and any non-contractual obligations arising out of or in connection with are governed by Italian law. All other Transaction Documents are governed by Italian law, save for the Swap Agreements (if any) and the Deed of Charge (if any), which are governed by English law.

(b) *Jurisdiction*: The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds, the Conditions and the Rules or their validity, interpretation or performance and any non-contractual obligations arising out of or in connection with them.

(c) *Relevant legislation*: Anything not expressly provided for in these Conditions will be governed by the provisions of the Securitisation and Covered Bonds Law and, if applicable, Article 58 of the Consolidated Banking Act, the Bank of Italy Regulations and Decree No. 310.

RULES OF THE ORGANISATION OF THE BONDHOLDERS

TITLE I

GENERAL PROVISIONS

1. GENERAL

1.1 The Organisation of the Bondholders in respect of all Covered Bonds of whatever Series issued under the Programme by Banco BPM S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series to be issued and is governed by these Rules of the Organisation of the Bondholders (**Rules**).

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds of each Series issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 ***Definitions***

In these Rules, the terms below shall have the following meanings:

Blocked Covered Bonds means the Covered Bonds which have been blocked in an account with a clearing system, the Monte Titoli Account Holder or the relevant custodian for the purpose of voting at a Meeting;

Block Voting Instruction means, in relation to a Meeting, a document prepared by the Tabulation Agent (where appointed) or otherwise by the Paying Agent summarising the results of the Voting Instructions received by or on behalf of the Bondholders and, in particular:

(a) where applicable, certifying that the Covered Bonds relating to the relevant Voting Instructions are held to the order of a Paying Agent or under its control or 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) the conclusion of the Meeting; and

(ii) the surrender the Tabulation Agent (where appointed) or otherwise to the Paying Agent which issued the same not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by the Tabulation Agent (where appointed) or otherwise the Paying Agent to the Issuer and Representative of the Bondholders;

(b) certifying to have received appropriate evidence of the ownership of the Covered Bonds being the subject of the relevant Voting Instructions as at the relevant Record Date;

(c) certifying that the Holder of the relevant Covered Bonds or Blocked Covered Bonds, as the case may be, or a duly authorised person on its behalf has notified the Tabulation Agent (where appointed) or otherwise the Paying Agent that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;

(d) listing the aggregate principal amount of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution;

Chairman means, in relation to any Meeting, the person who takes the chair in accordance with Article 8 (*Chairman of the Meeting*);

Event of Default means an Issuer Event of Default or a Guarantor Event of Default;

Extraordinary Resolution means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast;

Holder or **holder** means in respect of Covered Bonds, the ultimate owner of such Covered Bonds;

Meeting means a meeting of Bondholders (whether originally convened or resumed following an adjournment);

Moody's means Moody's Frances SAS;

Monte Titoli Account Holders means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with article 79-*quarter* of Legislative Decree no. 58 of 24 February 1998 and includes 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% of the votes cast;

Programme Resolution means an Extraordinary Resolution passed at a single meeting of the Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules (i) to direct the Representative of the Bondholders to take any action pursuant to Condition 11.2 (*Issuer Events of Default*), Condition 11.3 (*Guarantor Events of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (ii) to take any other action stipulated in the Conditions or Transaction Documents as requiring a Programme Resolution;

Proxy means any person appointed to vote at a Meeting other than any person whose appointment has been revoked and in relation to whom the Tabulation Agent (where appointed) or otherwise the relevant Paying Agent, or in the case of a proxy appointed under a Voting Certificate, the Issuer has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting;

Record Date means the date falling 7 Business Days prior to the Meeting;

Rating Agency means Moody's;

Resolutions means the Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolutions, collectively;

Swap Rate means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in any Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if there is not exchange rate specified or if the Swap Agreement has terminated, the applicable spot rate;

Tabulation Agent means the agent appointed by the Issuer to take care of the organisation of the Meeting and any administrative activities relating thereto;

Transaction Party means any person who is a party to a Transaction Document;

Voter means, in relation to a Meeting, the Holder named in a Voting Certificate or a Proxy;

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 13 August 2018, as amended from time to time containing, *inter alia*, evidence of the ownership of the Covered Bonds being the subject of the relevant Voting Certificate as at the relevant Record Date;

Voting Instruction means, in respect to a Resolution, the voting instruction that must be delivered to the Tabulation Agent (where appointed) or otherwise the Paying Agent by each Bondholder wishing to vote without participating directly at the relevant Meeting, whether directly or through the relevant Monte Titoli Account Holder or custodian, stating that the vote(s) attributable to the Covered Bonds that are the subject of such voting instruction should be cast in a particular way in relation to the relevant Resolution (either in favour or against such Resolution).

Written Resolution means a resolution in writing signed by or on behalf of one or more persons being or representing at least 75 per cent of all the Bondholders who at any relevant time are entitled to participate in a Meeting in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Bondholders;

24 hours means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices; and

48 hours means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the Conditions to which these Rules are attached.

2.2 ***Interpretation***

In these Rules:

2.2.1 any reference herein to an **Article** shall, except where expressly provided to the contrary, be a reference to an article of these Rules of the Organisation of the Bondholders;

2.2.2 a **successor** of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

2.2.3 any reference to any Transaction Party shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 ***Separate Series***

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Clause 2.3:

2.3.1 Articles 26 (Appointment, removal and remuneration) and 27 (Resignation of the Representative of the Bondholders); and

2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "Covered Bonds" and "Bondholders" shall be construed accordingly.

3. PURPOSE OF THE ORGANISATION

3.1 Each Bondholder whatever Series of the Covered Bonds he holds is a member of the Organisation of the Bondholders.

3.2 The purpose of the Organisation of the Bondholders is to co-ordinate the exercise of the rights of the Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Bondholders.

TITLE II

MEETINGS OF THE BONDHOLDERS

4. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

4.1 *Issue*

4.1.1 A Bondholder wishing to participate in person at a Meeting may obtain a Voting Certificate in respect of such Meeting.

4.1.2 A Bondholder wishing to vote but not wishing to participate in person at a Meeting shall deliver a Voting Instruction to the Tabulation Agent (where appointed) or otherwise to the Paying Agent and appoint a Proxy to participate at the Meeting on its behalf.

4.1.3 Upon receipt of all Voting Instructions by the Tabulation Agent (where appointed) or otherwise by the Paying Agent, the Paying Agent (on the basis of the information received by the Tabulation Agent (where appointed)) will issue a Block Voting Instruction summarising the Noteholders' instructions in accordance to which the designed Proxy will vote at the Meeting.

4.2 *Blocking of the Covered Bonds*

The Covered Bonds in respect of which a Voting Instruction has been delivered or a Voting Certificate is being requested may, or may not, at the Issuer discretion, be blocked with a clearing system, the relevant Monte Titoli Account Holder. The relevant Covered Bonds, if blocked, will be Blocked Covered Bonds with effect from the date on which the Voting Instruction is submitted or the Voting Certificate is requested (as the case may be) until the earlier of: (i) the conclusion of the Meeting and (ii) the surrender to the Tabulation Agent (where appointed) or otherwise the Paying Agent, not less than 48 hours before the time fixed for the Meeting, of the confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by the Tabulation Agent (where appointed) or otherwise the Paying Agent to the Issuer and Representative of the Bondholders.

4.3 *Expiry of validity*

A Voting Certificate or Block Voting Instruction shall be valid, in case the relevant Covered Bonds are blocked, until the release of the Blocked Covered Bonds to which it relates or otherwise (unless earlier revoked) until the conclusion of the relevant Meeting.

4.4 *Deemed Holder*

Bondholders who, as at the Record Date, own beneficial interests (as shown in the records of the relevant clearing system, or the relevant Monte Titoli Account Holders)

shall be deemed to be the Holder of the Covered Bonds for all purposes in connection with the Meeting.

4.5 ***Mutually exclusive***

A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bond.

4.6 ***References to blocking and release***

References to the blocking or release of Covered Bonds, where applicable, shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

5. VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Bondholders or the Tabulation Agent (where appointed) so requires, a notarised (or otherwise acceptable) copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy shall be produced at the Meeting but the Representative of the Bondholders or the Tabulation Agent (as the case may be) shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy.

6. CONVENING A MEETING

6.1 ***Convening a Meeting***

The Representative of the Bondholders, the Guarantor or the Issuer may and (in relation to a meeting for the passing of a Programme Resolution) the Issuer shall upon a request in writing signed by the holders of not less than five per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding convene a meeting of the Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting requisitioned by the Bondholders the same may be convened by the Representative of the Bondholders or the requisitionists. The Representative of the Bondholders may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Representative of the Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

6.2 ***Meetings convened by Issuer***

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

6.3 ***Time and place of Meetings***

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Bondholders.

7. NOTICE

7.1 ***Notice of Meeting***

At least 21, or 5 in case of a Meeting convened in order to resolve to extend the Test Remedy Period pursuant to Condition 11.2 (*Issuer Events of Default*), days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Bondholders and the Paying Agents, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Bondholders, or with a copy to the Representative of the Bondholders, where the Meeting is convened by the Issuer, subject to Article 6.3.

7.2 ***Content of notice***

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that (i) Voting Certificates for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time, (ii) the procedure to deliver a Voting Instruction and to appoint a Proxy and (iii) that Covered Bonds may or may not at the Issuer's discretion be blocked in an account with a clearing system starting from the delivery of the relevant Voting Instruction or request of the relevant Voting Certificate, as the case may be.

7.3 ***Validity notwithstanding lack of notice***

A Meeting is valid notwithstanding that the formalities required by this Article 7 are not complied with if the Holders of the Covered Bonds constituting all the Principal Amount Outstanding of the Covered Bonds, the Holders of which are entitled to attend and vote, are represented at such Meeting and the Issuer and the Representative of the Bondholders are present.

8. CHAIRMAN OF THE MEETING

8.1 ***Appointment of Chairman***

An individual (who may, but need not be, a Bondholder), nominated by the Representative of the Bondholders may take the chair at any Meeting, but if:

8.1.1 the Representative of the Bondholders fails to make a nomination; or

8.1.2 the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

8.2 ***Duties of Chairman***

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

8.3 ***Assistance to Chairman***

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Bondholders.

9. **QUORUM**

The quorum at any Meeting will be:

9.1.1 in the case of an Ordinary Resolution, two or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or, at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.2 in the case of an Extraordinary Resolution or a Programme Resolution, two or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32.4 (*Obligation to act*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(b) alteration of the currency in which payments under the Covered Bonds are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Guarantee or the Deed of Charge (if any) (except in a manner determined by the Representative of the Bondholders not to be materially prejudicial to the interests of the Bondholders of any Series);

(e) except in accordance with Articles 31 (*Amendments and Modifications*) and 32 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and

(f) alteration of this Article 9.1.3;

(each a **Series Reserved Matter**), the quorum shall be two or more persons being or representing holders of not less two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, two or more persons being or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding,

provided that, if in respect of any Covered Bonds the Paying Agent has received evidence that 90% Covered Bonds are held by a single Holder and the Voting Certificate or Block Voting Instruction so states then a single Voter appointed in relation thereto or being the Holder of the Covered Bonds thereby represented shall be deemed to be two Voters for the purpose of forming a quorum.

10. ADJOURNMENT FOR WANT OF QUORUM

If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

10.1 if such Meeting was requested by Bondholders, the Meeting shall be dissolved; and

10.2 in any other case, the Meeting (unless the Issuer and the Representative of the Bondholders otherwise agree) shall, subject to paragraphs 10.2.1 and 10.2.2 below, be adjourned to a new date no earlier than 14 days and no later than 42 days after the original date of such Meeting, and to such place as the Chairman determines with the approval of the Representative of the Bondholders *provided that*:

10.2.1 no Meeting may be adjourned more than once for want of a quorum; and

10.2.2 the Meeting shall be dissolved if the Issuer and the Representative of the Bondholders together so decide.

11. ADJOURNED MEETING

Except as provided in Article 10 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

12. NOTICE FOLLOWING ADJOURNMENT

12.1 Notice required

Article 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

12.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

12.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

12.2 Notice not required

It shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 10 (*Adjournment for Want of Quorum*).

13. PARTICIPATION

The following categories of persons may attend and speak at a Meeting:

13.1 Voters;

13.2 the directors and the auditors of the Issuer and the Guarantor;

13.3 representatives of the Issuer, the Guarantor and the Representative of the Bondholders;

13.4 financial advisers to the Issuer, the Guarantor and the Representative of the Bondholders;

13.5 legal advisers to the Issuer, the Guarantor and the Representative of the Bondholders; and

13.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Bondholders.

14. VOTING BY SHOW OF HANDS

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. VOTING BY POLL

15.1 *Demand for a poll*

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Bondholders or one or more Voters whatever the Principal Amount Outstanding of the Covered Bonds held or represented by such Voter(s). A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

15.2 *The Chairman and a poll*

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. VOTES

16.1 *Voting*

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every Vote who is so present shall have one vote in respect of each €1,000 of Principal Amount Outstanding of the Covered Bonds represented by the Voting Certificate or in respect of which it holds a Proxy or such other amount as the Representative of the Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Bondholders in its absolute discretion may stipulate) in the Principal Amount Outstanding of the Covered Bonds it holds or represents.

16.2 *Voting Instruction*

Unless the terms of any Voting Instruction states otherwise, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 ***Voting tie***

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. VOTING BY PROXY

17.1 ***Validity***

Any vote by a Proxy in accordance with the relevant Voting Instruction or shall be valid even if such Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked provided that none of the Issuer, the Representative of the Bondholders or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 ***Adjournment***

Unless revoked, the appointment of a Proxy 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.

18. RESOLUTIONS

18.1 ***Ordinary Resolutions***

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and

18.1.2 to authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 ***Extraordinary Resolutions***

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Bondholders, the Bondholders or any of them;

18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Bondholders, the Issuer, the

Guarantor, the Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or of any Transaction Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Bondholders and/or any other party thereto;

18.2.3 assent to any modification of the provisions of this these Rules or the Transaction Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Bondholders or of any Bondholder;

18.2.4 in accordance with Article 26 (*Appointment, Removal and Remuneration*), appoint and remove the Representative of the Bondholders;

18.2.5 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Bondholders from any liability in relation to any act or omission for which the Representative of the Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;

18.2.6 waive any breach or authorise any proposed breach by the Issuer, the Guarantor or (if relevant) any other Transaction Party of its obligations under or in respect of these Rules, the Covered Bonds or any other Transaction Document or any act or omission which might otherwise constitute an Event of Default;

18.2.7 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

18.2.8 authorise and ratify the actions of the Representative of the Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document;

18.2.9 appoint any persons (whether Bondholders or not) as a committee to represent the interests of the Bondholders and to confer on any such committee any powers which the Bondholders could themselves exercise by Extraordinary Resolution;

18.2.10 authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution; and

18.2.11 in case of failure or request by the Representative of the Bondholders to send an Issuer Default Notice, Guarantor Default Notice or Breach of Test Notice, direct the Representative of the Bondholders to deliver such notice as a result of an Issuer Event of Default pursuant to Condition 11.2 (*Issuer Events of Default*) or a Guarantor Default Notice as a result of a Guarantor Event of Default pursuant to Condition 11.3 (*Guarantor Events of Default*) or a Breach of Test Notice as a result of a Segregation Event pursuant to Condition 11.1 (*Segregation Event*).

18.3 ***Programme Resolutions***

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Bondholders to take any action pursuant to Condition 11.2(i), Condition 11.2(b), Condition 11.3 (*Guarantor Events of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) or to take any other action required by the Conditions or any Transaction Document to be taken by Programme Resolution.

18.4 ***Other Series of Covered Bonds***

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

19. EFFECT OF RESOLUTIONS

19.1 ***Binding nature***

Subject to Article 18.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Bondholders duly convened and held in accordance with these Rules shall be binding upon all Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

19.2 ***Notice of voting results***

Notice of the results of every vote on a resolution duly considered by Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Paying Agents (with a copy to the Issuer, the Guarantor and the Representative of the Bondholders within 14 days of the conclusion of each Meeting).

20. CHALLENGE TO RESOLUTIONS

Any absent or dissenting Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. MINUTES

Minutes shall be made of all resolutions and proceedings of each Meeting. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. INDIVIDUAL ACTIONS AND REMEDIES

Each Bondholder has accepted and is bound by the provisions of Condition 12 (*Limited recourse and non petition*) and clause 10 (*Limited Recourse and non petition*) of the Guarantee, accordingly, if any Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Guarantee (hereinafter, a **Claiming Bondholder**, any such action or remedy shall be subject to a Meeting passing an Extraordinary Resolution consenting to such individual action or other remedy on the grounds that it is consistent with such Condition. In this respect, the following provisions shall apply: (i) the Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Bondholders of his/her intention; (ii) the Representative of the Bondholders shall call a Meeting in accordance with these Rules (including, for the avoidance of doubt, Article 24.1 (*Choice of Meeting*); (iii) if the Meeting passes an Extraordinary Resolution consenting to the enforcement of the individual action or remedy, the Claiming Bondholder will be permitted to take such action or remedy (without prejudice to the fact that, after a reasonable period of time, the same matter may be resubmitted for review at another Meeting); and (iv) if the Meeting of Covered Bondholders does not consent to an individual action or remedy, the Claiming Bondholder will be prohibited from taking such individual action or remedy.

24. MEETINGS AND SEPARATE SERIES

24.1 *Choice of Meeting*

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

24.1.1 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

24.1.2 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;

24.1.3 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of

one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;

24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Bondholders of all Series; and

24.1.5 to all such meetings all the preceding provisions of these Rules shall mutatis mutandis apply as though references therein to Covered Bonds and Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

24.2 ***Denominations other than euro***

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of a meeting or any adjourned such meeting or any poll resulting therefrom or any such request or Written Resolution) the Principal Amount Outstanding of such Covered Bonds shall be the equivalent in euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each €1.00 (or such other euro amount as the Representative of the Bondholders may in its absolute discretion stipulate) of the Principal Amount Outstanding of the Covered Bonds (converted as above) which he holds or represents.

25. FURTHER REGULATIONS

Subject to all other provisions contained in these Rules, the Representative of the Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Bondholders in its sole discretion may decide.

TITLE III

THE REPRESENTATIVE OF THE BONDHOLDERS

26. APPOINTMENT, REMOVAL AND REMUNERATION

26.1 ***Appointment***

The appointment of the Representative of the Bondholders takes place by Programme Resolution in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Bondholders which will be Securitisation Services S.p.A.

26.2 ***Identity of Representative of the Bondholders***

The Representative of the Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 106 of Italian Legislative Decree No. 385 of 1993; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Bondholders and, if appointed as such, they shall be automatically removed.

26.3 ***Duration of appointment***

Unless the Representative of the Bondholders is removed by Programme Resolution of the Bondholders pursuant to Article 18.3 (*Programme Resolutions*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Bondholders*), it shall remain in office until full repayment or cancellation of all the Covered Bonds.

26.4 ***After termination***

In the event of a termination of the appointment of the Representative of the Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 ***Remuneration***

The Issuer, failing which the Guarantor, shall pay to the Representative of the Bondholders an annual fee for its services as Representative of the Bondholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions.

27. RESIGNATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

The Representative of the Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Bondholders shall not become effective until a new Representative of the Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Bondholders has accepted its appointment. provided

that if Bondholders fail to select a new Representative of the Bondholders within three months of written notice of resignation delivered by the Representative of the Bondholders, the Representative of the Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of Representative of the Bondholders*).

28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE BONDHOLDERS

28.1 *Representative of the Bondholders as legal representative*

The Representative of the Bondholders is the legal representative of the Organisation of the Bondholders and has the power to exercise the rights conferred on it by the Transaction Documents in order to protect the interests of the Bondholders.

28.2 *Meetings and resolutions*

Unless any Resolution provides to the contrary, the Representative of the Bondholders is responsible for implementing all resolutions of the Bondholders. The Representative of the Bondholders has the right to convene and attend Meetings (together with its adviser) to propose any course of action which it considers from time to time necessary or desirable.

28.3 *Delegation*

The Representative of the Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Transaction Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Article 28.3.1 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Bondholders may think fit in the interest of the Bondholders. The Representative of the Bondholders shall not, other than in the normal course of its business, be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, *provided that* the Representative of the Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 ***Judicial proceedings***

The Representative of the Bondholders is authorised to represent the Organisation of the Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 ***Consents given by Representative of Bondholders***

Any consent or approval given by the Representative of the Bondholders under these Rules and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Transaction Documents, such consent or approval may be given retrospectively.

28.6 ***Discretions***

Save as expressly otherwise provided herein, the Representative of the Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Bondholders by the Transaction Documents, these Rules or by operation of law.

28.7 ***Obtaining instructions***

In connection with matters in respect of which the Representative of the Bondholders is entitled to exercise its discretion hereunder, the Representative of the Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Bondholders shall be entitled to request that the Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific limitations*).

28.8 ***Remedy***

The Representative of the Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be remedied, and if the Representative of the Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Bondholders, the other creditors of the Guarantor and any other party to the Transaction Documents.

29. EXONERATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

29.1 ***Limited obligations***

The Representative of the Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

29.2 ***Specific limitations***

Without limiting the generality of the Article 29.1, the Representative of the Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Bondholders hereunder or under any other Transaction Document, has occurred and, until the Representative of the Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;

29.2.3 except as expressly required in these Rules or any Transaction Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Transaction Document;

29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or right created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

(i) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;

(ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection with the Programme;

(iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Master Servicer or compliance therewith;

(iv) the failure by the Issuer to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and

(v) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Master Servicer and the Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;

29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Bondholders contained herein or in any Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;

29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Mortgage Loans contained in the Cover Pool or any part thereof;

29.2.11 shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;

29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Transaction Document;

29.2.14 shall not be under any obligation to insure the Cover Pool or any part thereof;

29.2.15 shall, when in these Rules or any Transaction Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Bondholders, have regard to the overall interests of the Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Bondholders whatever their number and, in particular but without limitation, shall not have regard to the

consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;

29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Bondholders by Extraordinary Resolution or by a written resolution of such Bondholders of not less than 75 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series then outstanding;

29.2.17 shall, as regards at the powers, trusts, authorities and discretions vested in it by the Transaction Documents, except where expressly provided therein, have regard to the interests of both the Bondholders and the other creditors of the Issuer or the Guarantor but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interest of the Bondholders;

29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all costs, charges, damages, expenses and liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured;

29.2.19 shall not have any liability for any loss, liability, damages claim or expense directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Bondholder, any Other Guarantor Creditor or any other person as a result of (a) the delivery by the Representative of the Bondholders of the certificate of incapability of remedy relating any material default of obligations pursuant to Condition 11.2 (*Issuer Events of Default*) and Condition 11.3 (*Guarantor Events of Default*) on the basis of an opinion formed by it in good faith; or (b) any determination, any act, matter or thing that will not be materially prejudicial to the interests of the Bondholders as a whole or the interests of the Bondholders of any Series; and

29.2.20 unless and to the extent ordered so to do by a court of competent jurisdiction, shall not be under any obligation to disclose to any Bondholder, any Other Guarantor Creditor or any other person any

confidential, financial, price sensitive or other information made available to the Representative of the Bondholders by the Issuer, the Guarantor or any other person in connection with these rules, the Covered Bonds or any other Transaction Document, and none of the Bondholders, Other Guarantor Creditors nor any other person shall be entitled to take any action to obtain from the Representative of the Bondholders any such information, it being understood that in the event that the Representative of the Bondholders discloses any of such information, such information shall have to be disclosed to all the Bondholders and Other Guarantor Creditors at the same time.

29.3 ***Covered Bonds held by Issuer***

The Representative of the Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer.

29.4 ***Illegality***

No provision of these Rules shall require the Representative of the Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or liability which it may incur as a consequence of such action. The Representative of the Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. **RELIANCE ON INFORMATION**

30.1 ***Advice***

The Representative of the Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic.

30.2 ***Certificates of Issuer and/or Guarantor***

The Representative of the Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter prima facie within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 ***Resolution or direction of Bondholders***

The Representative of the Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Bondholders.

30.4 ***Certificates of Monte Titoli Account Holders***

The Representative of the Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 ***Clearing Systems***

The Representative of the Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 ***Rating Agency***

The Representative of the Bondholders in evaluating, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such

exercise will not be materially prejudicial to the interests of the Bondholders of any Series or of all Series for the time being outstanding, may consider, *inter alia*, the circumstance that the then current rating of the Covered Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise. If the Representative of the Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agency as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Bondholders or the Representative of the Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.7 ***Certificates of Parties to Transaction Document***

The Representative of the Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Transaction Document,

30.7.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;

30.7.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.7.3 as to such party's opinion with respect to any issue

and the Representative of the Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any loss, liability, cost, damage, expense, or charge incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.8 ***Auditors***

The Representative of the Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. AMENDMENTS AND MODIFICATIONS

31.1 ***Modifications subject to Representative of Bondholders' evaluation***

Without prejudice to Article 31.3 (*Modifications subject to the Dealer(s)' consent*) below, the Representative of the Bondholders may at any time and from time to time and without the consent or sanction of the Bondholders of any Series concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

31.1.1 to these Rules, the Conditions and/or the other Transaction Documents which, in the opinion of the Representative of the Bondholders, it may be expedient to make provided that the Representative of the Bondholders is

of the opinion that such modification will not be materially prejudicial to the interests of any of the Bondholders of any Series; and

31.1.2 to these Rules, the Conditions and/or the other Transaction Documents which is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law; and

31.1.3 to these Rules, the Conditions and/or the other Transaction Documents which, in the opinion of the Representative of the Bondholders, is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Bondholders.

31.2 ***Modifications not subject to Representative of Bondholders' evaluation***

Notwithstanding the provisions of Article 31.1 (*Modifications subject to Representative of Bondholders' evaluation*) above without prejudice to Article 31.3 (*Modifications subject to the Dealer(s)' consent*) below, the Representative of the Bondholders shall be obliged, without any consent or sanction of the Bondholders or any Other Guarantor Creditor, to concur with the Issuer in making any modification to these Rules, the Conditions or the Transaction Documents that the Issuer considers necessary in relation to the following subjects:

31.2.1 modifications required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by the Rating Agency to any Series of Covered Bonds, provided that the Issuer certifies to the Representative of the Bondholders in writing that the Rating Agency has been informed of the proposed changes and has raised no objection;

31.2.2 modifications required to enable any of the counteraprties under the Transaction Documents to remain eligible to perform their role thereunder, provided that the Issuer certifies to the Representative of the Bondholders in writing that the Rating Agency has been informed of the proposed changes and has raised no objection;

31.2.3 modifications seeking only to implement the new criteria published by the Rating Agency, provided that the Issuer certifies to the Representative of the Bondholders in writing that the Rating Agency has been informed of the proposed changes and has raised no objection;

31.2.4 modifications required for the purpose of enabling the Covered Bonds to be (or to remain) listed on the Luxembourg Stock Exchange, provided that the Issuer certifies to the Representative of the Bondholders in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

31.2.5 modifications required for the purposes of enabling the Issuer or any of the other parties to the Transaction Documents to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer or the relevant party to the Transaction Documents certifies to the Representative of the Bondholders in writing

that such modification is required solely for such purpose and has been drafted solely to such effect,

provided that the Issuer has given at least 30 calendar days' prior written notice to the Bonhdolders of the proposed modifications in accordance with Condition 17 (*Notices*) and has made available to Bondholders for inspection drafts of any such proposed amendments.

31.3 ***Modifications subject to the Dealer(s)' consent***

During the period commencing on the Trade Date and ending on the relevant Issue Date, the Issuer will not, without the prior consent of the Dealer(s), terminate or effect or permit to become effective any amendment to any Transaction Document, unless such amendment is required in order to comply with any applicable law (in such circumstances, the scope of the relevant amendment shall be limited to the extent strictly required for the purpose of ensuring such compliance or of pursuing the interest of the Bondholders). It remains understood that, in case of conflict between the interests of the Bondholders and the Dealer(s), the interest of the Dealer(s) will prevail.

31.4 ***Binding Nature***

Any such modification under 33.1 and 33.2 above shall be binding upon the Bondholders and, unless the Representative of the Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Bondholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

32. **WAIVER**

32.1 ***Waiver of Breach***

The Representative of the Bondholders may at any time and from time to time without the consent or sanction of the Bondholders of any Series and, without prejudice to its rights in respect of any subsequent breach, condition or event but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds of any Series then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive any proposed breach or breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Guarantee, these Rules, the Conditions or the other Transaction Documents; or

32.1.2 determine that any Event of Default shall not be treated as such for the purposes of the Transaction Documents,

without any consent or sanction of the Bondholders.

32.2 ***Binding Nature***

Any such authorisation or waiver or determination may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding on all Bondholders and, if the Representative of the

Bondholders so requires, shall be notified to the Bondholders and the Other Guarantor Creditors by the Issuer or the Guarantor, as soon as practicable after it has been given or made in accordance with the provisions of the conditions relating to Notices and the relevant Transaction Documents.

32.3 ***Restriction on powers***

Other than in the case of a modification pursuant to Article 31.2, the Representative of the Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution, but so that no such direction shall affect any authorisation, waiver or determination previously given or made.

32.4 ***Obligation to act***

The Representative of the Bondholders shall be bound to waive or authorise any breach or proposed breach by the Issuer or the Guarantor of any of the covenants or provisions contained in by Guarantee, these Rules or any of the other Transaction Documents or determine that any Event of Default shall not be treated as such if it is so directed by a Programme Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

33. INDEMNITY

Pursuant to the Programme Agreement, the Guarantor has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands properly incurred by or made against the Representative of the Bondholders or any entity to which the Representative of the Bondholders has delegated any power, authority or discretion in relation to the exercise or purported exercise of its powers, authorities and discretions and the performance of its duties under and otherwise in relation to these Rules and the Transaction Documents (including but not limited to legal and travelling expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Bondholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Transaction Documents) except insofar as the same are incurred as a result of gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Bondholders.

34. LIABILITY

Notwithstanding any other provision of these Rules, the Representative of the Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Covered Bonds or the Rules except in relation to its own gross negligence (*colpa grave*) or wilful default (*dolo*).

35. SECURITY DOCUMENTS

35.1 *Rights of the Representative of the Bondholders*

35.1.1 The Representative of the Bondholders, acting on behalf of the Secured Bondholders, shall be entitled to appoint and entrust the Guarantor to collect, in the Secured Bondholders' interest and on their behalf, any amounts deriving from the charged claims and rights, and shall be entitled to give instructions, jointly with the Guarantor, to the respective debtors of the charged claims to make the payments related to such claims to the Transaction Account or to any other account opened in the name of the Guarantor and appropriate for such purpose;

35.1.2 The Secured Bondholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the charged claims or credited to the Transaction Account or to any other account opened in the name of the Guarantor and appropriate of such purpose which is not in accordance with the provisions of this Article 35. The Representative of the Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the charged claims under the Deed of Charge except in accordance with the provisions of this Article 35 and the Intercreditor Agreement.

TITLE IV

THE ORGANISATION OF THE BONDHOLDERS AFTER SERVICE OF AN NOTICE

36. POWERS TO ACT ON BEHALF OF THE GUARANTOR

It is hereby acknowledged that, upon service of a Guarantor Default Notice or, prior to service of a Guarantor Default Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Mandate Agreement the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, shall be entitled (also in the interests of the Other Guarantor Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's rights under certain Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

TITLE V

GOVERNING LAW AND JURISDICTION

37. GOVERNING LAW

These Rules and any non-contractual obligations arising out or in connection with them are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

38. JURISDICTION

The Courts of Milan will have jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules and any non-contractual obligations arising out or in connection with them.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendments, will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

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

[**MIFID II Product Governance / Professional investors and ECPs only target market** - Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)][MiFID II]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.]

Final Terms dated [●]

BANCO BPM S.P.A. (the **Issuer**)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] **Covered Bonds due** [Maturity]

Guaranteed by

BPM Covered Bond 2 S.r.l. (the Guarantor)

under the €10,000,000,000 Covered Bond Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Conditions**) set forth in the prospectus dated 5 July 2019 [and the

supplement[s] to the prospectus dated [●] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended from time to time, the **Prospectus Directive**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with such Prospectus [as so completed]. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Prospectus [as so completed]. The Prospectus [, including the supplement[s]] [is/are] available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]]. [These Final Terms will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu]

(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:	[●] (*If fungible with an existing Series, name of that Series, including the date on which the Covered Bonds become fungible*)
2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount		
	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Aggregate Nominal Amount	[●]
4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from (*insert date*) (*in the case of fungible issues only, if applicable*)]
5.	(i)	Specified Denominations:	[●] [plus integral multiples of [●] in addition to the said sum of [●]] (*Include the wording in square brackets where the Specified Denomination is €100,000 or equivalent plus multiples of a lower principal amount*.)
	(ii)	Calculation Amount:	[●]
	(iii)	Rounding	[The provisions of Condition 18 apply/Not Applicable]

	(iv) Issue Date	[●]
	(v) Interest Commencement Date	[[●]/Issue Date/Not Applicable]
6.	Maturity Date:	[●] (*Insert date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*)
7.	Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Guarantee:	[●] (*Insert date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*)
8.	Interest Basis:	[[●] per cent. Fixed Rate] / [[*LIBOR/EURIBOR/other*] +/– [*Margin*] per cent. Floating Rate] [Zero Coupon] (*further particulars specified below*)
9.	Redemption/Payment Basis:	[Redemption at par] [Instalment] [Amortising]
10.	Change of Interest Redemption/Payment Basis:	[Applicable/Not Applicable] (*Specify details of any provision for convertibility of Covered Bonds into another interest redemption/ payment basis*)
11.	Put/Call Options:	[Not Applicable] [Investor Put] [Issuer Call]
12.	[Date [Board] approval for issuance of Covered Bonds [and Guarantee] [respectively]] obtained:	[●] [and [●], respectively (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Guarantee*)
13. 1	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Provisions**		[The provisions of Condition 5 apply/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[●] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*] /not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)]
15.	**Floating Rate Provisions**		[The provisions of Condition 6 apply/Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[●]
	(ii)	Specified Period:	[●] *(Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
	(iii)	Interest Payment Dates:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
	(iv)	First Interest Payment Date:	[●]

(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(vi)	Additional Business Centre(s):	[Not Applicable/TARGET/London/Luxembourg/ Milan]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[Name] (*shall be the Calculation Agent*)
(ix)	Screen Rate Determination:	
	• Reference Rate:	[●] (*For example LIBOR or EURIBOR*)
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[●] (*For example*, [Reuters LIBOR 01/ EURIBOR 01] *(in the case of EURIBOR*) (*if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	• Relevant Time:	[●] (*For example, 11.00 a.m. Luxembourg time/Brussels time*)
	• Relevant Financial Centre:	[●] (*For example, Luxembourg/Euro-Zone (where Euro-Zone means the region comprised of the countries whose lawful currency is the euro*)
	• Specify Reference Date	[●]
	• Specify Screen Page	[●]
(x)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]

	• ISDA Definitions	[●]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/Actual (ISDA)/ Actual/365 (Fixed)/ Actual/360/ 30/360/ 30E/360/ Eurobond Basis/ 30E/360 (ISDA)]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions:	[●]

16.	**Zero Coupon Provisions**	[The provisions of Condition 7 apply/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Amortisation/Accrual Yield:	[●] per cent. per annum
(ii)	Reference Price:	[●]
(iii)	Any other formula/basis of determining amount payable:	(*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 8(i) (Early redemption of Zero Coupon Covered Bonds)*

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**	[The provisions of Condition 8(d) apply/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of Covered Bonds and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[[●] per Calculation Amount / not applicable]
	(b) Maximum Redemption Amount:	[[●] per Calculation Amount / not applicable]
(iv)	Notice period:	[●]

18.	**Put Option**	[The provisions of Condition 8(f) apply/Not Applicable]*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Covered Bonds and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii)	Notice period:	[●]
19.	**Final Redemption Amount of Covered Bonds**	[●] per Calculation Amount (*being always equal to at least 100 per cent. of the aggregate principal amount of the Covered Bonds*)
20.	**Early Redemption Amount** Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Guarantor Event of Default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●] / [Not Applicable *(If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Covered Bonds/insert the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Covered Bonds*)]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable / (*give details*)] (*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16(ii), 17(iv) and 19(x) relate*)
22.	Details relating to Covered Bonds for which principal is repayable in instalments: amount of each instalment, date on which each payment is to be made:	[Not Applicable / (*give details*)]
23.	Redenomination provisions:	[Redenomination [not] applicable *(If Redenomination is applicable, specify the terms of the redenomination in an annex to the Final Terms)*]

DISTRIBUTION

24.	(i)	If syndicated, names and business addresses of Managers	[Not Applicable / (*give names and business address*)]
25.	(i)	Name(s) and business addresse(s) of Stabilising Manager(s) (if any):	[Not Applicable/ (*give names and business address*)]
26.		If non-syndicated, name and business addresse of Dealer:	[Not Applicable / (*give names and business address*)]
27.		U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2]] / [TEFRA D] / [TEFRA C] / [TEFRA not Applicable]
28.		Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*Where agreed that the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Covered Bonds will be concluded on or after 1 January 2018 and the Covered Bonds may constitute "packaged" products, "Applicable" should be specified.*)

THIRD PARTY INFORMATION

[The Issuer accepts responsibility for [(*Relevant third party information*)] which has been extracted from [(*specify source*)]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information

published by [(*specify source*)], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Banco BPM S.p.A.

By:_____
Duly authorised

Signed on behalf of BPM Covered Bond 2 S.r.l.

By:_____
Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing	[Official list of the Luxembourg Stock Exchange/(*[●]*) None]
(ii)	Admission to trading	Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/*[●]*] with effect from [●]. / [Not Applicable] *(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*

2. RATINGS

Ratings:	The Covered Bonds [have been rated]/[are expected to be rated]: [Moody's: [●]] [[Other]: [●]] *(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)* [Moody's]/ [Others] *are established in the EEA and are registered under Regulation (EU) No 1060/2009.* *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 EEA and registered under the Regulation (EU) No 1060/2009 (as amended,* ***CRA Regulation****) unless the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. (Please refer to the ESMA webpage*

http://www.esma.europa.eu/page/List-registered-and-certified-CRAs in order to consult the updated list of registered credit rating agencies).

[Not applicable (*if not rated*)]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Not Applicable / (*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement*):

"so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer."]

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)

4. **TOTAL EXPENSES**

Estimated total expenses:	[●] (*Refer to total expenses related to the admission to trading*)

5. **Fixed Rate Covered Bonds only – YIELD**

Indication of yield:	(*Please note that this is applicable in respect of Fixed Rate Covered Bonds only*) [Not applicable/ [●]]

6. **Floating Rate Covered Bonds only - HISTORIC INTEREST RATES**

[● / Not Applicable]

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters] / [Not Applicable].

[Benchmarks:	Amounts payable under the Covered Bonds will be calculated by reference to [●] which is provided by [●]. As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011) (the **Benchmarks Regulation**). [As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [●]

	is not currently required to obtain authorisation or registration.]]

7. **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
CFI:	[●]
FISN:	[●]
Any Relevant Clearing System(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Not Applicable/ (*give name(s) and number(s)*)]
Delivery:	Delivery [against/free of] payment
Names and Specified Offices of additional Paying Agent(s) (if any):	[●]
Name of the Calculation Agent	[●]
Name of the Representative of the Bondholders	[●]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No][Not Applicable] (*Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.*)

8. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES (Green Covered Bonds, Social Covered Bonds and Sustainability Covered Bonds only)**

[(i) Reasons for the offer:	[●] / [Not Applicable] (*If the Notes are Green Covered Bonds, Social Covered Bonds or Sustainability Covered Bonds describe the relevant projects to which the net proceeds of the Covered Bonds will be applied or make*

	reference to the relevant bond framework to which the net proceeds of the Covered Bonds will be applied.) *(Applicable only in the case of securities to be classified as Green Covered Bonds, Social Covered Bonds or Sustainability Covered Bonds. If not applicable, delete this paragraph.)*
[(ii)] Estimated net proceeds	[●] [Not Applicable]
[(iii)] Estimated total expenses	[●] [*Include breakdown of expenses*.] [Not Applicable] (*Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is not included at (i) above.*)

USE OF PROCEEDS

The net proceeds of the sale of the Covered Bonds will be used by the Issuer as indicated in the applicable Final Terms, either:

(a) for general funding purposes of Banco BPM;

(b) to finance or refinance, in whole or in part, Green Eligible Projects and Social Eligible Projects (as defined below).

According to the definition criteria set out by the International Capital Market Association (**ICMA**) Green Bond Principles (**GBP**), only Covered Bonds collateralised by one or more Green Eligible Projects (above mentioned at (b)) will be denominated "Green Covered Bonds".

According to the definition criteria set out by ICMA Social Bond Principles (**SBP**), only Covered Bonds collateralised by one or more Social Eligible Projects (above mentioned at (b)) will be denominated "Social Covered Bonds".

According to the definition criteria set out by ICMA Sustainability Bond Guidelines, only Covered Bonds collateralised by Green Eligible Projects and Social Eligible Projects (above mentioned at (b)) will be denominated "Sustainable Covered Bonds".

For the purpose of this section:

Green Eligible Projects means financings of renewable energy, energy efficiency, sustainability mobility, sustainability water, circular economy and green buildings projects and assets which meet a set of environmental criteria;

Social Eligible Projects means small and medium-sized enterprises financing and financing of non-profit.

SELECTED CONSOLIDATED FINANCIAL DATA

The information set out in this Prospectus in relation to the Group has been derived from, and should be read in conjunction with, and is qualified by reference to:

(a) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2017 (the **2017 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A.;

(b) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2018 (the **2018 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A., and

(c) the 6 February 2019 Press Release on the audited consolidated financial statements of Banco BPM as at and for the year ended 31 December 2018; and

(d) the 8 May 2019 Press Release on the unaudited consolidated financial statements of Banco BPM as at and for the three months ended 31 March 2019,

that are incorporated by reference into this Prospectus.

So long as any of the Covered Bonds remain outstanding, copies of the above-mentioned consolidated financial statements will be made available during normal business hours at the office of the Principal Paying Agent and at the registered office of the Issuer, in each case free of charge.

The statistical information presented herein may differ from information included in the historical consolidated financial statements. 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.

In light of the changes introduced with the application of the international financial reporting standard IFRS 9, in order to provide adequate information on the evolution of the Group's equity and financial situation, the reclassified balance sheet has been prepared by providing a comparative view of the Group's situation as at 1 January 2018 and as at 31 December 2017. With reference to the reclassified income statement, the adoption of the international financial reporting standard IFRS 9, has led to a redefinition of the aggregates relating to net financial result and to value adjustments for impairment, according to the new categories of financial instruments and the relative measurement criteria.

Group financial highlights

(in thousands of Euro)	**31 December 2017 IAS 39 (*)**	**31 December 2018 IFRS 9**
Reclassified income statement figures (**)		
Financial margin	2,279,483	2,452,019
Net fee and commission income	1,950,410	1,848,760
Operating income	4,483,759	4,772,910
Operating expenses	(2,924,124)	(2,792,781)

(in thousands of Euro)	31 December 2017 IAS 39 (*)	31 December 2018 IFRS 9
Income (loss) from operations	1,559,635	1,980,129
Income (loss) before tax from continuing operations	(229,604)	(129,679)
Net income (loss) without Badwill and impairment	557,841	(56,503)
Badwill	3,076,137	-
Net income (loss)	2,616,362	(59,432)

(*) *The figures for the previous period, originally calculated in compliance with IAS 39, have been reclassified to provide a like-for-like comparison*

(**) *The reconciliation between the reclassified income statement figures and the income statement figures is reported in the related audited consolidated annual financial statements, incorporated by reference in this Prospectus.*

(in millions of Euro)	31 December 2017 IAS 39	1 January 2018 IFRS 9	31 December 2018 IFRS 9
Balance sheet figures			
Total assets	161,206.8	160,206.1	160,464.8
Loans to customers (net)	107,742.7	106,108.2	104,014.6
Financial assets and hedging derivatives	34,533.2	34,884.8	36,852.9
Shareholders' equity	11,900.2	10,834.6	10,259.5
Customers' financial assets			
Direct funding	107,509.8	107,525.1	105,219.7
Indirect funding	101,328.5	101,328.5	88,212.7
- Asset management	60,545.2	60,545.2	55,689.6
- Mutual funds and SICAVs	37,605.3	37,605.3	35,992.0
- Securities and fund management	6,941.1	6,941.1	4,804.7
- Insurance policies	15,998.8	15,998.8	14,892.9
- Administered assets	40,783.3	40,783.3	32,523.1
Information on the organisation			
Average number of employees and other	23,227	23,227	21,846
Number of bank branches	2,320	2,320	1,804

(*) *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

	31 December 2017 IAS 39(*)	31 December 2018 IFRS 9
Alternative performance measures		
Profitability ratios (%)		
Financial margin / Operating income	50.84%	51.37%
Net fee and commission income / Operating income	43.50%	38.73%
Operating expenses / Operating income	65.22%	58.51%
Operational productivity figures (000s of euro)		
Operating income per employee (**)	193.0	218.5
Operating expenses per employee (**)	125.9	127.8
Credit risk ratios (%)		
Net bad loans/Loans to customers (net)	6.02%	1.53%
Unlikely to pay/Loans to customers (net)	5.99%	4.85%
Net bad loans/Shareholders' equity	54.52%	15.51%

	31 December 2017 IAS 39(*)	31 December 2018 IFRS 9
Other ratios		
Financial assets and hedging derivatives / Total assets	21.42%	22.97%
Derivative assets/Total assets	1.33%	1.16%
- trading derivatives/total assets	1.18%	1.08%
- hedging derivatives/total assets	0.15%	0.08%
Net trading derivatives (***)/Total assets	0.78%	0.62%
Regulatory capitalisation and liquidity ratios		
Common equity tier 1 ratio (CET1 capital ratio)	12.36%	12.06%
Tier 1 capital ratio	12.66%	12.26%
Total capital ratio	15.21%	14.68%
Liquidity Coverage Ratio (LCR)	125.61%	154.13%
Leverage ratio	5.59%	4.57%
Banco BPM stock		
Number of outstanding shares	1,515,182,126	1,515,182,126
Official closing prices of the stock	2.62	1.97
- Maximum	3.51	3.15
- Minimum	2.16	1.56
- Average	2.86	2.48
Basic EPS	0.368	(0.037)
Diluted EPS	0.368	(0.037)

(*) *The ratios are determined excluding the merger difference (badwill in the income statement) and with reference to the data calculated in compliance with IAS 39.*

(**) *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 Balance Sheet item 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading", and item 20 of liabilities, "Financial liabilities held for trading".*

Alternative Performance Measures

In order to better evaluate the Issuer's financial management performance based on the consolidated financial statements of Banco BPM for the years ended 31 December 2018, 2017 and for the 8 May 2019 Press Release, the management has identified several Alternative Performance Measures (**APMs**). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the Issuer, because they facilitate the identification of significant operating trends and financial parameters. This Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority (ESMA) of 5 October 2015 (ESMA/2015/1415), applicable as of 3 July 2016, which are used by the management of the Issuer to monitor the Issuer's financial and operating performance:

- "Core Total Income" is calculated as the sum of "net interest income" and "net fees and commissions";
- "Core direct funding" is calculated as the sum of current accounts and demand deposits;
- "Core customer loans" is calculated as the sum of mortgage loans, current accounts and personal loans.

- "Normalised net interest income" is calculated as net interest income net of the non-recurring economic components[1];
- "Normalised total income" is calculated as total income net of the non-recurring economic components;
- "Normalised operating costs" is calculated as operating costs net of the non-recurring economic components[1];
- "Normalised profit on operations" is calculated as profit on operations net of the non-recurring economic components;
- "Normalised loan loss provisions" is calculated as loan loss provisions net of the non-recurring economic components;
- "Normalised profit before tax" is calculated as profit before tax net of the non-recurring economic components;
- "Normalised net income" is calculated as net income net of the non-recurring economic components;
- "Financial margin/Operating income" is calculated as the ratio of Financial margin to Operating income;
- "Net fee and commission income/Operating income" is calculated as the ratio of Net fee and commission income to Operating income;
- "Operating expenses/Operating income" is calculated as the ratio of Operating expenses to Operating income;
- "Net bad loans/Loans to customers (net)" is calculated by dividing the net amount of bad loans by the net amount of loans to customers;
- "Unlikely to pay/Loans to customers (net)" is calculated by dividing the net amount of unlikely to pay by the net amount of loans to customers;
- "Net bad loans/Shareholders' equity" is calculated by dividing the net amount of bad loans by the amount of Shareholders' equity;
- "Financial assets and hedging derivatives/Total assets" is calculated by dividing the amount of financial assets and hedging derivatives by total assets;
- "Trading derivatives/total assets" is calculated by dividing the amount of the derivatives included under Balance Sheet[2] item 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading" by total assets;
- "Hedging derivatives/total assets" is calculated by dividing the amount of Balance Sheet item[2] 50. of assets by total assets;
- "Net trading derivatives/Total assets" is calculated by dividing the mismatch, in absolute terms, between the derivatives included under Balance Sheet item 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for

[1] Non-recurring economic components are reported and described in explanatory notes n.5 of 6 February 2019 Press Release (pages 13 and 14) already incorporated by reference into the Third Supplement.
[2] Official schedule envisaged by the Bank of Italy Circular no. 262.

trading", and item 20 of liabilities, "Financial liabilities held for trading", by total assets;

- "Gross loans/Direct funding" is calculated by dividing the amount of gross loans to customers by direct funding;
- ROE (Return on Equity) is calculated by dividing the amount of the Profit for the year excluding Badwill and impairment by Shareholders' equity;
- ROA (Return on Assets) is calculated by dividing the amount of the Profit for the year excluding Badwill and impairment by total assets.

It should be noted that:

(a) the APMs are based exclusively on historical data of the Issuer and are not indicative of future performance;

(b) the APMs are not derived from IFRS and, while they are derived from the consolidated financial statements of Banco BPM prepared in conformity with these principles, they are not subject to audit;

(c) the APMs are non-IFRS financial measures and are not recognised as measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measures derived in accordance with IFRS or any other generally accepted accounting principles;

(d) the above-mentioned APMs are calculated on the basis of the reclassified financial statements, unless otherwise specified, and should be read together with the financial information of Banco BPM for the years ended 31 December 2018 and 2017 taken from their consolidated financial statements;

(e) since not all companies calculate APMs in an identical manner, the presentation of Banco BPM may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on these data;

the APMs and definitions used herein are consistent and standardised for the period for which financial information in this Prospectus is included.

Credit quality

(in millions of Euro)	**31 December 2017**		**1 January 2018**		**31 December 2018**	
	Net exposure	**% impact**	**Net exposure**	**% impact**	**Net exposure**	**% impact**
Bad loans	6,487.6	6.0%	5,241.8	4.9%	1,591.4	1.5%
Unlikely to pay	6,458.8	6.0%	6,272.7	5.9%	5,047.9	4.9%
Past due	80.4	0.1%	80.4	0.1%	87,5	0.1%
Non-performing loans	**13,026.9**	**12.1%**	**11,594.9**	**10.9%**	**6,726.9**	**6.5%**
Performing loans	**94,715.8**	**87.9%**	**94,513.3**	**89.1%**	**97,287.7**	**93.5%**
Total loans to customers	**107,742.7**	**100.0%**	**106,108.2**	**100.0%**	**104,014.6**	**100.0%**

Capital Requirements for the Group

On 8 February 2019, the European Central Bank (ECB) notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis.

The decision is based on the supervisory review and evaluation process (SREP) conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013.

Therefore, in compliance with Article 16(2)(a) of the same Regulation (EU) No. 1024/2013, which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, a requirement of 2.25% was introduced to be added to minimum capital requirements.

Taking the above into account, in 2019, the Banco BPM Group is required to meet the following capital ratios at consolidated level:

- CET1 ratio: 9.31%;
- Tier 1 ratio: 10.81%;
- Total Capital ratio: 12.81%;
- Total SREP Capital requirement: 10.25%.

The Banco BPM Group satisfied these prudential requirements, with a CET1 ratio at 31 December 2018 of 12.1% at phase-in level, a Tier 1 ratio of 12.3% at phase-in level and a Total Capital ratio equal to 14.7% at phase-in level.

Rating

The international agencies Moody's France SAS (**Moody's**) and DBRS Ratings GmbH (**DBRS**) have assigned ratings to the Issuer. Moody's and DBRS are registered in accordance with Regulation No. 1060/2009/EC of the European Parliament and the Council dated 16 September 2009 relating to credit rating agencies.

On 3 January 2017, Moody's assigned the following ratings to the Issuer: (i) Deposit Ratings of Ba1/Not Prime, with Stable Outlook; (ii) Long-Term Issuer Rating of Ba2, with Negative Outlook; (iii) Standalone Baseline Credit Assessment (BCA) and adjusted BCA of b1; and (iv) Counterparty Risk Assessments (CR Assessment) of Ba1 (cr)/Not Prime (cr). Such ratings, together with their Outlooks, were confirmed by Moody's on 5 October 2017. These ratings have remained unchanged.

Subsequently, on 28 May 2019, Moody's upgraded the long and short-term deposit ratings of Banco BPM S.p.A. to Baa3/P-3 from Ba1/NP and affirmed the long-term senior unsecured debt rating at Ba2. Moody's also upgraded the bank's standalone baseline credit assessment (BCA) and the adjusted BCA to ba3 from b1. The outlook on the long-term deposit rating remains Stable, and the outlook on the senior unsecured debt rating remains Negative. Also the Counterparty Risk Assessments (CR Assessment) was upgraded from Ba1 (cr)/Not Prime (cr) to Baa3 (cr)/P-3 (cr).

The outlook on long-term deposit ratings remains stable, reflecting Moody's expectation that the bank's financial profile will remain broadly unchanged in the next 12 to 18 months, with a more gradual reduction in problem loans, stable capital, and modest profitability.

The outlook on the senior unsecured rating is negative as Moody's expects Banco BPM to be a net issuer of senior unsecured debt over the next year, which underpin the one notch uplift from the bank's BCA. Nevertheless, according to Moody's, this target is subject to market conditions and the outlook reflects the possibility that it may not be met, leading to a more durable reduction in the stock of this debt which would thus bear higher risk.

On 5 January 2017, DBRS 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 (iv) Long and Short-Term Critical Obligations Ratings of BBB (high) / R-1 (low). All ratings had a Stable trend. The Intrinsic Assessment of the Group is BBB (low). The Support Assessment is SA3, implying no uplift from systemic support.

Subsequently:

- On 15 December 2017, DBRS confirmed all the ratings assigned to Banco BPM, maintaining them in the investment grade space, with the trend changing from Stable to Negative.
- On 13 December 2018, DBRS upgraded the outlook for the long-term and short-term Issuer ratings of Banco BPM from Negative to Stable. At the same time, DBRS also confirmed the long-term issuer rating of Banco BPM at BBB (low) and the short-term issuer rating of Banco BPM at R-2 (middle).
- On 14 December 2018, as part of a general approach to split between senior unsecured debt ratings and deposit ratings, DBRS upgraded the long-term deposit rating of Banco BPM from BBB (low) to BBB and the short-term deposit rating of Banco BPM from R-2 (middle) to R-2 (high). Concurrently, the outlook for such ratings was confirmed as Stable.

According to DBRS, the Stable trend takes into account Banco BPM's stable market position as the third largest banking franchise in Italy, and the progress the Group has made in reducing its large stock of Non-performing Exposures (NPEs).

BUSINESS DESCRIPTION OF BANCO BPM SOCIETÀ PER AZIONI

Introduction

Banco BPM S.p.A. (the **Issuer** and together with its subsidiaries, the **Group** or the **Banco BPM Group**) was incorporated on 13 December 2016 and is one of the largest banking groups in Italy as at 31 December 2018, based on revenues, assets and net income, with approximately 22,500 employees, 1,800 branches and 4 million customers concentrated in the Lombardy, Veneto and Piedmont regions. Banco BPM's duration has been set to 23 December 2114, however it may be extended.

The Group is the product of a merger between Banco Popolare Società Cooperativa (**Banco Popolare**) and Banca Popolare di Milano S.c.a.r.l. (**BPM**) which took place on 1 January 2017 (the **Merger**).

The Group's core activities are divided into the following segments: Retail, Corporate, Institutional, Private, Investment Banking, Strategic Partnerships, Leasing and the Corporate Centre.

The majority of the Group's activities are based in Italy. Outside of Italy, the Group has foreign operations in Switzerland, China and India.

History of the Group

BPM

BPM was incorporated as a limited liability co-operative company in 1865 to facilitate access to credit for merchants, small businessmen and industrialists. In 1876, BPM became part of the "*Associazione nazionale delle Banche Popolari*" and in the early 1900s it increased its business through the establishment of new branches in northern Italy. From the 1950s onwards, BPM grew considerably through the acquisition of interests in other lending institutions and the incorporation of several banks such as Banca Popolare di Roma, Banca Briantea, Banca Agricola Milanese, Banca Popolare Cooperativa Vogherese, Banca Popolare di Bologna e Ferrara, Banca Popolare di Apricena, INA Banca, Cassa di Risparmio di Alessandria, Banca di Legnano and Banca Popolare di Mantova. The late 1980s saw the establishment of the Bipiemme – Banca Popolare di Milano group (the **BPM Group**), of which BPM was the parent company, performing, in addition to banking activities, strategic guidance, governance and supervision of its financial and instrumental subsidiaries. The BPM Group operated mainly in Lombardy (where 63% of its branches were situated), but also in Piedmont, Lazio, Puglia and Emilia Romagna, predominantly providing commercial banking services to retail and small-medium sized companies (SMEs) as well as to corporates, through a dedicated internal structure. In addition, BPM offered its customers capital market services, brokerage services, debt and equity underwriting, asset management, insurance underwriting and sales, factoring services and consumer credit. From 1999 onwards, BPM operated an online banking service called WeBank.

Banco Popolare

Banco Popolare was incorporated on 1 July 2007 following the merger between Banco Popolare di Verona e Novara Società Cooperativa a Responsabilità Limitata (**BPVN**) and Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa (**BPI**). Banco

Popolare, together with its subsidiaries, formed the Banco Popolare group (the **Banco Popolare Group**).

In turn, BPVN was incorporated in 2002 as a result of the merger between Banca Popolare di Verona – Banco S. Geminiano and S. Prospero Società cooperativa di credito a responsabilità limitata.

BPI was incorporated in 1864 and was the first cooperative bank established in Italy. It was formed to promote savings by local customers and to provide banking services to support their business activities. BPI was listed on the *Mercato Ristretto* of the Italian Stock Exchange in 1981 and was listed on the MTA from 1998 onwards. In June 2005, BPI changed its name from Banca Popolare di Lodi S.c. a r.l. to Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa.

Banco Popolare operated abroad through an international network made up of banks, representative offices and international desks. It also had relationships with around 3,000 correspondent banks. The Group's foreign operations included a subsidiary company, Banca Aletti Suisse, and representative offices in China (Hong Kong and Shanghai), India (Mumbai) and Russia (Moscow). In 2014, following a merger by incorporation of Credito Bergamasco, Banco Popolare further simplified its organisational model by rationalising Credito Bergamasco's local management. On 16 March 2015, Banca Italease S.p.A. was merged into Banco Popolare with effect for accounting and tax purposes as of 1 January 2015.

The Merger

The Issuer was incorporated as a consequence of the Merger.

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 plan related to the Merger (the **Merger Plan**), 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 was to be owned 54.626% by the shareholders of Banco Popolare and 45.374% by the shareholders of 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; 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 to be controlled by Banco BPM.

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.

Registration with the relevant companies' registers (Milan and Verona) of a deed of merger (the **Deed of Merger**) took effect from 1 January 2017 (the **Date of Effect**).

Banco BPM

Banco BPM is a bank incorporated in Italy as a *società per azioni*, having its registered office at Piazza F. Meda, 4, Milan, Italy, telephone number +39 02 7700 1, registered with the Companies' Register of Milan under number 09722490969 and with the register of banking groups held by the Bank of Italy "Codice meccanografico" 5034 under number 8065, authorised to carry out business in Italy pursuant to the Consolidated Banking Act.

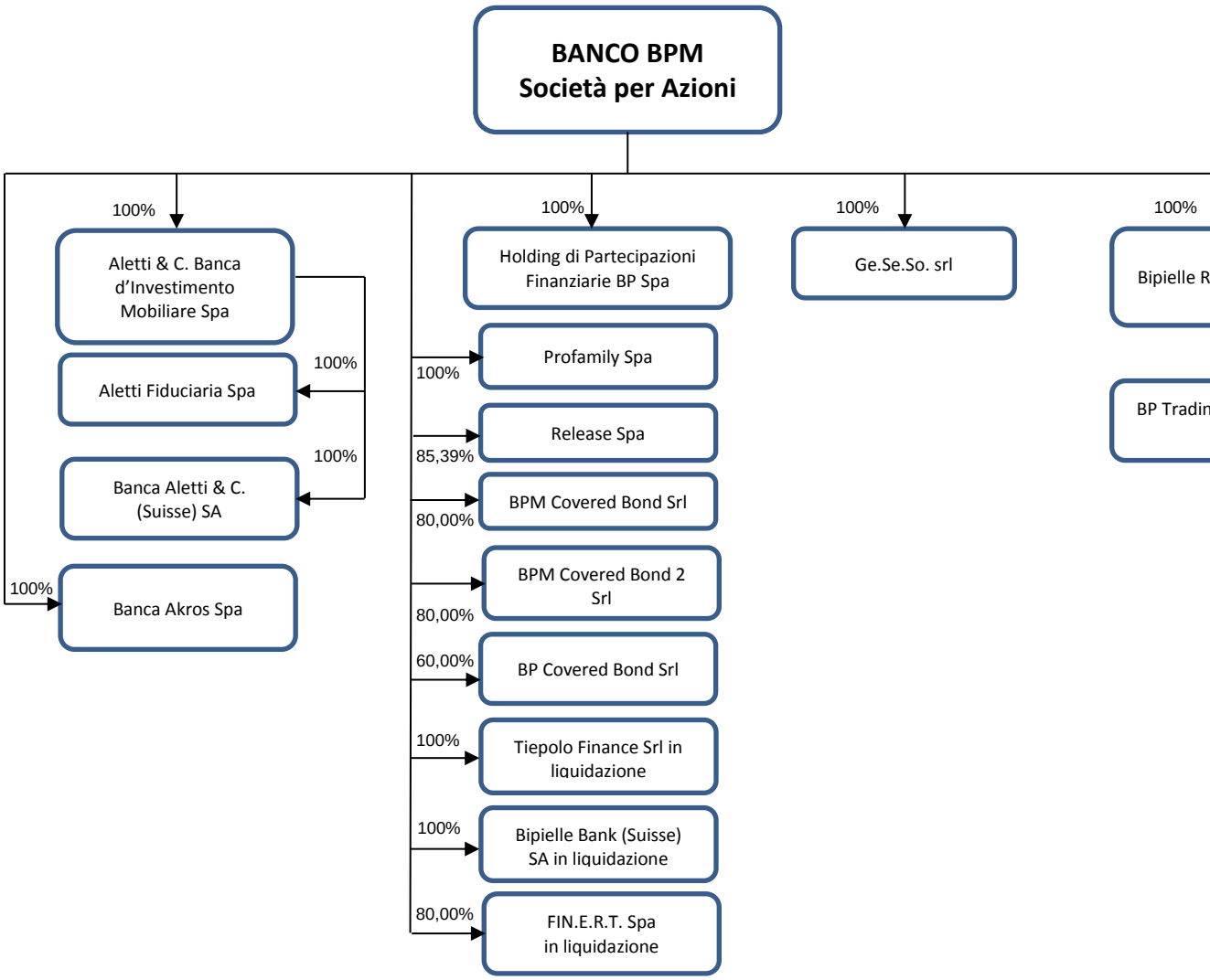
Banco BPM carries out the functions of a bank and holding company, which involve operating functions as well as coordination and unified management functions in respect of all the companies included within the Banco BPM Group.

On 16 May 2016, the management boards of BPM and Banco Popolare also approved the strategic plan for the Banco BPM Group for the period from 2016 to 2019 (the **Strategic Plan**). The Strategic Plan was aimed at leveraging the distinctive features of the Banco BPM Group, including its unique positioning in the banking sector, and unlocking profitability through an optimised business model in order to offer a better service to customers by providing a complete range of high value products. The key targets of the Strategic Plan were: attractive and sustainable profitability; a solid balance sheet and improved asset quality; significant value creation; and a remunerative dividend policy. The Strategic Plan included a target for disposal of NPLs of Euro 8 billion during the period. Subsequently, the Group has announced, and communicated to the ECB, a revised target of Euro 13 billion of NPL disposals by 2020.

As of the date of this Base Prospectus, a significant number of Strategic Plan projects have been completed, including the IT systems integration, the merger of BPM S.p.A. into the parent company, the reorganisation of the distribution network, the cost optimisation, the overall derisking with a significant portfolio disposal, the rationalisation of the product factories in the asset management / bancassurance business and the reorganisation of private / investment banking activities. Finally, the NPL platform sale and the consumer credit factories reorganisation are expected to be finalised during 2019, while there is a focus on projects aiming at the Digital Omnichannel Transformation and the Retail and Corporate growth.

Structure of the Group

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



Activities of the Group

The Group's core activities can be divided into the following operating segments: (i) Retail; (ii) Corporate; (iii) Institutional; (iv) Private; (v) Investment Banking; (vi) Strategic Partnerships; (vii) Leasing; and (viii) Corporate Centre.

The table below sets forth the main financial results for each business segment for the years ended 31 December 2018 and 2017.

	Group	Retail	Corporate	Institutional	Private	Leasing	Strategic Partnerships	Investment Banking	Corporate Centre
					(€/thousand)				
Operating Income									
2018	**4,772,910**	2,700,126	684,196	92,900	80,049	66,409	155,637	114,958	878,635
2017(*)	**4,483,759**	2,680,123	650,127	97,321	69,884	57,771	160,400	149,350	618,783
Operating expenses									
2018	**(2,792,781)**	(2,167,785)	(159,803)	(39,344)	(69,747)	(74,811)	(2,558)	(93,162)	185,571)
2017	**(2,924,124)**	2,178,766)	(132,010)	(36,861)	(66,130)	(70,758)	(2,506)	(89,593)	347,500)
Profit (loss) from operations									
2018	**1,980,129**	532,341	524,393	53,556	10,302	(8,402)	153,079	21,796	693,064
2017	**1,559,635**	501,357	518,117	60,460	3,754	(12,987)	157,894	59,757	271,283
Income (loss)									
2018	**(59,432)**	(745,218)	(6,325)	15,813	(9,052)	(71,827)	335,735	14,838	406,604
2017	**2,616,362**	(451,250)	16,136	43,892	508	(82,562)	163,219	35,216	2,891,203
Net loans									
2018	**104,014,613**	56,412,860	28,245,574	4,778,663	221,407	2,577,597	-	1,401,575	10,376,937
2017	**107,742,679**	57,946,312	26,676,180	5,423,612	219,600	3,244,333	-	1,556,011	12,676,631
Direct funding									
2018	**105,219,691**	67,696,786	9,045,237	7,474,794	2,438,999	5,369	-	826,764	17,731,742
2017	**107,509,849**	72,431,055	10,423,546	9,190,326	2,920,197	9,047	-	1,638,771	10,896,907

(*) The figures for the previous period have been restated to provide a like-for-like comparison.

A description of the individual segments is given below, focusing firstly on the performance of the income statement and then providing a more detailed analysis of the main activities conducted, both commercial and otherwise, divided in a manner that is in line with the internal organisation of the segment in question.

Retail

The "Retail" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at private customers and small businesses.

These activities are mainly carried out by the Commercial Network.

Commercial Network

The Commercial Network represents the cornerstone of the development of the Group's commercial activities throughout Italy and is the backbone of its organisational structure. It is centred on the network division, which ensures a balanced coverage at a national level and is instrumental to the development of a product and service offering in line with customers' needs in the different markets where the banks of the Group operate.

On 1 January 2018, the new commercial network model became fully operational, an important project that involved the entire commercial network and the definition of new professional roles.

The model is inspired by the principles of:

- customer centrality and high levels of service, through a specialized offering and a greater focus on commercial structures;

- territorial proximity, through the configuration of 8 territorial departments dedicated to specific reference territories, to which 45 areas report, which in turn guarantee support and coordination in favour of the branches (divided into Hubs, Coordinated Independent, Spoke and Independent);
- speedy decision-making processes and proactively meeting customer needs.

The project also included the reorganisation of the Corporate Network into 5 Markets and 18 Corporate Centres to enhance the specialisation necessary for the management of Corporate customers. The organisational structure is divided into two business units (Corporate and Large Corporate) and provides for the presence of product/specialist principals for Origination, Structured Finance, Foreign Operations and Trade Finance.

Distribution Network

As of 31 December 2018, the Banco BPM Group had 1,804 branches. The Group's network is distributed throughout Italy, with a leading position in the northern part of the country, where 77% of the distribution network is concentrated. The branches are mainly located in the following regions: Lombardy, Veneto, Liguria and Piedmont.

Retail branches

Branches	**Actual 2018**
Banco BPM	1,748
Banca Aletti	55
Banca Akros	1
Total	**1,804**

The distribution network of the Group is expected to evolve in line with the following three key principles: (i) rationalisation of the branch network; (ii) specialisation of the "value proposition" and increased penetration of digital distribution channels; and (iii) development of new "physical" service models that are more flexible and more appropriate to meet client needs.

The branch network is undergoing significant rationalisation in line with the revised 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 different areas.

The evolution of the Banco BPM Group's distribution model is being supported by investment in digital distribution channels, in line with a customer's features, needs and propensity and also through the new positioning of the Webank brand, continuing the migration of cash transactions to electronic cash and providing new distance-based consultancy services. Particular focus is placed on the availability of distance-selling of the products and services of the Banco BPM Group. Banco BPM is implementing an omni-channel service model with a focus on sustainability and efficiency.

Finally, the new distribution model envisages the creation and/or strengthening of mobile "physical" channels intended to bring the bank closer to its clients. Various new forms of mobile services are envisaged including, amongst others: (i) distance-selling, based on

distance communication tools and techniques to facilitate the relationship between client and relationship managers in different locations and requiring a large number of client relationship managers to be authorised to operate outside the branches and to provide consulting services at the client's home; (ii) teams of private bankers to develop new and existing wealth advisory competencies; (iii) business product specialists throughout the network supporting the relationship managers; (iv) business developers dedicated to acquiring new business customers, particularly in geographical areas where the Banco BPM Group is less well-established; and (v) financial promoters that will converge in Banca Aletti.

Private Customers

"Private" customers comprises all private individuals, natural persons with private assets of less than Euro 1 million, which breaks down into "Personal" and "Universal" customers: the former, the "Personal" customers are those with assets (deposits) of between Euro 50,000 and Euro 1 million; the latter, the "Universal" customers, are those with personal assets of less than Euro 50,000.

Products, Services and Financing for Private Retail Customers

Current accounts

The Banco BPM Group promotes the offer of current accounts, streamlined and harmonised across the entire network. The offer meets the needs of different target customer segments.

The YouWelcome Private Account offers competitive economic terms and has allowed us to acquire a significant share of new customers by consolidating our customer base.

During 2018, the Basic Account offer was revised, in its various forms, in order to promote the financial inclusion of the most vulnerable groups in the population, helping to lay the foundations for their possible financial development.

Loyalty

Premia i tuoi valori and Salute e Caring

In 2018, and following the end of the YouShop Premium programme, more innovative programmes were introduced, namely "Premia i tuoi valori" and "Salute e Caring".

The first is Premia i tuoi valori, which is a programme that ran from 1 April to 30 November 2018, and encouraged customers to increase their assets and maintain them for a period of 6 months through a reward incentive which could consist of 4 different types of electronic vouchers.

The second was Salute e Caring, which was created to reward private customers who, between 28 May 2018 and 31 July 2018, signed up for Vera Assicurazione and Vera Protezione products, such as Salute Advance, Salute Light, Vera300, TCM and TCM Plus. The reward incentive consisted in electronic vouchers from international partners across different product categories.

ThankYou Premium

The ThankYou Premium programme, the main initiative that seeks to prevent customers from leaving, is addressed to customers with a good level of assets, but who have showed signs of disaffection towards the bank.

A welcome reward is envisaged for the same, and then, depending on their level of loyalty and on the increase of the amount of capital deposited with the Bank, further rewards.

Multichannels

The Banco BPM Group has a range of advanced digital products and continues to develop its digital offer aimed at improving the overall customer experience for both its YouWeb and YouApp services dedicated to Commercial Network customers, and its Webank brand services, which have kept their distinctive position in the acquisition and management of purely digital customers.

From an operational perspective, several services are available, such as foreign bank transfers, previously only available in the branch, the payment of F23 forms, a function that is increasingly requested for payments to the public administration, and cardless cash withdrawals, whereby customers can withdraw cash without the physical procedure of a cashpoint card. In addition, payment slips, debit card activation and management of user charges (Sepa Direct Debits - SDD) are available, and a significant focus has been placed on mortgages. A new simulator was added to the bancobpm.it website that allows customers and prospective customers to find out about current terms at any time, in a simple, intuitive and clear way, and thus choose the product that best meets their needs.

YouApp

YouApp is an application which enables the customer to manage accounts while on the move via smartphone or tablet.

Webank

The Webank brand has a distinctive positioning within the Group in terms of acquiring and managing customers who are more interested in digital channels. In addition to providing a full range of banking services, WeBank is one of the market leaders in evolved services and platforms for online trading and one of the main players in the brokerage of online mortgage loans. At 31 December 2018, the customer base served was over 190,000.

Contact Centre

Contact Centres provide private and business customers with active support mainly by telephone, IVR (Interactive Voice Response), e-mail and chat functions.

Payment cards

The Group has completed the convergence of its payment card offer for the entire network of Banco BPM branches. The streamlining activities were accompanied by the monitoring of developments linked to the evolution of payment circuits, for example, with the launch of cash machines with contactless technology.

In 2018 Banco BPM also played an active part in local initiatives, including the launch of the use of the contactless method for paying on the Milan metro and monitoring developments in cash machine digitalisation in its role as pilot bank.

Collection and payment services

The Group's offer of collection and payment services includes a new electronic invoicing platform, YouInvoice Plus, which is now incorporated within the remote banking service, YouBusiness Banking.

In addition to allowing companies to go digital and oversee their entire invoicing process in compliance with current regulations, this choice allows collections and payments connected to the invoicing process to be managed simply and effectively, and includes the option of requesting advance payment on credit in a completely digital manner.

Private mortgage loans

Banco BPM disburses mortgage loans to private customers of the Banco BPM Group.

The Banco BPM Group seeks to adapt products in its catalogue to economic conditions. The Group provides support to customers that have suffered from the recent economic crisis or that have been affected by natural disasters, by renegotiating loans or suspending instalments.

In 2018, the trend in granting mortgages to consumer households was in line with the previous year. Mortgage lending to the Banco BPM Group's private customers amounted to 2.9 billion euros.

In 2018, new products were added to the catalogue, namely a product called the "Finished fixed-rate mortgage" which offers a mortgage on a monthly basis with a non-indexed annual nominal rate. In addition the Banco BPM Group also launched a "Last Minute" fixed-rate mortgage and the variable-rate "Promotional Mortgage".

Consumer credit

Banco BPM disburses consumer credit to consumer households. In 2018, the Banco BPM Group disbursed around 75 thousand consumer loans, amounting to a total of over Euro 1 billion.

Almost all personal loans granted to private customers are disbursed through the product companies Agos Ducato and ProFamily.

Savings/investment products and services

The Bank's product policy concentrates mainly on asset management instruments. In particular, mutual funds and SICAVs from major Italian and international Asset Managers, Branch 1 insurance policies in particular, certified with different levels of protection.

Due to the trend of market interest rates, which continue to be at very low levels, customers were not offered Banco BPM Group bonds in 2018. Subscriptions of certificates of deposit have remained constant however.

Asset management and certificates

The volumes of fund on asset management products recorded during 2018 confirm customers' preference for flexible forms of investment and the desire to delegate investment decisions and the diversification of portfolio financial assets to experienced professionals.

In 2018, subscriptions to multi-asset and multi-manager SICAVs and Mutual Funds reached funding volumes of approximately 10.4 billion euros.

Aletti / Akros Certificates offer the opportunity to invest in different indices, while at the same time enabling investors to benefit from a certain level of protection and to receive conditional coupon income. With regard to certificates, in 2018, customers subscribed to Aletti/Akros Certificates for a total placed of approximately 416 million euros.

Bancassurance Vita

In 2018, the Group finalised a distribution agreement for insurance products through the company Vera Vita, a joint venture built with the Cattolica Assicurazioni group, as well as via the Irish company Vera Financial dac. Additionally, the distribution agreement with the company Bipiemme Vita is still in place in some specific geographical areas.

Total premium income was approximately 1.7 billion euros in 2018. The products offered provide an answer to the customer's need for security, as well as the opportunity to increase the capital invested in the medium term.

Bancassurance Protezione

The Banco BPM Group operates in partnership with Bipiemme Assicurazioni for the distribution of insurance products across the former BPM network.

With regards to the former Banco Popolare, a partnership agreement with Cattolica was finalised in 2018, with the subsequent rebranding of the companies as Vera Assicurazioni and Vera Protezione, which continued to offer damage insurance solutions for people, property, homes and cars.

Corporate Customers

As at 31 December 2018, the Group had approximately 400,000 corporate customers with a current account.

The distribution of Corporate customers includes a significant proportion of small and medium enterprises, for which the Group further strengthened its activities in 2018.

Specifically, business was developed with dedicated products and services, which are outlined below.

Current accounts

Banco BPM promotes the offer of catalogue accounts. The "YouWelcome Business" and "You Business" package accounts are widely used and appreciated by Corporate Customers.

These products, dedicated to Small Economic Operators and "Small Business" specifically, have allowed a significant share of new business customers to be acquired.

The "Service Pack Start" and "You Welcome Corporate" package accounts were also reserved for larger Companies.

During 2018, the Group's offering aimed at condominiums was revised and streamlined by of the creation of a new account package reserved for the segment. The account is combined with the offer of dedicated financing.

Loans and lending

The financing products that make up the various catalogues, which are unique to the entire Banco BPM Group, are designed to meet the following needs: investments, working capital, liquidity, consolidation, advances and overdraft facilities.

In 2018, there was an expansion of the range of available loans for businesses, with the release of an unsecured "Short-Term Financial Needs" product and the mortgage-land "Companies Green Building Loan" product.

The needs of specific customer targets are met through specific products such as "*Orizzonte Donna*" addressed to female entrepreneurs and a range of "Tourism" loans, addressed to the tourist and hotel sector.

In the current social and political context - where increasing attention is paid to health issues and to a more conscious and efficient management of energy resources - the Bank has decided to expand its "Condominium Catalogue" product range, adding the new product "Condominium Credit Efficiency", intended to finance those "Condominium" customers who are renovating or redeveloping the building to improve its energy efficiency and who are being assisted in these renovation and redevelopment works by a public grant.

Commercial Initiatives

With regard to Retail Companies, the Banco BPM Group has made a series of measures available that aim to foster the development of their business and, indirectly, consolidate the economic recovery of the system.

Specifically, the main commercial initiatives in 2018 were aimed at supporting the operational management of its customers. These include:

- **Reference Bank objective** - the granting of new credit by the Banco BPM Group, incrementally compared to existing credit lines, has made it possible to reach a market share for the customers in question that is appropriate to the reference bank role;

- **Bridge to PoE growth** - this initiative aims to support and encourage business immediately and then find a gradual replacement as natural growth occurs via the commercial exchange triggered with the company that has been assisted and, consequently, made a loyal customer;

- **F24 and salary initiative** - an initiative aimed at supporting our customers' financial commitments during the periods of May/August and November/December when various tax and management deadlines become due, over and above their normal monthly obligations;

- **BT Lending Support** - these facilities concern both opening current account credit facilities and "credit ceilings" for the advance payment of trade receivables, types of credit lines that are widely used by companies;

- **Repeat Business 2018** - Initiative aimed at assisting the best counterparties with unsecured short-term instalment loans that have already expired or are close to maturity, through the re-proposition – in view of Repeat Business – of similar new credit lines;

- **BBPM POS initiative** - In order to help merchants or self-employed professionals collect funds, an initiative has been launched to assist our customers in choosing the most suitable POS solution for their business by offering this service at particularly competitive market conditions;

- **Insurance product initiatives** - During the first part of the year, a number of initiatives were prepared (Assicura Aziende, Protezione Aziende, Protection Week) to support customers in hedging the areas of business risk to which each specific customer was most exposed. The Insurance Distribution Directive (IDD), makes identifying the insurance needs of customers compulsory. In order to comply with the new legislation, the bank adopted the Demands & Needs (D&N) questionnaire as the instrument for surveying the insurance needs of its customers;

- **Import – Export Contract Mission** - entails the offer of a wide range of "Advanced Foreign" services currently available, such as consulting services for drafting international sales contracts for goods and products, documentary credits and guarantees to reduce counterparty/country/contractual risks, etc.;

- **You Card Business initiative** –a dedicated initiative was launched that included the YouCard Business proposal, a card with debit and prepaid functions, to achieve greater administrative efficiency, better control of expenses and prompt monitoring of the use of the same;

- **You Lounge - The Trade Club** – This initiative gave our best customers with international scope the opportunity to join an international "virtual community" - through the use of dedicated software - that allows customers who are interested to grow abroad;

- **smart digital invoice advances** – a process was developed with simplified authorisation procedures that allowed all customers involved in the initiative and subscribers of the service to proceed in a simplified way with advances on invoices via the electronic channel. The benefits for our customers lie in greater user friendliness, a reduction in the Bank's response time for the disinvestment of short-term loans and, more generally, an improvement in the customer experience;

- **electronic invoicing – New YouInvoice** - launched in light of the regulatory requirement, from 1 January 2019, that will provide for electronic invoicing for all B2B relationships and which will impact approximately 5 million Italian VAT registered companies. The customers involved were offered the innovative "YouInvoice Plus" service with promotional pricing that was particularly advantageous and competitive compared to current market offers.

Support following on from catastrophic events

Following the collapse of a section of the Polcevera Viaduct on the A10 Motorway, the Banco BPM Group adopted the ordinances issued by the Civil Protection Service and the Mayor of Genoa, intervening with measures to suspend the payment of mortgage instalments for customers affected by the event.

The Banco BPM Group also intervened to support customers who were severely affected by the exceptional weather events that occurred in October 2018, in the regions of Calabria, Emilia Romagna, Friuli Venezia Giulia, Lazio, Liguria, Lombardy, Tuscany, Sardinia, Sicily, Veneto and the autonomous provinces of Trento and Bolzano.

Lastly, to continue to provide the utmost support to the Regions of Lazio, Marche, Umbria and Abruzzo, which were affected by the earthquake of 24 August and the subsequent earthquake of 30 October 2016, the Banco BPM Group has resolved, in accordance with legal provisions, to extend the duration of the suspension measures until the end of 2020, or the end of 2021 for business or private customers and their first home loans for residence that cannot be inhabited or have been destroyed.

Other business support and development activities for corporate loans

Activities connected with the "system moratoriums" continued throughout 2018, due to the effects produced by the "2015 Credit agreement" signed between the Italian Banking Association, Confindustria and other leading Trade Associations, which the Banco BPM Group joined in April 2015.

The Banco BPM Group has also decided to participate in the new Credit Agreement, which was promoted in November 2018 by the Italian Banking Association and the Trade Associations and that reflects the 2015 agreement, in order to continue to offer customers the possibility of requesting payment suspensions and the extension of maturities on both short and medium/long-term transactions.

Agriculture

The agricultural industry continues to hold an important position in the commercial strategies of the Banco BPM Group.

The Group operates a specific credit assessment procedure for agricultural enterprises; this is an innovative assessment system that takes the specific nature of businesses in this industry into account.

In 2018, the use and maintenance of the creditworthiness assessment procedure for agricultural businesses continued. This is an innovative assessment system that accounts for the specific characteristics of companies in the sector. This process, combined with the service model developed through the account managers within the Network and the "Seed" financing products catalogue, makes Banco BPM one of the most attentive banks in Italy when it comes to the safeguarding and development of the agriculture sector.

Insurance coverage

Banco BPM Group operates in partnership with Bipiemme Assicurazioni for the distribution of insurance products across the former BPM network.

With regard to the former Banco Popolare, a partnership agreement with Cattolica was finalised in 2018, with the subsequent rebranding of the companies as Vera Assicurazioni and Vera Protezione, which continued to offer damage insurance solutions for companies, both credit related and stand-alone, to protect their business from various risks (including, but not limited to fire, theft and legal protection).

Facilitated Financing and Guarantee Bodies

Banco BPM collaborates with "suppliers" of funds/financing with preferential terms. At the supranational level, in 2018 Banco BPM granted loans using funds obtained from the European Investment Bank (EIB) to SMEs and mid cap companies.

Within Italy, Banco BPM has granted loans using funds obtained from the Cassa Depositi e Prestiti for investment programmes of SMEs, mid cap companies and companies belonging to networks and/or production chains.

Banco BPM has also signed an agreement with the Italian Ministry of Agricultural, Food and Forestry Policies and the CDP to grant facilitated co-financing - using CDP funds - to companies in the agricultural sector that have signed "Chain Contracts" or "District Contracts" in order to implement integrated investment programmes.

Also within Italy, Banco BPM has granted facilitated financing, assisted by the "Nuova Sabatini" machinery grant, to SMEs investing in brand-new machinery, systems, capital goods and equipment for production use, as well as in hardware, software and digital technologies.

At a regional level, Banco BPM works with the financial companies of the regions, specifically Veneto Sviluppo (Veneto), Finlombarda (Lombardy) and Finpiemonte (Piedmont), to grant facilitated co-financing to local SMEs by using funds made available by the Regions themselves.

Guarantee instruments for companies

Banco BPM subscribes to specific agreements and conventions with the managers and providers of guarantees.

In 2018, Banco BPM signed an agreement with the European Investment Fund (EIF), as part of the Juncker Plan, to support companies with a strong orientation towards technological innovation and research and development via a special guarantee mechanism known as the InnovFin SME Guarantee, which is supported by the European Strategic Investment Fund.

Other public facilities for companies

As part of the measures aimed at SMEs, Banco BPM also directs tax relief initiatives to SMEs (interest rate subsidies or non-repayable grants) provided for by national and regional regulations.

Corporate

The "Corporate" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at medium and large-sized companies.

These activities are mainly carried out by the Commercial Network (see above).

The Corporate arm of Banco BPM intends to be the partner of choice for Italian mid cap companies, by offering high value-added services for businesses, both in terms of the ordinary operating dynamics of corporate customers, and during periods/transactions of business discontinuity.

In February 2018 a new organisational model was launched to serve Corporate companies.

This organisational model focuses on providing a service to companies with a group turnover of over 75 million euro and to companies in need of superior value-added services.

A "customer oriented" approach has been adopted: it starts by identifying the specific needs of the company and then developing the most suitable "proposal configuration" in terms of service model and solutions offered.

The new Corporate network structure allows for the unitary control of the business at Group level, while guaranteeing a "direct handle" on the needs of the supervised business chain and its customers. These objectives are also pursued by establishing specific central organisational controls on specialist and value-added areas of offer:

- Structured Finance,
- Foreign Operations and Trade Finance,
- Sectorial Oversight and Origination,
- Commercial Planning;

The Group has identified five corporate markets regionally (Milan, North - West, North - East, Centre North, Centre South) and a "Large Corporate" structure with local offices (Milan, Turin, Verona, Bologna, Rome) dedicated to serving companies with a turnover of more than 1 billion euro.

The Group has also created 18 corporate centres, with managers and analysts that assist the companies in their ordinary and extraordinary transactions.

Corporate customers

In 2018, loans to corporate companies accounted for approximately 35% of total lending volumes (cash + endorsement credits) to customer supported by the Group's Commercial Network, against a base of approximately 13,000 counterparties.

The offer to support corporate enterprises – specific products and services

During 2018 there was a volume increase in loans granted to companies. While attention was always paid to creditworthiness, particular focus was centred upon the companies most active in the recovery of the national economy.

Loans and financing

The range of loans with a modular approach (*e.g.* unsecured loans to large enterprises in tranches, with delayed disbursement, with financial covenants, etc.) has been gradually extended to meet the needs of customers in the most personalised way possible.

Main commercial initiatives

The Corporate structure supports its customers with a constant focus on both commercial and credit risk aspects; particular efforts were taken to strengthen the market and business shares of the customers, with the subsequent improvement of their competitive position and of the role of reference bank for the assisted counterparties.

The Corporate structure places particular emphasis on enhancing the synergies between the Commercial Network and the Group's product services, such as:

- specialists per sector of economic activity (with specialisations and characteristic focus on the sectors most attractive to corporate clients);
- specialists per structured finance activity (in the Project Financing, Corporate Lending, Real Estate, Acquisition and Leveraged Finance segments);
- foreign specialists (to support exporter/importer customers).

In this regard, the Corporate structure works with Banca Akros to provide corporate and investment banking: capital markets (hedging) and corporate finance (equity capital markets, debt capital markets, M&A, securitisation and advisory).

Acquisition of trade receivables in the form of discounts without recourse

Banco BPM offers services in the sector of corporate lending assisted by the assignment of trade and tax receivables without recourse. In this regard, the objective is to facilitate the

Group's top customers to assign their trade and tax receivables and to draw up personalised agreements with leading companies to optimise existing opportunities in the management of trade payables and offer financial services to its suppliers, with a view to strengthening and managing their commercial relations.

Corporate agreements and sponsorships

The Group, as an active contributor to supporting businesses in pursuing their growth objectives, has entered into an agreement with Italian Stock Exchange, Banca Akros and Élite Lounge.

Élite Lounge is an international service platform created to provide support to businesses in implementing their development projects by sharing experiences, providing access to finance and training. The commercial agreement between Banco BPM, Banca Akros and Élite Lounge is a 2-year project in which the selected customer businesses are assisted with training in business/finance, with a view to achieving a listing on the market.

Financial risk hedging

The Banco BPM Group concluded approximately 4,000 hedge contracts against financial risk with Business customers in 2018: hedges against exchange rate risk amounted to approximately 2,000, corresponding to approximately Euro 3.5 billion and while approximately 2,000 involving interest rate risk management for a total amount of approximately Euro 3.8 billion.

Structured finance

In the Corporate area, which was given an additional boost in 2018 thanks to the new organisational model focusing on customer service, structured finance continued to play a fundamental role in developing relations with counterparties with more complicated financial needs.

The excellent performance of the activity carried out during the year should be noted:

- in the field of private equity funds, i.e. in financing transactions with institutional investors to acquire unlisted companies;

- in the field of project finance, i.e. in the financing of infrastructural works or energy production, predominately from renewable sources.

The area that saw the highest growth rate was "Corporate Lending", which is intended for corporate clients for whom structured finance provides a "tailor-made" service in the structuring of loans dedicated to non-current needs.

In this sense, structured finance's role as an important driver in the development of more dynamic and sophisticated customer relations was confirmed, with the service model adopted allowing for systematic support to be given, by a specialist team, to the commercial networks during their development, negotiation and intervention structuring activities.

Origination

In 2018, in order to effectively serve its high potential Corporate customers and to incorporate internal and external offer areas, with a subsequent improvement in cross selling, the Banco BPM Group expanded its Origination Corporate unit (established in 2017), introducing:

- additional senior bankers with many years of experience in equity, consultancy and structured finance, with an industry-oriented approach dedicated to the most dynamic sectors;

- business analysts, support staff for customer analysis and the development of business hypotheses.

Specifically, the unit has identified a number of counterparties within the various Industry/Sectors that it follows with whom to offer a dedicated level of service and coverage, with a strategic development approach taken to the relationship.

Additionally, in order to further optimise the Group's commercial and operational effectiveness, the Origination unit has played a key role in developing and implementing the strategic projects of the Group, such as: optimising credit processes and strengthening the Group's analysis instruments.

Foreign operations and trade finance

Dedicated network and foreign goods unit

The Banco BPM Group assists its customers via a dedicated commercial network, made up of more than 60 reference specialists across Italy.

In order to conduct its activities, the Group also relies on an Operations structure with the following foreign units - goods located in Italy and in particular: Milan, Legnano, Rome, Verona, Modena, Bergamo, Novara, Lucca and Lodi.

Overall, the Operations structure currently has about 130 members of staff and manages foreign documentary transactions, with the exclusion of electronic receipts and direct remittances (i.e. the open account area).

Specifically, the Operations structure handles operations in documentary credits, documented remittances and international interests.

Financial Institutions

During 2018, the Financial Institution Group (F.I.G.) pursued its customer support activity:

- in the Export sector, by developing additional lines of commercial credit, both continuous and temporary, to foreign banks;

- in the Import area, by making a large network of foreign correspondents available.

By managing the foreign Representative Offices in Mumbai, Shanghai and Hong Kong, it has helped customers who operate, or intend to operate, in the areas of competence of these offices and has also contributed to the Group's foreign commercial undertakings, as well as

to the dissemination of its image via targeted missions to foreign banking correspondents and participation in international banking events.

Foreign Products and Services

Banco BPM has renewed its financial guarantees agreement with SACE (Institute for Foreign Trade Insurance Services, CDP Group), which provides for the possibility of providing loans with SACE guarantees. Amongst the products created, the IT.EX (working capital financing) loan, the JET loan (to support the internationalisation projects of companies) and the discount with SACE policy transfer (discount without recourse effects guaranteed by the Supplier Credit Policy issued by SACE).

Banco BPM has also signed a Master Risk Participation Agreement (MRPA) with SACE, whereby the bank and SACE share the non-repayment risk associated with payment instruments and/or obligations for the export of goods and services (confirmation of documentary credits) and the execution of work abroad (bonds).

During 2018, Banco BPM continued to develop new digital channels, with both informative and operational features, for companies that operate or intend to operate abroad. Specifically:

- YouWorld, an information platform that gives companies access a comprehensive set of information concerning foreign trade that is constantly updated and the references of potential foreign suppliers or buyers.

- YouTrade Finance, which allows for the operational aspects linked to goods to be managed electronically, simplifying and optimising the relationship between the customer and the bank. YouTrade Finance allows digital documents to be exchanged between the bank and the customer, through guided procedures that are constantly tracked, able to ensure maximum security and guarantee a reduction in times and allowing the customer to monitor the processing status of the document.

- YouLounge, a virtual B2B platform that allows Banco BPM's corporate clients to promote their products/services through a virtual shop window (the business card). All companies engaged in expanding their international foreign markets, both in terms of imports and exports, will be able to use the platform, which can be accessed via the Banco BPM e-banking portal.

The YouWorld and YouLounge platforms will be integrated during 2019.

Agreements with primary institutions

In order to expand its support for customers, Banco BPM has agreements in place with primary institutions (the Italian Trade Agency - ITA - formerly the Italian Institute for Foreign Trade - ICE, De International and the aforementioned SACE).

Specifically, the agreement with the Italian Trade Agency - ITA strives to provide internationalisation services, specific consultancy and information, furnished by the Italian Trade Agency (ITA). Thus, the bank's customers can also access services in countries where Banco BPM does not have a direct presence.

Institutional

The "Institutional" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at bodies and institutions (UCIT units, SICAVs, insurance companies, pension funds and banking foundations).

These activities are mainly carried out by the Commercial Network.

Institutional counterparties are the main supervised entities such as insurance companies, shadow banks, asset management companies, SBFs, open and closed-end mutual funds, banking foundations, social security and welfare funds and pension funds. Furthermore, Institutional counterparties include the state, constitutional bodies, the central state bodies and some companies in which the central public administration has a stake.

Relations with the Institutional counterparties are monitored by the structure of the same name through a complete service model, which includes managers and specialised employees and a dedicated branch.

Commercial partnership with allies outside the Group

The Institutional function is also tasked with supervising and coordinating the structure dedicated to centrally managing commercial alliances with partners external to the Banco BPM Group.

These alliances are governed by special commercial partnership agreements, which provide for the offer of dedicated products exclusively to the customers of the external partner, via a double distribution channel:

- "off-site" offer, through external financial consultancy;
- "on-site" offer, via dedicated branches within the financial stores of the commercial partner.

Centralised commercial management consists in the presence of a dedicated structure, included within the Institutional function, which has 13 branches spread across Italy, to which five new openings will be added by the end of the first half of 2019.

Over 31,000 customers are served in this way, in collaboration with commercial partners.

Public Administration and Entities

Pursuant to EU Regulation 549/2013 on the European System of National and Regional Accounts, entity or public sector customers consist of:

- Public administrations, which in turn include central administrations (state and constitutional bodies, ministries and their departments, etc.), local governments (regions, provinces and municipalities) and public welfare and assistance bodies;
- Public companies, i.e. entities that produce goods and/or services intended for sale and that have a public legal nature or that are directly or indirectly controlled by the public administrations, by way of specific laws, decrees or regulations.

Third-Sector and Religious Entities

Third sector and religious entities include associations, foundations, socially useful non-profit organisations, cooperatives and social enterprises and other non-profit organisations, which make up the third sector segment, and by dioceses, parishes, congregations and religious orders, which make up the religious entities segment.

Private

The "Private" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at private customers with assets that, individually and/or within their business, amount to at least 1 million euro.

These activities are carried out by Banca Aletti.

At the end of 2018, Banca Aletti recorded a total amount of assets under management (both administered and managed) of 18.3 billion euro.

As at 31 December 2018, the Banca Aletti network consisted of 11 areas, 45 units, 10 branch offices, 269 private bankers and 4 financial advisers.

Investment Banking

The "Investment Banking" segment includes the structuring of financial products, access to regulated markets, and the support and development of specialised financial services.

These activities are carried out by Banca Akros.

Trading and market making activities on own account

The Group carries out market making and trading on own account in government bonds and securities, interest rates, exchange rates, shares and other financial derivatives, over-the-counter market making on Government securities and bonds and market making on stock options and future stocks.

It also executes transactions with professional customers and qualified counterparties in repurchase agreements and securities lending on bonds and shares.

In 2018, risk management strategies implemented during the last few months of the year were prudent, especially in government and corporate bonds, and benefited from long, volatile positions in the stock and foreign exchange markets.

Brokerage activities

Banca Akros engages in equity trading on behalf of third parties on stock exchanges and on MTFs and also bond trading.

The activity on foreign equity, which is also conducted within the framework of ESN – European Securities Network LLP (the partnership in equity research and trading established with other European investment banks that are independent of each other and active in their respective national equity markets), recorded an increase in volumes traded in 2018 of approximately 10% compared to 2017.

In brokerage on behalf of third parties on the regulated derivatives markets of the Borsa Italiana, Banca Akros ranks first in the FTSE MIB Index Options, with a market share of 12.9% in 2018.

In terms of volumes traded on the behalf of third parties on bonds, during the year Banca Akros ranked first on the EuroMOT, ExtraMOT and Hi-MTF markets, with market shares of 25.8%, 26.1% and 24.6% respectively, and second on the DomesticMOT and EuroTLX markets, with 15.9% and 20.8% respectively, in the ranking compiled by Assosim.

Activity on the German market for EEX energy derivatives continued positively, as did activity on the French Powernext market for gas derivatives, with a significant increase in volumes traded on behalf of customers active in trading and risk hedging operations in the relative sectors.

Separated by classification and function from brokerage activity, yet related from a customer's perspective, the equity research division, made up of a team of 13 analysts, has conducted intense analysis on both large cap and SME listed securities. The equity research division's contribution to the numerous meetings with Italian companies and institutional investors, both domestic and foreign, was crucial.

Banca Akros is one of the few banks within Italy to bolster its focus on SMEs, in line with the strategy defined by the Banco BPM Group.

Investment Banking

Banca Akros engages in equity capital markets transactions, including capital increases of companies and banks. It also coordinates public bids and acts as Sponsor for transfers between market segments and in relation to demergers and listings.

In the debt capital markets, Banca Akros participates as joint bookrunner, joint lead manager and other roles in the placement of corporate, supranational and financial institution bond issues, both senior and subordinated, with institutional investors, including green bonds.

In the non-performing loan disposal segment, Banca Akros has acted as joint arranger in the securitisation of a portfolio of bad loans amounting to 5.1 billion euro carried out by Banco BPM, obtaining the GACS guarantee, and as advisor in the sale of a further 7 billion euro (the "ACE Transaction")

As arranger, the Banca Akros also carried out a multi-originator assignment of bad loans, mainly mortgages, by a pool of Italian banks, as well as the sale of substantial non-performing mortgages and/or UTPs. Banca Akros also managed, as joint arranger, two securitisations of consumer loans originated by Agos Ducato, for 1,200 million euro and 1,100 million euro respectively.

Banca Akros has implemented the planned reinforcement of the M&A department, through the inclusion of senior specialist resources from leading operators in the sector, with the aim of focusing on M&A activities for Italian SMEs, including in cross-border transactions.

Corporate & Institutional Banking

This division, divided into banks and investment products, corporate sales and institutional sales departments, ensures the development of an integrated offer to customers of Banca

Akros products and services, in coordination with the Parent Company. Hedging activities for corporate, bank and financial institution customers is also assigned to the Corporate & Institutional Banking division.

It carries on all of the proprietary trading activities previously carried out separately by Banca Akros and Banca Aletti, including the structuring and issuing of certificates, placed with investors via distribution networks, both inside and outside of the Group.

Banca Akros is also a strategic partner of ELITE, the subsidiary of the Borsa Italiana which, via a training and tutoring programme, supports the most dynamic and innovative companies to achieve their growth projects. In 2018, ELITE reached the target of 1,000 companies, 600 of which were Italian.

Regarding the diversification of funding sources, the Bank has developed a partnership with a national operator in the private debt sector.

Banca Akros has also consolidated its role within the Special Purpose Acquisition Company (SPAC) market, an innovative instrument that is mainly targeted at SMEs which safeguards the family ownership of the target company, which is subject to the business combination, while also providing the necessary capital to ensure its development, also internationally.

In 2018, Banca Akros launched a number of specific initiatives related to environmental, social and governance (ESG) issues, such as membership in consortia for issuing green bonds and by way of collaboration with Anima SGR to develop the SICAV segments attributable to ESG criteria (renewable energy, digital revolution, global science for life), as well as developing a volatility control algorithm based on the selected indexes.

Strategic Partnerships

The "Strategic Partnerships" segment includes the contribution of shares held in Agos Ducato, Vera Vita, Vera Assicurazioni, Bipiemme Vita, Factorit, Alba Leasing, SelmaBipiemme Leasing and Anima Holding.

Leasing

The "Leasing" segment includes data relating to activities connected to the Group's leasing business, the scope of which encompasses activities relating to the contracts of the former Banca Italease and Release.

Corporate Centre

The "Corporate Centre" segment, in addition to governance and support functions, includes the portfolio of owned securities, the treasury and the Group's asset and liability management, the stock of bond issues placed on institutional markets, equity investments not allocated between Strategic Partnerships, service companies and companies operating in the real estate sector.

Group Finance

The Parent Company is the centre of coordination and oversight for the management policies of the structural items of the Group's own assets and liabilities and those of the other Group companies, geared towards optimising the available capital, identifying appropriate

operations and funding strategies for the Group, through actions on domestic and international markets, as well as controlling liquidity needs and their dynamics, and also managing the securities portfolios and other financial instruments owned by the Group.

The operations of Group Finance are divided into the following operating structures: Investments and ALM, Group Treasury, Funding and Capital Management and Monitoring, and Reporting and Coverage.

Funding and Capital Management

Funding and Capital Management is responsible for the funding of the Group and manages its EMTN and covered bond programmes. It also arranges medium/long-term bilateral financing transactions with various market counterparties.

ALM and Investments

The management of interest rate risk in the banking book is carried out centrally within a specific delegated department, and the primary objective of management decisions is to mitigate the rebalancing of the dynamics of economic value volatility with the volatility of interest margin as the rate curve changes of monetary and financial market in general, in accordance with the provisions of specific regulations (BCBS, EBA and the Bank of Italy).

The Group utilises an integrated Asset Liability Management (ALM) system with the aim of calculating the risk measurements that also include the use of behavioural models and measures, and management is primarily based around a "natural hedge" model, which tends to pursue a natural compensation of the risks generated by the gaps in liabilities and assets. The items in which the hedges are present are mainly demand items, bond issues, mortgages and the securities portfolio.

Group Treasury

The achievement of the company's objectives in terms of short-term liquidity coverage indicators (Liquidity Coverage Ratio), both for the Group as a whole and for its individual legal entities, has led to the deployment of effective synergies with the other organisational units involved (specifically, Collateral Management and Liquidity Risk).

Funding on the money markets is intended to optimise available collateral and reduce the cost of financing by seeking the best conditions and greater diversification of sources of funding both in euro and in foreign currencies.

Fund management

The Corporate Centre segment also includes Banca Aletti's fund management activities.

Investments are made adopting an approach geared towards the tactical management of risk factors, compared to strategic positions.

Overall, almost all investment asset classes in the financial markets performed poorly in 2018.

As at 31 December 2018, Banca Aletti had 3.8 billion euro of managed assets.

Real estate segment

Real estate activity involves the management of the Group's capital assets and the development and potential disposal of the non-operating assets.

With a view to increasing the efficiency of the spaces occupied and reducing their management costs, as well as the closure of the branches as envisaged by the new Commercial Network model, renegotiation of rents continued in 2018 and work continued on identifying new suitable spaces for bank branches and/or offices with the aim of obtaining better market conditions and surface areas based on the number of employees involved. The new offices of the Corporate, Markets and Business Areas structure are also being prepared.

With regard to non-operating assets, the marketing of real estate resulting from the collection of receivables, assigned to the NPL Property Portfolio Development unit, have been identified.

The management of the remaining non-operating assets owned by Banco BPM and its subsidiaries continues to be assigned to Bipielle Real Estate. The activity also includes the management and remarketing of properties deriving from defaulting leasing contracts.

Risk Management

In line with regulatory requirements, the Banco BPM Group has adopted a unitary system of risk measurement and control which will be run centrally by Banco BPM.

Within the Banco BPM Group, the Risk Appetite Framework (**RAF**) permits the Group to manage risk profiles in a comprehensive and integrated way. The RAF is deemed as a strategic tool to define in advance how much risk the Bank is willing to take pursuing its strategic objectives.

The framework of risk appetite is developed taking into account the business model adopted by Banco BPM and affects all its main internal processes, playing an important role in managing the Bank in a sound and prudent way.

The RAF sets out, in line with the business model and strategic plan, maximum permissible risks, the Bank's attitude to risk, risk thresholds and limits, risk management policies and the relevant processes required to define and implement them in accordance with the requirements of applicable prudential banking regulations.

The "Risk Management" division is responsible for these activities and has responsibility for overseeing the processes required to identify, quantify, monitor, manage and report the risks to which the Banco BPM Group is or may be exposed, under business as usual and stressed conditions, in line with the strategies and policies of the Banco BPM Group's corporate bodies.

In pursuance of the main objective of guaranteeing sound and prudent risk management, the Banco BPM Group's risk management strategy is based on organisational oversight, adequate risk qualification and management, asset coverage, a comprehensive system of values and business incentives and a suitably effective and efficient organisational model, with the aim of minimizing the impacts on risk profile also through a risk mitigation and transferring strategy, protecting the Issuer's asset and financial base and preserving the reputation of the Banco BPM Group.

All specific IT procedures necessary to enable risk control and management will be active as a unitary system upon completion of the migration to the IT systems of the Banco BPM Group.

Inspection activities conducted by the ECB on Banco BPM S.p.A.

As regards targeted inspections, Banco BPM was subject to a number of inspections throughout 2017, 2018 and in 2019. In particular:

- in a letter dated 24 May 2019, the Bank of Italy announced the beginning of an On-site inspection with the purpose of assessing the "Digital operations/online banking with reference to anti money laundering" (OSI-2019-Bankit). The On-site phase started on 27 May and it is still in progress;

- in a letter dated 14 April 2019, Consob announced the beginning of an On-site inspection with the purpose of assessing the "Product governance process and the adequacy of the clients' operations" (OSI-Consob-2019). The On-site phase started on 14 April and it is still in progress;

- in a letter dated 13 February 2019, the ECB announced the beginning of an On-site inspection with the purpose of assessing the "Market Risk Model validation (VAR, sVAR, IRC) for debt instruments category – specific risk; Forex risk" (IMI_2019_ITBPM_4145). The On-site phase started on 14 May and it is still in progress;

- in a letter dated 7 February 2019, the ECB announced the beginning of an On-site inspection with the purpose of assessing the "Liquidity and Funding Risk of the Bank's activities" (OSI-2019-ITBPM-4372). The On-site phase started on 19 February and ended on 17 May; at the date hereof, Banco BPM is awaiting a final decision;

- in a letter dated 15 October 2018, the Bank of Italy announced the beginning of an On-site inspection regarding "Transparency of transactions and correctness of relationships with clients" (OSI-2018 Bankit). The On-site phase started on 15 October 2018 and ended on 18 January 2019. On 11 April 2019 the Bank of Italy presented the report during a Board of Directors meeting;

- in a letter dated 3 August 2018, the ECB announced the beginning of an on-site inspection (OSI-2018-ITBPM-3612) on operational risk. The on-site phase started on 17 September 2018 and ended on 25 January 2019. At the date hereof, Banco BPM is awaiting a final decision;

- in a letter dated 6 July 2018, the ECB, announced the beginning of an on-site inspection (TRIM-2018-ITBPM-3914) concerning the Europe-wide targeted analysis program of internal models (Targeted Review of Internal Models, "TRIM") relating to credit risk (PD; LGD and CCF) with reference to the "Corporate - Other" and "SME" portfolios. The on-site inspection phase started on 17 September 2018 and ended on 3 October 2018. At the date hereof, Banco BPM is awaiting a final decision;

- in a letter dated 13 April 2018, the ECB announced the beginning of an on-site inspection (OSI-2018-ITBPM-3610) which, as part of credit risk, relates to the review of credit quality, with reference to corporate portfolios, asset based and project finance ("Credit Quality Review - Corporate, Asset based or Project finance Portfolios"). The

on-site phase started on 9 May 2018, the on-site phase ended on 28 September 2018 and, at the date hereof, Banco BPM is awaiting a final decision;

- in a letter dated 9 February 2018, the ECB communicated the start of an on-site inspection (OSI-2018-ITBPM-3383-NPL) on "management of collateral, NPLs and foreclosed assets". The inspection started on 7 March 2018, the on-site phase ended on 11 May 2018 and, at the date hereof, Banco BPM received a follow up letter and is implementing the remedial action plan; and
- in a letter dated 11 December 2017, the ECB set out another on-site inspection (TRIM_Credito-2017-ITBPM-3171), concerning the Europe-wide targeted analysis program of internal models relating to credit risk (PD and LGD) with reference to the "Corporate" and "SME" portfolios. The on-site inspection phase started on 19 February 2018 and ended on 20 April 2018 and, as at the date hereof, the Bank has received the Final decision on 24 April 2019 and has sent the remedial action plan on 24 May 2019 which is currently in due course.

Legal Proceedings of the Group

As of 31 December 2018, the provisions allocated against all existing legal and tax disputes, including cases associated with enforcement actions, total Euro 157.5 million.

In light of the successful outcomes of certain cases in the courts of first instance and/or the existence of valid grounds on which to challenge the claims, and also taking into account the opinions issued by reputable external law firms, as of 31 December 2018, the total amount of claims classified by the Group (i) as having a possible but unlikely risk of success was equal to Euro 329.9 million; and (ii) as having a likely risk of success was equal to Euro 315.2 million, which were covered by provisions allocated under "*Provisions for risks and charges*" for a total amount of Euro 92.4 million.

The Group operates in a legal and regulatory context which exposes it to a wide variety of legal proceedings, relating, for example, to the conditions applied to its customers, to the nature and characteristics of the products and financial services it sells, to administrative irregularities, to clawback actions for bankruptcies, and to labour law disputes.

Ongoing Legal and Administrative Proceedings

The main legal and administrative proceedings in which the Group is involved as of the date hereof are as follows:

Raffaele Viscardi S.r.l.

The claim, which was notified on 30 April 2009 and which amounts to approximately Euro 46 million, relates to the granting of agricultural loans by a Group branch in Salerno to Raffaele Viscardi S.r.l., which alleges that it was led to subscribe bank bonds to guarantee the sums disbursed and claims reputational damages as a result of being registered in the Italian Central Credit Register. On 5 May 2015, the Court of Salerno issued a ruling in favour of the Banco BPM Group, in response to which the claimant filed an appeal.

Maflow S.p.A.

In a notice dated 14 April 2014, Maflow S.p.A., in extraordinary receivership, summoned the former Banco Popolare before the Court of Milan requesting, among other things: (i) a court order to pay compensation for damages of Euro 199 million, calculated by Maflow S.p.A. to be equal to the financial difficulties incurred by it; and (ii) a court order for the bank to return to it the amounts allegedly received by the bank unlawfully from loans granted to Maflow S.p.A. from establishment to default. The claims are based on the assumption that the bank played a dominant role in influencing the financial management of Maflow S.p.A. In a ruling dated 14 December 2016, the Court of Milan rejected the claims brought by Maflow S.p.A. and ordered the same to pay legal expenses. Maflow S.p.A. subsequently filed an appeal against such decision.

2014 Administrative Proceedings

On 17 July 2014, the former Banco Popolare received a formal written notice regarding an alleged infringement of anti-money laundering legislation (Italian Legislative Decree No. 231/2007), on a joint and several basis with other parties potentially responsible for such infringement. The allegation relates to the failure to report a transaction deemed suspicious, following inspections conducted by the Italian financial police force (*Guardia di Finanza*), involving the receipt in 2009 of 41 non transferrable banker's drafts for a total amount of Euro 10.1 million. The proceeding ended on 24 June 2019.

Porta Vittoria S.p.A.

Porta Vittoria S.p.A., which is a group company of the Coppola group, was declared insolvent by the Court of Milan on 29 September 2016. The receivable claimed by Banco Popolare from Porta Vittoria S.p.A. derives almost entirely from a mortgage loan (Euro 219.4 million) and, on a residual basis, from a current account overdraft (Euro 5.6 million). Banco Popolare submitted a petition to be admitted as a creditor in accordance with the law. By judgement dated 22 March 2017, the bankruptcy judge, in line with the proposal of the receiver, admitted the mortgage credit of Euro 219.5 million, but made it subordinated pursuant to Article 2497-*quinquies* of the Italian Civil Code with respect to all other creditors and instead granted a mortgage privilege that will apply only towards other subordinated creditors. The bankruptcy judge also admitted the unsecured overdraft receivable of Euro 5.6 million. The bankruptcy judge based the decision on an alleged management and coordination activity exercised by the former Banco Popolare with respect to Porta Vittoria S.p.A. through the mortgage loan agreement, resulting in a significant influence on the company's operational decisions. The former Banco Popolare has challenged such decision, requesting the admission of its receivable from the mortgage loan without subordination, on the basis that the bank exercised no management and coordination activity with respect to Porta Vittoria S.p.A. The judgment is still pending. Meanwhile, Fondo Niche, an alternative real estate investment fund invested in by York Capital Management, has defined a bankruptcy composition approved by the court of Milan. Therefore, all bankruptcy assets have been assigned to the fund. Banco BPM has reached a binding agreement with Fondo Niche that has encompassed a settlement of all pending litigation and restructuring of Banco BPM debt that shall be repaid through the revenue sharing of assets sale proceeds.

Tikal S.r.l. (in liquidation)

On 5 April 2017, in the context of the insolvency proceedings of Tikal S.r.l. in liquidation, a former tenant of the property in which the activities of "Hotel Cicerone" in Rome were carried out, Release S.p.A. and Cicerone S.a r.l. (a company incorporated under the laws of Luxembourg belonging to the Coppola group) were summoned before the court following a claim for damages for tortious liability of Euro 19.9 million relating to the non recognition of a goodwill indemnity and the alleged loss in value of Tikal S.r.l. caused by the early termination of the relevant tenancy agreement, which in turn was caused by the expiry of the lease agreement between Release S.p.A. and Cicerone S.a r.l. The summons followed a request by Release S.p.A. for admission as a creditor by virtue of its occupancy compensation receivable which was accepted by the court and was assigned preferential status.

Cicerone S.a r.l.

On 21 November 2017, Cicerone S.a r.l. summoned Release S.p.A. and Banco BPM before the court, disputing the invalidity of the debt restructuring agreement entered into with Release S.p.A. on 19 October 2010 in connection with the lease agreement for "Hotel Cicerone" in Rome. Cicerone S.a r.l. has requested the court to declare the effectiveness of the original lease agreement between Release S.p.A. and Cicerone S.a r.l. dated 29 November 2004, as well as compensation for damages of approximately Euro 45 million. On 6 November 2018, the Court of Milan rejected the claims and ordered Cicerone S.à r.l. to pay legal costs and compensation for damages, and ordered the cancellation of the prejudicial transcripts. On 6 May 2019, Danilo Coppola appealed the judgment as beneficial owner of Cicerone S.à r.l. The agreements made by Banco BPM and York Capital Management, the assumptor in the composition with creditors proceeding, will conduct into waiver to appeal and cross-appeal the decision by Cicerone S.à r.l. and the Assumptor.

Trafileria del Lario S.p.A. (in liquidation)

On 12 October 2017, in the context of the insolvency proceedings of Trafileria del Lario S.p.A. in liquidation (formerly Trafilerie Brambilla S.p.A.), a petition was submitted, with an independent claim for compensation from the former (including *de facto*) statutory auditors and directors of the company, to Banco BPM as well as other banks. The allegations against the group of banks are that they contributed to the deterioration of the company, in collaboration with the same directors and statutory auditors, by allowing it to continue its business activities in a situation of insolvency and to unlawfully have access to credit through false billing. The claim for damages is for Euro 25 million.

Dimafin group

The Banco BPM Group has been involved in a number of civil proceedings instituted by the insolvency receiver and also by Mr. Raffaele Di Mario, a former member of the Board of Directors and the owner of the Dimafin group, as well as in criminal proceedings relating to the default of the Di Mario group.

On 22 November 2017, a settlement was reached resulting in the closure of 9 civil proceedings instituted by the insolvency receivers of the Di Mario group and by the former management of the insolvent companies, as well as a waiver to file civil action in the criminal proceedings, thus releasing the amounts previously seized from the Banco BPM Group following an order of the Rome Prosecutor's Office.

The scope of the settlement does not cover the claim brought by the owners of the Dimafin group, represented by Mr. Di Mario, against 23 parties, including numerous credit institutions, requesting that the same be found jointly liable for alleged fraudulent and negligent conduct and for contributing to the financial difficulties and resulting insolvency of the Dimafin group. Mr. Di Mario claims that such conduct depleted the value of his shareholdings and is therefore seeking to obtain compensation of Euro 700 million.

In addition, in December 2017, the insolvency receiver of Mr. Di Mario ("Fallimento Raffaele Di Mario"), summoned Banco BPM and Release S.p.A., together with other banks, with a view to proving their liability for the deterioration of the state of insolvency of Mr. Di Mario. The claim was that the deterioration was caused by the disbursement of credit to Dimafin S.p.A. for which Di Mario granted guarantees. The allegations include a financial loss of Euro 8.9 million incurred by the group of creditors of the insolvent company resulting from the smaller amounts received by the same. The summons also seeks to obtain a declaration of invalidity of the guarantees issued by Mr. Di Mario in connection with the recovery plan drawn up for the Dimafin group.

On 8 May 2018 the Bank complied with its obligations arising from the transaction concluded with the insolvency administrators. As a result, the bankrupts of the Dimafin group arranged for the withdrawal of the civil action. Subsequently, at the hearing which took place on 8 June 2018, the Court of Rome denied the further civil action applications put forward pending the proceedings both with regard to the Bank and with regard to the former representatives of Banco BPM, so that there can be no summons issued against the Bank as the liable party in a civil lawsuit. All the necessary formalities aimed at releasing the amounts previously seized at the request of the Rome public prosecutor's office are in the process of being fulfilled.

Lucchini S.p.A.

On 23 March 2018 the extraordinary administration of Lucchini S.p.A. filed claims in the Court of Milan against various banks, including Banco BPM, seeking compensation equal to approximately Euro 351 million. The claims arise from the events which led to the bankruptcy of the company in December 2012. Specifically, the banks are called upon to answer for the alleged damages caused to Lucchini S.p.A. following the development and execution of the restructuring agreement pursuant to Article 182-*bis* of the bankruptcy law completed in December 2011 and approved by the Court of Milan in February 2012.

Ittierre S.p.A. v. BPM

Ittierre S.p.A. was placed under extraordinary receivership. The procedure started a judicial action asking for refunding Euro 30.9 million pursuant to Article 67 of the Italian Bankruptcy Law. The appointed third-party expert deemed revocable remittances for only Euro 35,000, a positive circumstance for the claim final decision. Pending negotiations, the hearing for the conclusions has been postponed. The negotiation includes a settlement agreement pursuant to which Banco BPM would pay Euro 1.5 million. Such agreement will allow to define the remaining disputes connected to the Ittierre S.p.A. group companies (ITC S.p.A., Plus IT S.p.A., Malo S.p.A., G. Ferrè S.p.A. for an overall claim equal to Euro 18.4 million, for which an overall provision equal to Euro 4.3 million has been made).

Impresa S.p.A.

In the context of the extraordinary receivership proceedings of Impresa S.p.A., a pool of banks, in which BPM's participation was of 8%, as well as the directors of the company were summoned, on a joint and several basis, before the Court of Rome in connection with a claim for damages of Euro 166.9 million. The hearing for the admission of pre-trial evidence was scheduled for the end of October 2018 and the judge reserved the right to hand down a decision.

Send S.r.l.

Send S.r.l. became insolvent in 2009. A loan was granted to Send S.r.l. by a pool of banks led by UniCredit, for a total amount of Euro 49.5 million, for the construction of a shopping centre in Vicenza and secured by a mortgage over the shopping centre. The share of the former Banco Popolare in the loan was 28.8%. The pool's receivables (including the share of the former Banco Popolare) have been regularly admitted to the insolvency proceedings by virtue of the mortgage privilege. The insolvency receiver filed a claim for damages against the pool of banks for an amount equal to the amount of the loan. In 2015, the court assigned to the receivership declared its lack of jurisdiction. The receivership proceedings resumed before the Court of Venice, business section, conclusions were reached although the decision is still pending.

Proceedings related to the diamonds reporting activities

With regard to the reporting activity of the former Banco Popolare Group to the IDB, of the customers interested in purchasing diamonds, on 30 October 2017, the proceeding before the Italian Antitrust Authority (**AGCM**) was concluded, with a ruling that ascertained the existence of an alleged unfair business practice pursuant to Articles 20 and 21, paragraph 1, letters b), c), d) e f), 22 and of Article 23, paragraph 1, letter t) of Legislative Decree No. 206 of 6 September 2005 (the **Consumer Code**). This ruling envisaged the application of a monetary fine to Banco BPM of Euro 3.35 million (as well as fines to Intermarket Diamond Business S.p.A., its subsidiary IDB Intermediazioni S.r.l. and other reporting banks). The Bank paid the fine within the terms of the law and filed an appeal to the Regional Administrative Court (TAR) against the ruling of the Authority in December 2017; the appeal was rejected by TAR on 14 November 2018; Banco BPM decided to challenge the ruling before "Consiglio di Stato" (Supreme Administrative Court).

A criminal investigation is also pending with regard to the diamonds sales activity involving IDB and the various reporting banks, including Banco BPM. The criminal offences under investigation are alleged fraud and related self-laundering, obstacle to the supervisory authorities' functions and corruption among private parties. The inquiry involves also managers and former managers of Banco BPM Group (including the former General Manager), the Bank itself and its subsidiary Banca Aletti for administrative offence pursuant to Legislative Decree 231/2001. In the context of the inquiry, on 19 February 2019, the Milan Public Prosecutor's Office carried out at Banco BPM a precautionary seizure for a total amount of approximately Euro 84.6 million.

Banco BPM Board of Directors acknowledging the contents of the order of seizure (i) on February 27, 2019 ordered the precautionary suspension from duty of the former General Manager, the former Head of Retail Planning and marketing and the former Head of Compliance, and (ii) on May 7, 2019, acknowledged the resignation tendered by the former

General Manager for alleged just cause and of the retirement resignation of the former Head of Compliance and decided to terminate the employment relationship with the former Head of Retail Planning and marketing.

The Banco BPM Group is managing the clients' complaints and litigation arising from such reporting activity through a dedicated task force within the Bank and booked related provisions in the Consolidated 2018 Financial Statements. For further information please see the paragraph headed "Other events during the year – Complaints about disputes and investigations relating to the reporting to the company Intermarket Diamond Business S.p.A. of customers interested in the purchase of diamonds made in previous years" in the Group Report on Operations in Banco BPM's consolidated financial statements as at and for the year ended 31 December 2018, incorporated by reference in this Prospectus. The complaints received by the clients are analysed by the Bank on a case-by-case basis and, also with the objective of being close to the customers involved, the Bank is carrying out several settlements setting forth an economic reimbursements to the clients in addition to the maintaining of the ownership of the diamond by the same.

Disputes with the Tax Authority

Banco BPM, the companies that merged to form the Group, the incorporated subsidiary companies and the subsidiary companies underwent various inspections by the Tax Authority in 2018 and in previous years. These activities concerned the taxable income declared for the purpose of income tax, VAT, registration tax, and more generally the manner in which the tax legislation in force at the time was applied. As a consequence of said inspections, the Banco BPM Group is involved in numerous legal proceedings.

The potential liabilities relating to tax disputes underway that involve Banco BPM and its subsidiaries amounted to Euro 318.5 million as at 31 December 2018 (Euro 332.7 million as at 31 December 2017), of which Euro 306.8 million relate to notices of assessment, tax demands and payment notices and Euro 11.7 million relate to formal reports on findings served or to be served (based on the daily reports on findings for the inspection currently underway).

Ongoing Tax Proceedings

Due to the developments illustrated in the paragraph above, the main unresolved tax disputes as at 31 December 2018 (with claims equal to or exceeding Euro 1 million) are as follows:

Disputes relating to Banco BPM

- Banco BPM (former Banca Popolare Italiana) – notice of settlement regarding registration tax relating to the reclassification of the disposal of a portfolio of securities made in 2002 between Cassa di Risparmio di Pisa and Banca Popolare Italiana as a business segment disposal. The claims amount to Euro 14.5 million. In a ruling dated 18 October 2011, the Regional Tax Commission of Florence fully upheld the appeal submitted by Banco Popolare. During the hearing before the Supreme Court (*Corte di Cassazione*) held on 6 November, an application for suspension of the sentence was filed in order to take advantage of the facilitated definition of the dispute in question provided for by Legislative Decree no. 23 October 2018, n. 119.

- Banco BPM (former Banca Popolare Italiana) – 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 the offence of false corporate reporting, obstacles to supervision and market instability alleged to have been committed by Banca Popolare Italiana in 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 Banco BPM, 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 BPM (former Banca Popolare Italiana) – 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 the tax year 2005. Said value adjustments, although recognised by Banca Popolare Italiana in its financial statements for 2005, were deductible on a straight line basis over the following 18 financial years pursuant to the version in effect at the time of Article 106, paragraph three, of Italian Presidential Decree No. 917 of 22 December 1986. The notices of assessment served therefore disputes the claimed non-deductibility of the amounts 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. The Provincial Tax Commission suspended the proceeding until such time as the Supreme Court issues a ruling regarding the dispute relating to 2005.

- Banco BPM – notices of assessment and formal written notices of the fines relating to the finding regarding the failure to apply withholding tax set forth in Article 26, paragraph 5 of Italian Presidential Decree no. 600/1973, to interest due on deposits made by foreign subsidiaries resident in the US State of Delaware relating to 2015. The claims amount to Euro 10.1 million. These disputes are included in the out of court settlement made with the Tax Authority, which in 2016 and in 2017 resulted in the closure of similar disputes relating to other years and other incorporated companies.

- Banco BPM – notices of assessment served on 23 December 2014 regarding 2009 for the former subsidiaries Banca Popolare di Lodi, Credito Bergamasco and Efibanca. The total claim amounts to Euro 58.4 million. The Provincial Tax Commission has upheld all of the appeals submitted, cancelling the notices of assessment. The Tax Authority has appealed. A hearing was held before the Regional Tax Commission on 5 October 2017. The Commission confirmed the ruling of the court of first instance. The dispute will be closed based on the rules set out by Legislative Decree No. 119 of 23 October 2018.

Disputes relating to other subsidiary companies

- Banca Aletti – in relation to the credit of Banca Aletti owed to it by the Financial Administration of Switzerland for tax credits on dividends generated abroad on a conventional basis, which have been disclosed in the financial statements of Banco BPM as at and for the year ended 31 December 2017, on 9 March 2018 the Financial Administration of Switzerland denied any reimbursement (for credits for tax years 2008 and 2009). Banca Aletti filed an appeal to the competent courts.

In addition to the above disputes, with respect to two refund rejection notices issued by the Tax Authority – Provincial Headquarters of Novara regarding IRPEG and ILOR credit for which Banca Popolare di Novara s.c.a r.l. had requested a refund in relation to the tax year 1995 for the sum of Euro 86.5 million, the Regional Tax Commission of Turin upheld the combined appeals, also ordering the Tax Authority to pay legal expenses. The Tax Authority subsequently appealed to the Supreme Court.

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

Potential liabilities associated with the proceedings regarding the claimed non deductibility of costs relating to the attempted takeover of Banca Antonveneta by the former Banca Popolare Italiana

The potential liability in respect of 2005 amounts to Euro 199.8 million, in addition to the potential liability relating to the associated notices of assessment for the years 2006, 2007, 2008 and 2009, estimated at Euro 15.8 million, excluding interest and collection commissions.

With regard to the dispute, as at 31 December 2017, tax credits amounting to Euro 201.9 million were due from the Tax Authority, following payments made on a provisional basis. The amount paid is recognised in the Issuer's financial statements under "Other assets". Such payments are not retained in a way that could impact the risk of losing the dispute, which has been valued on the basis of the provisions of IAS 37: these amounts are paid as part of an automatic mechanism, which is unrelated to the groundlessness or otherwise of the related tax claims, and which will be known only after the ruling of the highest court.

In light of the evaluations carried out, no provision has been recognised for the potential liabilities in question in the financial statements as at 31 December 2018.

Potential liabilities associated with other outstanding proceedings

The remaining potential liabilities associated with tax disputes amount to a total of Euro 117.8 million.

With regard to all of the above disputes, as at 30 September 2018, tax credits amounting to Euro 8.4 million were due from the Tax Authority, following payments made on a provisional basis. This amount is also recognised in the Issuer's financial statements under "*Other assets*".

In 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 87.7 million.

The potential liabilities classified as probable amount in total to Euro 30.1 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*".

Inspections underway as at 31 December 2018

As at 15 June 2018, a new inspection for direct taxation purposes is underway against Banco BPM (former Banco Popolare) for tax year 2013, which is a continuation of an inspection concluded on 7 August 2017 by the Verona Tax Police Branch of the Finance Police. The inspection was initiated on 29 November 2017 and was extended on 27 December 2017 to tax years 2014, 2015 and 2016. The new inspection will focus on examining the tax treatment of the subordinate fiduciary guarantees issued by the former Banca Popolare di Lodi Società Cooperativa a r.l. and by the former Banca Italease S.p.A. As at the date of this Prospectus, no findings have been recorded in the daily inspection reports.

On 12 June 2018 an inspection was started by the Revenue Agency – Lombardy Regional Directorate – Control Sector – Large taxpayers Office towards BPM S.p.A. company targeted assets, relating to the tax years 2010, 2011, 2012 and 2013 and concerning the calculation and use of tax credits from the transformation of deferred tax assets. The inspection was completed without remarks.

Corporate Governance System

The corporate governance of the Issuer is based on a traditional corporate governance system with a Board of Directors and a Board of Statutory Auditors.

The Board of Directors is responsible for the strategic supervision and management of the Issuer and carries out all of the ordinary or extraordinary transactions that prove necessary, useful or in any way appropriate for achieving the Issuer's corporate purpose, with the assistance of the Executive Committee, the Intra-Board Committees and the Co-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, 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' meeting based on a list of nominees. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list (in accordance with Article 35 of the By-laws).

Board of Directors

Pursuant to Article 24.1 of the By-laws, the Board of Directors is responsible for the strategic supervision and management of the Issuer.

The Board of Directors is composed of at least 15 directors, of whom at least 7 must meet the independence requirements set out under Article 20.1.6 of the By-laws. Pursuant to Article 44 of the By-laws, until the date of the shareholders' meeting of the Issuer convened to approve the annual financial statements for the third financial year following the date on which it was formed, the Board of Directors of the Issuer is composed of 19 directors, of whom at least 9 directors meet the independence requirements set out under Article 20.1.6 of the By-laws. With regard to the current composition of the Board of Directors, it should be noted that Ms Marisa Golo resigned, with effect from 14 May 2019, as a member of the Board of Directors of Banco BPM, therefore 10 out of 18 directors currently meet independence requirements.

The composition of the Board of Directors ensures, in compliance with the provisions of Law no. 120 of 12 July 2011 and subsequent amendments, as well as the legislation, including regulations, in force at the time, the balance between genders for the period provided for by the same law.

The members of the Board of Directors must be suitable for the performance of their duties, in accordance with the provisions of the legislation in force at the time and the By-laws and, in particular, they must possess the requirements of professionalism, integrity and independence and respect the criteria of competence, correctness and dedication of time and the specific limits on the accumulation of positions prescribed by the legislation in force at the time and by the By-laws.

Without prejudice to the provisions of Article 20.1, persons who are ineligible or have been removed from office pursuant to Article 2382 of the Italian Civil Code, or who do not meet the requirements of integrity and professionalism prescribed by the laws and regulations in force at the time, may not be appointed to the office of member of the Board of Directors.

Without prejudice to any other causes of incompatibility provided for by the legislation in force at the time, persons who are or become members of administrative bodies or employees of companies that perform or belong to groups that perform activities in competition with those of the Company or its Group may not be appointed to the office, and if appointed, they shall forfeit their assignment, unless they are central institutions of the category or companies in which the Company has direct or indirect holdings. The above prohibition does not apply when participation in administrative bodies in other banks is taken on behalf of organisations or trade associations of the banking system.

The Board of Directors is appointed in accordance with the list voting system, in accordance with the provisions of Article 20.4 and following of the By-laws.

The Board of Directors appoints, amongst its members (i) 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 (ii) an Executive Committee, establishing its powers, in accordance with the relevant statutory provisions.

Within the Board of Directors, in addition to the Executive Committee the following committees are also established: the Nominee Committee, the Remuneration Committee, the Internal Supervisory and Risks Committee and the Related Parties Committee, each comprising 4 members entrusted with the necessary functions and roles, in accordance with Supervisory Provisions and the Code of Corporate Governance of Borsa Italiana S.p.A., and the Donations Committee.

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. Bipiemme Vita S.p.A. Grottini S.r.l. Bipiemme Assicurazioni S.p.A.	Director Chairman Chairman of the Board of Statutory Auditors Chairman
Guido Castellotti (*) (Vice Chairman)	-	-
Maurizio Comoli (*) (Vice Chairman)	Vera Assicurazioni S.p.A. Vera Protezione S.p.A. Mil Mil 76 S.p.A. Herno S.p.A. Mirato S.p.A.	Chairman Chairman Chairman of the Board of Statutory Auditors Standing Auditor Chairman of the Board of Statutory Auditors
Giuseppe Castagna (*) (Managing Director)	Banca Aletti & C. S.p.A.	Director
Mario Anolli (Director)	Vera Vita S.p.A.	Chairman
Michele Cerqua (Director)	C-MIR Europa Ltd MIRO Capital Limited	Executive Director Director
Rita Laura D'Ecclesia (Director)	-	-
Carlo Frascarolo (Director)	Profamily S.p.A. Entsorgafin S.p.A. Giorgio Visconti S.p.A.	Chairman Chairman of the Board of Statutory Auditors Standing Auditor
Paola Galbiati (Director)	Invefin S.r.l.	Director
Cristina Galeotti (Director)	Cartografica Galeotti S.p.A. Clean Paper Converting S.r.l. Galefin S.r.l. Immobiliare G S.r.l. Clean Paper Inc.	Director with management powers Director with management powers Director with management powers Director Chief Executive Officer
Piero Lonardi (Director)	Bipiemme Assicurazioni S.p.A. A. De Pedrini S.p.A. Otto S.r.l.	Director Standing Auditor Director
Giulio Pedrollo (*) (Director)	Gread Elettronica S.r.l. . Pedrollo S.p.A. Linz Electric S.p.A. Pedrollo Group S.r.l.	Director Managing Director Sole Director Managing Director
Fabio Ravanelli (Director)	Mil Mil 76 S.p.A. Moltiplica S.p.A. Mirato S.p.A. Mirato USA	Managing Director Managing Director Managing Director Managing Director
Pier Francesco Saviotti (*) (Director)	Tod's S.p.A. Banca Akros S.p.A.	Director Director

Name		Principal Activities outside the Issuer
Manuela Soffientini (Director)	Electrolux Appliance S.p.A. .	Chairman and Managing Director
Costanza Torricelli (Director)	-	-
Cristina Zucchetti (Director)	Zucchetti S.p.A. Apri S.p.A. Zucchetti Consult S.r.l. Zucchetti Group S.p.A. Zeta e Partners Soc. tra Professionisti S.r.l. Selesta Ingegneria S.p.A.	Director Director Director Chairman Sole Director Director

(*) Member of the Executive Committee.

The business address of each member of the Board of Directors is at the registered office of Banco BPM, at Piazza Filippo Meda, No. 4, 20121, Milan, Italy.

Board of Statutory Auditors

The Board of Statutory Auditors carries out the tasks and exercises the functions set out in the relevant laws and regulations and by the company By-laws.

The Board of Statutory Auditors is composed of 5 standing and 3 alternate auditors who remain in office for three financial years. The term of office of the present members of the Board of Statutory Auditors is scheduled to expire on the date of the Shareholders' Meeting convened to approve the financial statements relating to the last financial year of their office and they may be re-appointed. Statutory Auditors must meet the eligibility, independence, professional and integrity requirements established by laws and regulations in force at any given time.

The composition of the Board of Statutory Auditors ensures a balance between genders in accordance with the provisions of Law No. 120 of 12 July 2011 and subsequent amendments, as well as the legislation, including regulations, in force at the time for the period provided for by the same law.

The Board of Statutory Auditors is appointed by the Shareholders' Meeting based on list voting. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list.

The limits on the number of management and control positions held by members of the Board of Statutory Auditors, as established by Consob regulations and any other applicable provisions, shall apply to the members of the Board of Statutory Auditors.

Moreover: (i) Statutory Auditors may not hold offices in bodies other than those with control functions in other Group companies or in companies in which the Company holds, even indirectly, a strategic shareholding (even if not belonging to the Group); and (ii) candidates who hold the office of Director, manager or officer in companies or entities directly or indirectly engaged in banking activities in competition with those of the Company or the relative Group may not be elected, and if elected, they shall forfeit their assignment, unless they are professional bodies.

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

Name		Principal Activities outside the Issuer
Marcello Priori	Banca Akros S.p.A.	Chairman of the Board of Statutory Auditors
(Chairman of the Board	BPM Vita S.p.A.	Chairman of the Board of Statutory Auditors
of Statutory Auditors)	Carrefour Italia S.p.A.	Standing Auditor
	Carrefour Property Italia S.r.l.	Standing Auditor
	Banca Aletti S.p.A.	Standing Auditor
	Bipiemme Assicurazioni S.p.A.	Standing Auditor
	Carrefour Italia Finance S.r.l.	Chairman of the Board of Statutory Auditors
	F2A S.p.A.	Chairman
	Galleria Commerciale Nichelino S.r.l.	Standing Auditor
	Vivigas S.p.A.	Director
	Corob S.p.A.	Chairman
Maria Luisa Mosconi	Stogit S.p.A.	Chairman of the Board of Statutory Auditors
(Standing Auditor)	Rail Diagnostic S.p.A.S.p.A.	Chairman of the Board of Statutory Auditors
	The Walt Disney Company S.r.l.	Standing Auditor
	Banca Akros S.p.A.	Standing Auditor
	.	
Gabriele Camillo Erba	Casa di Cura Privata S. Giacomo S.r.l.	Chairman of the Board of Statutory Auditors
	Cantina Valtidone soc. coop. a r.l.	Chairman of the Board of Statutory Auditors
(Standing Auditor)	.	
	Molino Pagani S.p.A.	Chairman of the Board of Statutory Auditors
	Release S.p.A.	Standing Auditor
	Alba Leasing S.p.A.	Standing Auditor
Claudia Rossi	Invitalia Global Investment S.p.A.	Chairman of the Board of Statutory Auditors
(Standing Auditor)		
Alfonso Sonato	Zenato Holding S.r.l.	Director
(Standing Auditor)	2Vfin S.p.A.	Standing Auditor
	Banca Aletti & C. S.p.A.	Chairman of the Board of Statutory Auditors
	Ospedale P. Pederzoli Casa di Cura Privata S.p.A.	Chairman of the Board of Statutory Auditors
	Promofin S.r.l.	Standing Auditor
	Salus S.p.A. già Casa di Cura Perderzoli 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
	Verfin S.p.A.	Chairman of the Board of Statutory Auditors
	Zenato Azienda Vitivinicola S.r.l.	Director
Chiara Benciolini	Arena Broker S.r.l.	Standing Auditor
(Alternate 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
	AGSM Energia S.p.A.	Chairman of the Board of Statutory Auditors
	La Torre – Società Cooperativa Agricola Zootecnica	Standing Auditor
	Metal Group S.p.A.	Standing Auditor
	Salumificio Pedrazzoli S.p.A.	Chairman of the Board of Statutory Auditors
	Società Cooperativa Virginia Italia a r.l.	Sole Auditor
	Tecmarket Servizi S.p.A.	Standing Auditor

Name		Principal Activities outside the Issuer
	Boschetti Alimentare S.p.A.	Standing Auditor
	Soalaghi-Organismo di Attestazione S.p.A.	Standing Auditor
	Edulife S.p.A.	Standing Auditor
	Itinerys S.p.A.	Standing Auditor
	Digitronica.it S.r.l.	Standing Auditor
Marco Bronzato (Alternate Auditor)	Aletti Fiduciaria S.p.A.	Chairman of the Board of Statutory Auditors
	BP Mortgages S.r.l.	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
	La Ronda S.p.A.	Standing Auditor
	BPL Mortgages S.r.l.	Standing Auditor
	Filmar S.p.A.	Chairman of the Board of Statutory Auditors
	3A dei Fratelli 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.	Standing Auditors
	Ti BEL S.p.A.	Standing Auditor
	2M S.r.l.	Sole Auditor
Paola Simonelli (Alternate Auditor)	BiQem Specialities S.p.A. già Chemiplastica Specialties S.p.A.	Standing Auditor
	Bruker Italia S.r.l.	Chairman of the Board of Statutory Auditors
	Sarlux S.r.l.	Standing Auditor
	Aliserio S.r.l.	Standing Auditor
	Cremonini S.p.A.	Standing Auditor
	Chef Express S.p.A.	Standing Auditor
	Marr S.p.A. – Listed Company	Standing Auditor
	BiQem S.p.A. già Chemiplastica S.p.A.	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. – Listed Company	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 at the registered office of Banco BPM, at Piazza Filippo Meda, No. 4, 20121, Milan, Italy.

Directorate General

Currently, the two Co-General Managers, appointed by the Board of Directors are Mr. Domenico De Angelis and Mr. Salvatore Poloni.

Name		Principal Activities outside the Issuer
Domenico De Angelis (Co-General Manager)	-	-

	Name	Principal Activities outside the Issuer
Salvatore Poloni	Banca Akros S.p.A.	Director
(Co-General Manager)	Società Interbancaria Automazione S.p.A.	Director
	Enbicredito Associazione	Director

Conflicts of Interest

The members of the Board of Directors, Board of Statutory Auditors and the Co-General Managers of Banco BPM may also hold positions in other companies of the Group as well as in companies which are not part of the Group, subject to the limitations set out in Article 36 of Legislative Decree no. 201 of 6 December 2011 on "Protection of competition and personal cross holdings" (Prohibition of Interlocking Directorates). As such, they may have interests that are in conflict with the tasks arising from their position at Banco BPM.

Members of the administrative, management or supervisory bodies of Banco BPM must comply with the following rules to regulate cases where there is a potential specific conflict of interest concerning the completion of a transaction:

- Article 136 of the Italian Consolidated Banking Act requires an authorisation procedure (a unanimous decision by the Board of Directors, excluding the vote of the interested member, and the favourable vote of all members of the Board of Statutory Auditors, without prejudice to the obligations provided for by the Italian Civil Code with regard to conflicts of interest of directors and transactions with related parties) to be followed in cases where the person performing administration, management and control functions enters into obligations of any nature or carries out acts of sale, directly or indirectly, with the bank that it administers, directs or controls;

- Article 2391 of the Italian Civil Code provides that directors must inform the other directors and the board of statutory auditors of any interest they may have, either on their own behalf or on behalf of third parties, in a specific Company transaction. If he is the Chief Executive Officer of the Company, he must refrain from carrying out the transaction in question by submitting the matter to the Board of Directors;

- Article 2391-*bis* of the Italian Civil Code and the Consob Regulation implementing Resolution no. 17221 of 12 March 2010 and no. 17389 of 23 June 2010 require companies whose shares are listed or widely distributed to adopt special procedures to ensure the transparency and substantive and procedural fairness of transactions with related parties. In addition, on 12 December 2011, the Bank of Italy, in its role as Banking Supervisory Authority, issued special rules on risk activities and conflicts of interest with entities related to the implementation of resolution no. 277 of 29 July 2008 of the CICR (Comitato Interministeriale per il Credito ed il Risparmio). In accordance with these rules and international accounting standards, the Issuer has adopted specific "Rules for related parties" such as:

- define the criteria for identifying related parties of Gruppo Banco BPM (the "related parties");

- define the quantitative limits for the Banco BPM Group's assumption of- risk-weighted assets- of related parties and determine the calculation methods;

- establish the manner in which transactions with related parties are approved, distinguishing between transactions that are significant or not and define in this context, the role and tasks of an independent member of the Management Board, with the assistance of an independent expert;

- cases of exclusion and exemption for certain types of transactions with related parties;

- establish disclosure (and accounting) requirements in relation to related party transactions;

- Article 150 of the Italian Consolidated Law on Finance requires directors to report to the Board of Statutory Auditors promptly and at least quarterly on their activities and any other significant transactions carried out with the bank or its subsidiaries; in particular, directors are required to report on transactions in which they have an interest, either on their own behalf or on behalf of third parties, or which are influenced by the person exercising the activity of management and coordination;

- in compliance with the provisions of the Code of Corporate Governance of Borsa Italiana, Banco BPM has adopted measures aimed at ensuring that transactions in which an Exponent has an interest, on his own behalf or on behalf of third parties, and those carried out with Related Parties are carried out in a transparent manner and in compliance with criteria of substantial and procedural correctness.

Principal Shareholders

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

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

	% of Ordinary Shares
Capital Research and Management Company	4.988
Invesco LTD	4.677

Independent Auditors

PricewaterhouseCoopers S.p.A. has been appointed by the shareholders' meetings of Banco Popolare and BPM held on 15 October 2016 as independent auditor of the consolidated and non-consolidated annual financial statements of Banco BPM for the period established by the law in force and for the review of its interim consolidated financial statements, pursuant to Article 13, first paragraph and Article 17, first paragraph, of Legislative Decree No. 39 of 27 January 2010 (**Legislative Decree No. 39/2010**).

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the **MEF** (Decree No. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is in Via Monte Rosa, 91, Milan, Italy.

Recent Developments

Disposal of a Euro 7.8 billion portfolio of bad loans and establishment of a dedicated NPL servicing partnership with a specialized bank

On 10 December 2018, Banco BPM announced that its Board of Directors had approved the binding offer submitted by Elliott International L.P. (**Elliott**) and Credito Fondiario S.p.A. (**Credito Fondiario**).

Pursuant to the agreement reached with Elliot and Credito Fondiario, the parties agreed:

(i) the sale of a portfolio of bad loans for a nominal amount of Euro 7.4 billion in the context of a securitization transaction;

(ii) the issue, in the context of a securitization transaction structure, of three classes of notes including: (a) senior notes, fully retained by the bank which benefit from the State guarantee of the securitization of non-performing loans pursuant to Law Decree No. 18/2016 (**GACS**), which was obtained in March 2019; (b) mezzanine and junior notes, which were sold to Elliott in the context of the abovementioned agreement;

(iii) to create a servicing platform in partnership with Credito Fondiario with the following main features: (a) 70% of the new platform is held by Credito Fondiario and 30% is held by Banco BPM, (b) the management of the portfolio would be sold in the context of the securitization transaction and (c) a 10-year agreement for the servicing of 80% of Banco BPM new flows of bad loan portfolios.

The aforementioned transactions envisaged a valuation of approximately Euro 143 million for 100% of the servicing platform of the Bank.

The final completion of the transactions was announced on 5 June 2019, with the creation of the servicing platform described above.

The pro-forma CET1 capital impact of the combined transactions (portfolio disposal and partnership on the platform) has been lower than the capital benefit coming from the reorganisation in consumer credit.

After the completion of the transactions, the gross non-performing exposure ratio as of 30 March 2019 on a pro forma basis would decrease from 15.9% to 10% while the gross bad loan ratio at the same date would decrease from 8.6% to 3.6%.

VAT group regime

With effect from 1 January 2019, Banco BPM has opted for the VAT regime provided for by Law No. 232 of 11 December 2016, which introduced rules relating to the VAT group (Articles from 70-*bis* to 70-*duodecies* of Presidential Decree No. 633 of 26 October 1972). Under the VAT group regime: (i) legally independent taxable persons established in Italy may opt to be treated as a single taxable person for VAT purposes, provided that they are closely bound to one another from a financial, economic and organizational perspective and (ii) all entities included within the VAT group are jointly and severally liable *vis-à-vis* the Italian tax authority for the VAT payment obligations of the entire group.

Merger of Società Gestione Servizi BP S.c.p.a. and BP Property Management S.c.r.l. into Banco BPM

On 17 January 2019, Banco BPM announced that it had entered into an agreement (the **Merger Deed**) pursuant to which its subsidiaries Società Gestione Servizi BP S.c.p.A. (**SGS**) and BP Property Management S.c.r.l. (**BP Property**) will merge by incorporation into the parent company Banco BPM (the **Merger**).

The Merger will be effective from 11 February 2019, following the filing of the Merger Deed with the competent Companies Registry, while the accounting and tax effects will be calculated starting from 1 January 2019.

2019 SREP Requirements

On 8 February 2019, the European Central Bank (ECB) notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis.

The Banco BPM Group is required to meet the following capital ratios at consolidated level in 2019:

- CET1 ratio: 9.31%;
- Tier 1 ratio: 10.81%;
- Total Capital ratio: 12.81%;
- Total SREP Capital requirement: 10.25%.

The Banco BPM Group satisfied these prudential requirements, with a CET1 ratio at 31 December 2018 of 12.1% at phase-in level, a Tier 1 ratio of 12.3% at phase-in level and a Total Capital ratio equal to 14.7% at phase-in level.

Precautionary seizure as part of the diamond sales inquiry

Banco BPM announced the precautionary seizure of roughly Euro 84.6 million carried out on 19 February 2019 by the Italian financial police as part of an inquiry which is being conducted by the Milan Public prosecutor's office – and involving various banking institutions and the specialized companies selling the diamonds – for alleged fraud and related self-laundering, obstacle to the supervisory authorities' functions and corruption among private parties.

Following such events, Banco BPM announced that: (a) the Board of Directors of the Issuer acknowledged the contents of the order of precautionary seizure notified by the Italian Financial Police in connection with the diamond sales, which indicates that the investigations being conducted by the Milan Public Prosecutor's Office involve some managers or former managers of the group, including the Issuer's General Manager, Mr. Maurizio Faroni; (b) the Board of Directors of the Issuer has ordered the precautionary suspension from duty of Mr. Faroni, as well as that of Mr. Pietro Gaspardo (the Issuer's former Head of Retail Planning and Marketing) and of Mr. Angelo Lo Giudice (the Issuer's former Head of Compliance); and (c) while underlining the precautionary nature of the measure, the Issuer has full

confidence in the work conducted by the judicial authority, aimed at protecting all the parties involved.

Euro 300 million issuance of Additional Tier 1 Securities for institutional investors only

Banco BPM launched its inaugural issue of Additional Tier 1 securities for a notional amount of Euro 300 million, for institutional investors only. The Additional Tier 1 Securities are perpetual and may be redeemed at the option of Banco BPM, in compliance with applicable regulations, on 18 June 2024 and, if not redeemed on such date, the option may be exercised every 5 years thereafter.

The non-cumulative semi-annual coupon was set at 8.75%. If the early redemption option envisaged for 18 June 2024 are not exercised, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Euro Mid-Swap Rate at the reset date. Such new coupon shall remain fixed for the following 5 years until the next reset date. Payment of the coupon is fully discretionary and subject to certain limitations.

The AT1 notes provide for a temporary principal write-down mechanism in case the CET1 ratio of the Bank (on a standalone basis) or of the Group is less than 5.125% (trigger event).

Acceptance of the binding offer submitted by Illimity Bank for the disposal of a leasing portfolio for a total of Euro 650 million

Banco BPM, following the qualified offers that it had received for the purchase of a portfolio of receivables deriving from leasing contracts that had been classified as bad loans, together with the underlying immovable or movable assets and contracts, has accepted the binding offer submitted by Illimity Bank S.p.A.

The disposal concerns a portfolio of receivables with a nominal value of about Euro 650 million at the cut-off date of 30 June 2018 mainly composed of receivables deriving from the active and passive legal relationships related to leasing contracts classified as bad loans, together with the related agreements, legal relationships, immovable or movable assets and the underlying contracts.

The closure of the operation is subject to precedent conditions, including the notarial certification for the transferability of the assets, and shall be executed in various phases starting from 30 June 2019, with the conclusion expected by mid-2020; no material impact on the P&L is envisaged as a result of this transaction. After the final closing of the disposal, the gross NPE ratio as of 31 December 2018 shall fall from 10.8% to a pro-forma level of 10.3%.

Termination of the employment relationship with the General Manager and two other managers

Banco BPM announced that the Board of Directors has acknowledged the resignation tendered by the General Manager, Mr. Maurizio Faroni. The Board of Directors has also decided to terminate the employment relationship with the former Head of Retail Planning and Marketing, Mr. Pietro Gaspardo, and has acknowledged the retirement of the former Head of Compliance, Mr. Angelo Lo Giudice.

The termination of the employment relationships with the General Manager and the two aforementioned Mangers shall not give rise to the payment of specific benefits or

compensation. The delegated powers of the General Manager are exercised, effective as of the protective suspension measure, by the Chief Executive Officer of the Bank.

New organizational structure: Carlo Bianchi appointed as Chief Lending Officer and Edoardo Ginevra as Chief Financial Officer

Banco BPM announced that the Board of Directors resolved to revise the Bank's organizational structure, which did not provide for the role of General Manager and which, in confirming the Co-General Managers, introduced the positions of Chief Lending Officer (CLO) and of the Chief Financial Officer (CFO), giving the related responsibilities to Carlo Bianchi and Edoardo Ginevra, respectively.

The Chief Lending Officer is in charge of loans, from approval to management, across the Group's entire portfolio, the CLO is also responsible for the Leasing activity.

The Chief Financial Officer is in charge of finance, planning and management control, administration and accounting, equity investments and also has the responsibility of defining the management strategies for key balance-sheet items.

Carlo Bianchi began his career at Banca Commerciale Italiana, where, after the merger with Banca Intesa, he held increasingly important positions until he became Head of the Loan Department of the Banca dei Territori Division. In 2010, he joined Banco Popolare as Head of the Loan Division, a position that since 2017 he continues to hold also in Banco BPM.

Edoardo Ginevra began his professional career at the Bank of Italy in 1990 at the Banking Supervisory services, where he remained for the next nine years. He then moved to McKinsey and later to Oliver Wyman, before continuing his career at Banca Popolare di Milano as Chief Risk Officer in 2015. Since 2017, he is Head of the NPL Division of Banco BPM.

Banco BPM and the European Investment Bank Group: Euro 330 million to support Italian small and medium enterprises and midcap companies

On 28 June 2019, Banco BPM announced that it had entered into a new agreement with the European Investment Bank (**EIB**) group (the **EIB Group**) which will allow Banco BPM to grant a portfolio of loans of Euro 330 million to small and medium enterprises (**SMEs**) in Italy (with up to 249 employees) and, for up to 30 % of the loan portfolio, to mid-cap companies (with up to 2,999 employees) operating in the industrial, agricultural, tourism and services sectors, making investments in tangible and intangible assets or to support working capital requirements.

The project is supported by an additional guarantee provided by the EIB Group, backed by the European Fund for Strategic Investments under the Juncker Plan. More specifically, the EIB and the European Investment Fund (**EIF**) granted a guarantee in favour of Banco BPM. The EIF will guarantee a mezzanine tranche of a portfolio of loans already granted by Banco BPM to Italian SMEs, counter-guaranteed by the EIB, and the capital freed by the guaranteed portfolio will be used by Banco BPM to grant the abovementioned portfolio of loans.

Reorganisation of the consumer credit segment of Banco BPM

On 28 June 2019, Banco BPM announced the completion of the transactions described under the agreements entered into at the end of 2018 between Banco BPM, Crédit Agricole S.A. and Crédit Agricole Consumer Finance S.A.

The transactions involve the transfer by Banco BPM to Agos Ducato S.p.A. (**Agos**) of 100% of the share capital of ProFamily S.p.A. (**ProFamily**) for a consideration of Euro 310 million (the **ProFamily Transfer**). Prior to the ProFamily Transfer, the non-captive business of ProFamily was demerged through a spin-off in favour of a new company called ProFamily S.p.A., which is entirely owned by Banco BPM. The objective of the ProFamily Transfer was to strengthen the partnership in the consumer credit segment in Italy of Agos, whose share capital is 39% owned by Banco BPM and 61% owned by Crédit Agricole Consumer Finance. ProFamily, which will manage the captive business, was renamed ProAgos S.p.A.

In addition, on 28 June 2019, Banco BPM, Crédit Agricole S.A. and Crédit Agricole Consumer Finance S.A. entered into the following agreements in order to formalise their partnership for a period of 15 years: (i) an exclusive distribution agreement for the Banco BPM Group's commercial network; (ii) a shareholders' agreement relating to Agos's corporate governance; and (iii) a funding agreement relating to Agos.

The above transactions will allow Agos to strengthen its leadership position on the market, customer volumes and market shares. In addition, Banco BPM was granted an unconditional sale option by Crédit Agricole S.A. for a 10% stake in the share capital of Agos, exercisable in June 2021 for a price of Euro 150 million.

The ProFamily Transfer resulted in a capital gain of approximately Euro 184 million, net of taxes[3], which was recorded in the consolidated income statement of Banco BPM as at and for the six months ended 30 June 2019, which will further benefit from the half-year economic results of ProFamily (estimated to amount to approximately Euro 8 million).

The overall impact of the ProFamily Transfer on Banco BPM's CET1 fully-phased ratio[4] is estimated at approximately 80 bps[5].

For Banco BPM, the ProFamily Transfer qualifies as a related party transaction pursuant to Consob Resolution No. 17221/10 (the **Consob RPT Regulation**) and the relevant company rules adopted by Banco BPM (the **Banco BPM Procedure**) since Banco BPM exercised significant influence over Agos. Moreover, the ProFamily Transfer is deemed to be of "minor significance" under such provisions. Nonetheless, as the transaction involves a "related company" and given that there are no significant interests held by other related parties of Banco BPM in Agos, the assumptions for the exemptions under the Consob RPT Regulation and the BPM Procedure would apply, without prejudice to the obligation to report the transaction in accordance with applicable provisions.

[3] The capital gain credited to the consolidated income statement corresponds to 61% of the difference between the price paid by Agos (Euro 310 million) and the shareholding's carrying value. In accordance with the reference accounting standard for these cases, 39% of the difference (equaling the portion of the shareholding held by Banco BPM) was recorded as a reduction in the carrying value of the shareholding held in Agos.

[4] The "fully phased" CET1 ratio refers to the CET 1 ratio calculated with all other conditions being equal, excluding the benefit resulting from the transitional rules envisaged under article 473-bis of EU Regulation No. 575/2013, which phases in the impact on own funds resulting from the application of the new impairment model introduced with accounting standard IFRS9.

[5] The impact is estimated by assuming the asset ratios at 31 March 2019 as a reference, as communicated to the market on 8 May 2019. The estimate includes both the impact resulting from the recognition of the above capital gain from the transfer, as well as the effect from the CET1 Capital in terms of lower deductions, as a consequence of Crédit Agricole Consumer Finance S.A. releasing the put option to Banco BPM.

(1) The capital gain credited to the Consolidated Income Statement corresponds to 61% of the difference between the price paid by Agos (Euro 310 million) and the shareholding's carrying value. In accordance with the reference accounting standard for these cases, 39% of the afore-mentioned difference (equaling the portion of the shareholding held by Banco BPM) was recorded as a reduction in the carrying value of the shareholding held in Agos.

(2) The "fully phased" CET1 ratio refers to the CET 1 ratio calculated with all other conditions being equal, excluding the benefit resulting from the transitional rules envisaged under article 473-bis of EU Regulation No. 575/2013, which phases in the impact on own funds resulting from the application of the new impairment model introduced with accounting standard IFRS9.

(3) The impact is estimated by assuming the asset ratios at March 31, 2019 as a reference, as communicated to the market on May 8, 2019. The estimate includes both the impact resulting from the recognition of the above capital gain from the transfer, as well as the effect from the CET1 Capital in terms of lower deductions, as a consequence of Crédit Agricole Consumer Finance releasing the put option to Banco BPM.

Merger of Holding di Partecipazioni Finanziarie Banco Popolare S.p.A. into Banco BPM S.p.A.

On 1 July 2019, Banco BPM announced that, having received authorisation from the ECB to merge Holding di Partecipazioni Finanziarie Banco Popolare S.p.A. into Banco BPM S.p.A., it had prepared a merger plan and filed it with the relevant companies' registries. The transaction is part of the overall plan to rationalise and streamline the corporate structure of the Banco BPM Group.

CREDIT AND COLLECTION POLICY

In Banco BPM S.p.A. mortgage and unsecured loan origination is generally done at agency level.

The higher is the level the wider is the deliberative power granted to the relevant body of the commercial structure (see the table below). It is to be noted that applications for amounts which exceed the credit limits of lower levels of Banco BPM S.p.A.'s commercial structure are sent by the branch, together with the related preliminary credit assessment, to higher levels of authority in accordance with the various credit limits. Once the rating process and the client's analysis has been completed, the appropriate level for deliberation and approval will be alerted. According to the amount of the loan requested and the rating level assigned, the table below shows the approval authority ladder currently in place, provided that the Executive Committee ("*Consiglio di Gestione*") has no credit approval limits. The delegated powers of the bank follow the levels provided in the table below:

(*amount in Euro / thousands*)	**Unsecured Loans**	**Partially Secured Loans**	**Secured Loans**
Credit Committee	Up to 80,000	Up to 80,000	Up to 120,000
Head of Credit Office within the General Management	Up to 30,000 (with lower limit depending on the rating level)	Up to 30,000 (with lower limit depending on the rating level)	Up to 45,000 (with lower limit depending on the rating level)
Head of Credit Office (Private Clients, Small Business, Corporate) within General Management	Up to 12,000 (with lower limit depending on the rating level)	Up to 12,000 (with lower limit depending on the rating level)	Up to 18,000 (with lower limit depending on the rating level)
Credit Officer within the General Management (*Delegati Crediti Locali*)	Up to 3,000 (with lower limit depending on the rating level)	Up to 6,000 (with lower limit depending on the rating level)	Up to 9,000 (with lower limit depending on the rating level)
Head of Area (*Responsabile Area Commerciale Corporate*) – (depending on client's dimension category)	Up to 3,000 (with lower limit depending on the rating level)	Up to 6,000 (with lower limit depending on the rating level)	Up to 9,000 (with lower limit depending on the rating level)
Hub Head Manager (*Responsabile Hub*) (depending on client's dimension category)	Up to 200 (with lower limit depending on the rating level)	Up to 400 (with lower limit depending on the rating level)	Up to 600 (with lower limit depending on the rating level)
Branch Level Manager	Up to 50 (with lower limit depending on the rating level)	Up to 200 (with lower limit depending on the rating level)	Up to 300 (with lower limit depending on the rating level)

The analysis and credit-decision process is supported by a preliminary investigation of the loan which takes into account multiple risk factors and fully covers the grant from the "*request*" to the fund "*allocation*". The main criteria adopted by Banco BPM S.p.A. are as follows:

(i) The credit worthiness of each single debtor is ascertained through an internal rating process to be attributed to the debtor, automatically updated from time to time upon occurrence of certain circumstances.

(ii) In addition to the internal rating process, in determining the credit worthiness of a debtor, evaluations are being made as to the past performance of such debtor and any of its related entities and/or guarantors.

(iii) Loan to value ratios do not exceed 50% for companies. Potential derogations from the mentioned limit imply the assignment of a greater risk rate.

(iv) Mortgage Registration Value: twice the amount of the loan granted.

(v) Longest term of the loan:

(a) For Mortgage Loans: maximum 10 years (with eventual exceptions up to 15 years)

(b) For Unsecured Loans: maximum 3 years

Potential derogations from the mentioned limit imply the assignment of a greater risk rate.

(vi) Every real estate asset is subject to an evaluation, which in case of loans in excess of Euro 50,000 needs to be carried out by an independent expert.

(vii) The granting of each Loan is entirely subject to the judgement and discretion of Banco BPM S.p.A. and is ultimately granted on the basis of the credit worthiness of the borrower and guarantors, the capacity of the borrower and guarantors to repay the loan, the adequacy of the real estate asset, and the expert's opinion.

The documents requested from the customer for a commercial loan procedure are:

(i) Certificates from the registry office regarding the applicant and the other parties involved in the signature of the loan agreement;

(ii) Income documentation and any other documentation proving the ability to repay;

(iii) The technical documentation for the assets offered as guarantee (e.g. title deeds and land registry certificates;

(iv) the Notary's report.

The same documentation described in points 1 and 2 is requested also for the guarantors.

Moreover, apart from the above documentation, additional documentation shall be requested, depending on the type of debtor:

- if the applicant is the owner of an individual firm or is an independent professional:

(a) registration in the Professional Register and/or Chamber of Commerce;

(b) accounts and tax documentation linked to the business in question;

(c) useful information on the business in question (e.g. sector performance, corporate development programme, etc.).

- if the applicant is a company:

(a) articles of Association and last available copy of these for the company;

(b) updated Chamber of Commerce certificate, from which can be proved, for the company and its directors, the non-existence of bankruptcy proceedings and the validity of the appointments;

(c) statement on the assignment of proxy powers (if necessary);

(d) balance sheet with income statement for the current financial period;

(e) financial statements for the last two financial periods (if belonging to a group with consolidated financial statements and financial statements for the most important companies in the group);

(f) updated report on bank guarantees and how they are used.

Collection Policy

As Master Servicer, Banco BPM will be responsible for the supervision and monitoring of payments falling due in respect of the Loans and will ensure payment of such amount to the Issuer.

Banco BPM must perform its duties as Master Servicer in accordance with its best internal policies of management, collection and recovery in the interests of the Bondholders and Other Secured Creditors. In doing so, Banco BPM shall treat any Debtors in the same way as it treats its clients in compliance with the provisions applicable to it as Master Servicer and Sub-Servicer and/or the Claims.

Payments

Normally the payments of the loan instalments are obtained by debiting the current account of the client. 100% of Banco BPM S.p.A. loans stock included in the cover pool, pays directly by account opened at Banco BPM S.p.A.

Loans granted before November 2002 pay due instalments every day of the month, while after that date the payment of every instalment has been fixed on the last day of each month.

The maturity warnings are not sent to the clients: the payment are addressed on current accounts and branches verify through a printout that every account is in a position to support the cash outflow.

Eventual interest arrears are calculated at a rate of 1% p.a. in addition to TAN (*Tasso Anno Nominale* – nominal rate per year i.e. indexed rate plus spread).

In case of unwind of the debit on the account, such issue generates an automatic warning of undue payment to *Servizio Monitoraggio Crediti* and *Direzione Crediti*.

After 15 days of non payment the system sends automatically a letter to the client to inform him of his debit position and after further 15 days a second letter is sent to intimate the payment.

Branches receive on a monthly base a printout that focuses every instalment in arrear.

Late payments

Following a failure to make any payment:

(i) The relevant debtor shall be granted a grace period of 5 days and no default interest shall apply if the relevant payment is made during such period.

(ii) Starting from the sixth day following such failure to pay, default interest shall accrue from the date of such failure to pay as follows:

- upon the beginning of foreclosure proceedings, interest on late payments shall accrue at the rate specified in the agreement and agreed in relation to the structure of the transaction up to the maximum ceiling provided for in the Usury Law pursuant to which the "usury" rate of interest will be determined by decree on a quarterly basis;

- if insolvency proceedings are initiated, Banco BPM S.p.A. may only apply interest at the applicable statutory rate which is determined by law (Article 2855 of the Civil Code and Articles 54 and 55 of the Bankruptcy Act); and

- default interest shall only accrue on any instalments of principal and interest overdue and unpaid until the principal amount with respect to which payment has been defaulted is referred to the legal department, and interest will accrue on the aggregate of the instalments overdue and unpaid plus the principal amount outstanding thereafter and, accordingly, as soon as the relevant debtor is referred to the legal department, there will be no accounting difference between instalments overdue and unpaid and principal amounts outstanding.

Substandard and non performing loans (performing with financial difficulties, past due and delinquent loans)

Substandard and non performing loans are monitored by *Servizio Monitoraggio Crediti* and managed jointly with *Gestori Posizioni Anomale* and Commercial Network (branches).

Loans with more than 90 days in arrear are classified as "Past Due" according to Bank of Italy rules.

The definition of "Delinquency" implies a period of temporary financial difficulty of the borrower during which Banco BPM S.p.A. mainly attempt to bring the borrower back to performance.

Since May 2009 it is operative at *Servizio Monitoraggio Crediti* a computerized procedure (named MO.RI. - *Monitoraggio Rischi*) which manages the early warning system considering

the information available in the Bank (such as unpaid instalments, overdue loans, bankruptcy request, data from the Italian Central Credit Register, etc.).

All data and information are considered to assign the internal rating class and / or the proper classification of the loan.

Based on Banco BPM S.p.A., the above computerized procedure intercepts and highline the situation when the relevant borrower fails to pay 4 monthly and/or 2 quarterly and/or 1 semi-annual instalment for longer than 90 days from the relevant due date, and one annual instalment for longer than 90 days from the relevant due date, and proposes the classification as a non performing ("Unlikely to pay").

On regular base, both *Gestori Posizioni Anomale* and Commercial Network report to *Servizio Monitoraggio Crediti* all relevant information regarding the borrower financial situation in order to assess the credit risk.

Servizio Monitoraggio Crediti defines the classification of the relevant borrower taking into consideration all the information available coming from the above computerized procedures but also from Commercial Network and *Gestori Posizioni Anomale*.

Defaulted Loans and Distressed Receivables

A loan is classified as a defaulted when the relevant borrower fails to pay at least (i) 1 annual instalment for longer than 180 days or (ii) 2 semi-annual instalments (iii) 3 quarterly instalments (iv) 7 monthly instalments.

An exposure position is defined as a Distressed Receivable when the relevant borrower is believed to be in a state of permanent distress even if not judicially ascertained, forthwith upon an exposure being referred to the Legal Department.

The exposure positions for an amount less than or equal to Euro 150,000 as well as those exposure positions in respect of which an insolvency proceeding has been commenced, are qualified as Distressed Receivables by the *Gestore della posizione*. In respect of the exposure positions for an amount exceeding Euro 50,000, excluding those in respect of which an insolvency proceeding has been commenced, the *Gestore della posizione* transmits the proposal for the qualification as a Distressed Receivable to the *Servizio Monitoraggio Crediti* which, after carrying out the relevant evaluations, pass them to the *Comitato di Direzione per il Passaggio a Sofferenza* to resolve upon them.

In derogation to what mentioned above, all positions referred to private individuals, which exclusively maintain mortgage exposure not higher than 200,000 euros, are not dealt by *Comitato Sofferenze* anymore but the authorization to the transfer to defaulted loans occurs through two jointly signatures of the Head of *Servizio Monitoraggio Crediti* and the *Capo Area Crediti Anomali*.

Distressed Receivables are handled by the Office Litigation.

In order to carry out a sole recovering activity, all the debt/credit relations and those similarly named relations shall be transmitted, in one communication, to the Office Litigation with no right of set-off.

When the loan has been passed to the Office Litigation, it is handled by an internal legal adviser of Banco BPM will notify the name of the borrower *in sofferenza* to the Centralised Risk Control Office (*Centrale Rischi*). Every Italian bank is allowed to have access to any information contained in the centralised database. In another database it is possible to identify any foreclosure proceedings as may have been initiated against any borrower.

The Office Litigation will make all possible endeavours to seek out-of-court settlement. The Manager and the most senior employees (all lawyers) of the Servizio of the Head Office will get in touch with the relevant borrower and/or his or her counsel to reach an out-of-court resolution of the dispute.

Any out-of-court arrangements are mainly assessed by Banco BPM S.p.A. on the basis of: (a) the discounted value of the property (and any other assets under attachment); (b) the estimated time to recover any claimed amounts outstanding under the applicable rules of legal procedure; and (c) any remedies available to Banco BPM S.p.A. as lender.

In the event that is not possible to carry out an out-of-court recovery, the Banco BPM S.p.A. legal adviser handling the loan will seek an enforcement order against the relevant real estate assets.

The relevant action will be managed by the Office Litigation of the Head Office in full co-ordination with the Legal Departments of the parent subsidiaries, with the assistance of internal and external lawyers.

CREDIT AND COLLECTION POLICY OF BANCO BPM

The Credit and Collection Policies

Credit policies

Mortgage Loans are entered into by the Originator (Banco BPM S.p.A. or BPM S.p.A., respectively Banco BPM and BPM) as *mutui fondiari* and *mutui ordinari ipotecari*.

The Borrowers pay either a monthly, quarterly, semi-annually and annually loan instalment by direct debit from their accounts, or by cash payment or by MAV or SDD (Sepa Direct Debit).

The decision to enter into and advance a mortgage loan is taken at the appropriate decision-making level according to the limits defined in the Credit Policy.

The analysis and credit-decision process are supported by a preliminary investigation of the loan which takes into account multiple risk factors and fully covers the origination process from the "request" to the fund "allocation". The main criteria adopted are as follows:

1. The credit worthiness of each single debtor is ascertained through an internal rating process which attributes a rating to the debtor, automatically updated from time to time upon occurrence of certain circumstances.

2. In determining the credit worthiness of a debtor, in addition to the internal rating process, the evaluations are made referring to the past performance of such debtor and to any of its related entities and/or guarantors.

3. Loan to value ratios do not exceed 80%.

4. Each mortgage is economically a first ranking mortgage and the value of the mortgage at the registration is at least equal to 150% of the loan amount.

The main documents the customer has to provide for a loan procedure are:

1. certificates from the registry office regarding the applicant and the other parties involved in the signature of the loan agreement;

2. income documentation and any other documentation proving the ability to repay;

3. technical documentation for the assets offered as guarantee (e.g. title deeds and land registry certificates);

4. a Notary's report.

The same documentation described in points 1 and 2 is requested also for the guarantors.

Moreover, apart from the above documentation, additional documentation shall be requested, depending on the type of debtor:

– if the applicant is the owner of an individual firm or is an independent professional:

  (a) registration in the Professional Register and/or Chamber of Commerce;

  (b) accounts and tax documentation linked to the business in question;

  (c) useful information on the business in question (e.g. sector performance, corporate development programme, etc.).

– if the applicant is a company:

  (a) articles of Association and last available copy of these for the company;

  (b) updated Chamber of Commerce certificate, from which can be proved, for the company and its directors, the non-existence of bankruptcy proceedings and the validity of the appointments;

  (c) statement on the assignment of proxy powers (if necessary);

  (d) balance sheet with income statement for the current financial period;

  (e) financial statements for the last two financial periods (if belonging to a group with consolidated financial statements and financial statements for the most important companies in the group);

  (f) updated report on bank guarantees and how they are used.

After the approval, the draft of the documentation related to the mortgage loans is delegated to the Back OfficeDepartments, namely Special Credits Department for Banco BPM and Centro Mutui for BPM, which:

- enter the transaction data in the internal mortgage procedure (procedure named **ELISE**);
- appoint a -valuer to evaluate the property;
- verify that the property insurance is in favour of the Originator;
- prepare the minutes of the mortgage loan;
- check property documentation received by the notary; and
- upon successful completion of the previous checks, update the mortgage loan status to "payable";
- upon request of the branch send the minutes to the notary for the signature process.

Once the bank and the customer have signed the mortgage agreement and the notary has registered the mortgage, the relevant documents are sent to the Back Offices that store them.

The Back Office Departments, taking into account the necessary feasibility analysis and in compliance with the applicable credit/authorization decision, are also responsible for:

- verifying the coherence between the relevant mortgage, the internal credit decision and regulations in order to ascertain the mortgage validity;
- issuance of specific certifications requested by the borrowers, in particular the certifications concerning the amount of interest to be paid/expenses charged;
- 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 debt assumption (*accollo*) of the loan, requested by the purchaser of the Real Estate Asset, as a method to pay part of the purchase price;
    - the reduction/cancellation of the Mortgage, or the partial or total release of the Mortgage; and
    - any request made to the insurance companies for the release of the vincolo on the insurance policies.

Collection policies

The monitoring of Credit Risk is 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 Group 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, "ELISE" (IT system), dedicated to the management of loans, mortgage loans and personal loans, used by the Back Office Departments and by the entire Branch network, sends communications to the debtor on a regular basis, at each instalment not paid at due date. The automatic alerts are sent on the last working day of the month in which the instalment was 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 short period of time (3 days) 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 organizational interaction between the roles responsible for relationship management (Relationship Manager) and credit quality control (Business Area for Banco BPM or Loans units for BPM).

The phases of the process, with the support of the GANC IT procedure, involve:

- the automatic identification on a monthly basis of positions with irregularities such so as to require the adoption of dedicated interventions;

- 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;

- the analysis of the consistency of the rating calculated and the assessment of the need to activate any rating override process;

- classification, within the process, in an "operational class" consistent with the type of irregularity found;

- the definition of behaviors and actions, within a pre-determined period of time, the result of which is measured;

- 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;

- 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 specific IT procedures, named "GE.MO." for Banco BPM and "Recupera" for BPM, which govern a series of actions: at the beginning with the written reminder to the borrower, then with telephone contact via the Bank's Contact Centre (internal or the one in outsourcing) until the assignment of debt collection to different "*Società di Esazione Domiciliare*" (external recovery companies) if the instalments continue to be unpaid.

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 procedures continuously provide 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 Group defined 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 the Bank.

The decision-making bodies of the bonis/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 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 insignificant" 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 only by the Monitoring unit, inside the Central Loans Department or the Division Loans Department by means of a simplified process, checked procedurally, which allows to check the objective elements of regularity of the position and gathers the monitoring Manager's 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 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 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". (Since July 2017 this decision can be taken only by the Monitoring unit, inside the Loans Department.)

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 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 the Bank as Unlikely to pay its credit obligations in full (for the principal and interest) without collateral's enforcement.

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 BPM 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, for BPM the Branch or the "*Tutela del Credito*" unit. 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:

- the exposure's classification status, which distinguishes between customers with positions classified as bad loans and customers with other non-performing loan statuses:

- the amount of the exposure, based on its extent (at the customer's Economic Group level);

- the product, distinguishing between leasing exposures and other types of exposure;

- the type of counterparty, with the management of Large Corporate or Institutional counterparties reserved to Loans Department structures of Banco BPM, 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:

- up to euro 30,000, remains attributed to the Branches (since July 2017),

- more than euro 30,000 and up to euro 250,000, is transferred to specialised personnel in the "Area Loans" unit or to "Tutela del Credito" unit for BPM;

- more than euro 250,000, is transferred to specialised personnel of the Non-Performing Loan and Watch List Functions of each Territorial Division or to "Tutela del Credito" unit for BPM.

The Loans Department of Banco BPM 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 Restructuring Functions, and for those classified as Past Due or Unlikely to pay, assigned to the Non-Performing Loans Management Office.

The size of the position is significant due to the need to allocate specialised resources of the Business Areas, the Divisions, the Loan units of BPM and the Loans Department of Banco BPM 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.

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.

For legal requirements, the Managers of non-performing loans receive support from an internal legal structure, which reports to the Legal Department and Regulatory Affairs 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, Division structures and Loans Department of BPM 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 30,000 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 NPL Unit, who are identified from amongst resources with legal skills.

Standardised actions are adopted for positions in amounts up to euro 50,000 (Small Ticket), regardless of technical form.

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 50,000, 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 or whether engage an external company in order to recover the single credit position.

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:

– for bad loans with an higher estimated recoveries, bigger than one million of Euros, at least every 12 months;

– 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 recovery 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 (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.

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, in the Loans units of BPM and in Loans Department and NPL Unit of Banco BPM, 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 processes put in place by the operational structures, the compliance with the operating limits assigned to various functions and the compliance of business operations with regulations, including self-regulation.

Level II controls on loans are assigned (for Banco BPM and all the companies of Banco BPM Group) to the Risk Department through the "Level II Controls" (**L2C**) of the Enterprise Risk

Management Department. Level II controls are performed continuously and independently from business units with the objective to grant that level I controls are effectively performed.

In order to grant an effective control on credit risk, L2C unit is responsible for verifying continuously the development of processes from business units, the monitoring of performance of single loans (bad loans in particular) and for checking that loans are correctly classified, that reserves are correctly funded and that recovery processes are adequate.

Being a second level control, random tests on single positions (loans) are performed in accordance with risk policies and methodologies defined by Risk Management.

These controls on non-performing loans, in compliance with Regulatory Requirements and ECB Guidelines are performed continuously, following an agreed timetable which considers also the timing of approval of the bank balance sheet. Early Warning Indicators, (EWI) are also systematically used in order to highlight which are the classes of loans which have a higher credit risk; single positions are selected from these classes in order to perform analytical analysis ("Credit File Review", CFR).

THE GUARANTOR

Introduction

The Guarantor was incorporated in the Republic of Italy on 26 March 2015 pursuant to the Securitisation and Covered Bonds Law as a limited liability company (*società a responsabilità limitata*) under the name **BPM Covered Bond 2 S.r.l.**. The Guarantor is registered at the Companies' Registry of Rome under registration number 13317131004. The registered office of the Guarantor is at Via Eleonora Duse 53, 00197, Rome, Italy and its telephone number is +39 068091531. The Guarantor has no employees and no subsidiaries. The Guarantor's by-laws provides for the termination of the same in 31 December 2100 subject to one or more extensions to be resolved, in accordance with the by-laws, by a Quoteholders's resolution.

The Guarantor performs Covered Bond activities in accordance with the Securitisation and Covered Bonds Law and, in compliance with Bank of Italy's instructions of 14 February 2006, (updated on 16 December 2009) has recognised the acquired loans, the issued notes and the other transactions accomplished during the course of the securitisation in the explanatory notes to the financial statements and not in the balance sheet. As disclosed by the Guarantor's management, the recognition of financial assets and liabilities in the explanatory notes of the financial statements is done in conformity with the administrative dispositions issued by the Bank of Italy based on article 9 of legislative decree 38/2005, in accordance with the international accounting standards.

Banco BPM Group

On 7 August 2015, the Issuer has purchased 80% of the quota capital of the Guarantor. The Guarantor is consolidated in the Banco BPM Group as it is reported in the financial statements of the Issuer. For further information on the Banco BPM Group, please refer to paragraph "*Business Description of Banco BPM Società per Azioni*" above.

Principal Activities

The sole purpose of the Guarantor under the objects clause in its by-laws is the ownership of the Covered Pool and the granting to Bondholders of the Guarantee. From the date of its incorporation the Guarantor has not carried out any business activities nor has incurred in any financial indebtedness other than those incurred in the context of the Programme.

Share Capital

The outstanding capital of the Guarantor is €10,000.00 divided into quotas as described below. The quotaholders of the Guarantor are as follows:

Quotaholder	**Quota**
Banco BPM	€8,000.00 (80% of capital)
Stichting Bapoburg*	€2,000.00 (20% of capital)

**Stichting Bapoburg is a Dutch foundation whose director is SGG Securitisation Services B.V.*

The Guarantor has not declared or paid any dividends or, save as otherwise described in this Prospectus, incurred any indebtedness.

Management

Board of Directors

The following table sets out certain information regarding the current members of the Board of Directors of the Guarantor.

Name	**Position**	**Principal activities performed outside the Guarantor**
Massimo Labonia	Director	Financial Consultant - Auditor
Giorgio Pellagatti	Director	Head of Finance and Planning, Control Department of Banco BPM
Angelo Zanzi	Director	Head of Financial Reporting of Banco BPM

The business address of the Board of Directors of the Guarantor is Via Eleonora Duse, 53, 00197 Roma, Italy.

Board of Statutory Auditors

Under the Quotaholders' Agreement the Guarantor Quotaholders have undertaken that, if, at any time, a Board of Statutory Auditors shall be appointed, it shall be composed of three members which shall appointed as follows: one by Stichting Bapoburg and two by Banco BPM S.p.A.

Conflict of Interest

There are no potential conflicts of interest between the duties of the directors and their private interests or other duties.

The Quotaholders' Agreement

Pursuant to the term of the Quotaholders' Agreement entered into on or about the First Issue Date, between Banco BPM, and Stichting Bapoburg, as quotaholders of the Guarantor, and the Representative of the Bondholders, the Quotaholders have agreed, *inter alia*, not to amend the by-laws (*statuto*) of the Guarantor and not to pledge, charge or dispose of the quotas (save as set out below) of the Guarantor without the prior written consent of the Representative of the Bondholders. The Quotaholders' Agreement is governed by, and will be construed in accordance with, Italian law.

Financial Statements

The financial year of the Guarantor ends on 31 December of each calendar year.

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by MEF

(Decree n. 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. audited the financial statements for the year ended December 31, 2017 and December 31, 2018.

Copies of the financial statements of the Guarantor for each financial year may be inspected and obtained free of charge during usual business hours at the specified offices of the Principal Paying Agent and of the Representative of the Bondholders.

The Guarantor has not, from the date of its incorporation, carried out any business activities nor has incurred in any financial indebtedness (other than those incurred in the context of the Programme).

The following table shows the summary figures of the Guarantor's financial statements as at 31 December 2017 and 31 December 2018 as approved by the meeting of the quotaholders of the Guarantor, respectively, on 6 February 2018 and 5 February 2019.

Balance sheet as at 31 December 2018

Assets	**Euro**
Due from banks	10,000
Other assets	37,949
Tax assets	-
Total Assets	47,949
Liabilities and Quotaholders' Equity	
Tax liabilities	0
Other liabilities	37,949
Quotaholders' Equity	
Authorised, issued and outstanding capital	10,000
Euro 10,000 (2 quotas of Euro 8.000 and Euro 2.000)	
Total Quotaholders' Equity	10,000
Total Liabilities and Quotaholders' Equity	

Statements of income as at 31 December 2018

Income	**Euro**
Interest and similar income	-
Other operating income	117,758
Expenses	
Fee and commission expense	-
Administrative expenses	112,758
Taxes on income from continuing operations	0
Result for the period at 31 December 2018	-

Balance sheet as at 31 December 2017

Assets	**Euro**
Due from banks	10,000
Other assets	37,016
Tax assets	-
Total Assets	47,016
Liabilities and Quotaholders' Equity	
Tax liabilities	0
Other liabilities	37,016

Quotaholders' Equity	
Authorised, issued and outstanding capital	10,000
Euro 10,000 (2 quotas of Euro 8.000 and Euro 2.000)	
Total Quotaholders' Equity	10,000
Total Liabilities and Quotaholders' Equity	

Statements of income as at 31 December 2017

Income	**Euro**
Interest and similar income	-
Other operating income	109,633
Expenses	
Fee and commission expense	-
Administrative expenses	104,203
Taxes on income from continuing operations	0
Result for the period at 31 December 2017	-

DESCRIPTION OF THE TRANSACTION DOCUMENTS

GUARANTEE

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Guarantee pursuant to which the Guarantor issued, for the benefit of the Bondholders and the Other Guarantor Creditors, a first demand, unconditional, irrevocable and autonomous guarantee to support payments of interest and principal under the Covered Bonds issued by Banco BPM S.p.A. under the Programme and of the amounts due to the Other Guarantor Creditors. Under the Guarantee the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Guarantee constitute direct and (following the occurrence of an Issuer Event of Default, the service of an Issuer Default Notice on the Issuer and the Guarantor or, if earlier, the service on the Issuer and the Guarantor of a Guarantor Default Notice) unconditional, unsubordinated and limited recourse obligations of the Guarantor, backed by the Cover Pool as provided under the Securitisation and Covered Bonds Law, Decree No. 310 and the Bank of Italy Regulations. Pursuant to the terms of the Guarantee, the recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

Under the Guarantee the parties thereof have agreed that as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer, the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall exercise, on an exclusive basis and in compliance with the provisions of article 4 of the Decree No. 310, the rights of the Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds.

The Guarantor, pursuant to the Guarantee, shall pay or procure to be paid to the Bondholders:

(a) without prejudice to the effects of a suspension of payments by the Issuer pursuant to article 74 of the Consolidated Banking Act and under article 4, sub-paragraph 4, of Decree No. 310, following the service of an Issuer Default Notice on the Issuer and on the Guarantor (but prior to a Guarantor Event of Default), on each Guarantor Payment Date that falls on an Interest Payment Date, an amount equal to those Guaranteed Amounts which shall become Due for Payment, but which have not been paid by the Issuer to the relevant Bondholders on the relevant Interest Payment Date; or

(b) following the service of a Guarantor Default Notice on the Guarantor in respect of the Covered Bonds of each Series (which shall have become immediately due and repayable), the Guaranteed Amounts.

All payments of Guaranteed Amounts by or on behalf of the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor shall pay the Guaranteed Amounts net of such withholding or

deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Guarantor shall not be obliged to pay any amount to any Bondholder in respect of the amount of such withholding or deduction.

To the extent that the Guarantor makes, or there is made on its behalf, a payment of any amount under the Guarantee, the Guarantor will be fully and automatically subrogated to the Bondholders' rights against the Issuer for the payment of an amount corresponding to the payments made by the Guarantor with respect to the relevant Series of Covered Bonds under this Guarantee, to the fullest extent permitted by applicable law.

Governing law

The Guarantee and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

SUBORDINATED LOAN AGREEMENT

On 26 August 2015 the Seller entered into a Subordinated Loan Agreement with the Guarantor, pursuant to article 7-*bis* of the Securitisation and Covered Bonds Law under which BPM S.p.A. granted to the Guarantor a term loan facility in an aggregate amount equal to the relevant Total Commitment, for the purposes of (a) funding the purchase price of the relevant Receivables and/or (b) funding the purchase of Substitution Assets or other Eligible Assets pursuant to the terms of the Cover Pool Management Agreement.

Each Term Loan granted pursuant to the Subordinated Loan Agreement shall be advanced for the purpose of purchasing Substitution Assets; and/or advanced for the purpose of purchasing other Eligible Assets to be sold in accordance with the Cover Pool Management Agreement.

Should a Term Loan be advanced for the purpose of purchasing Eligible Assets to serve the Cover Pool for a future issuance of a Corresponding Series of Covered Bonds, upon the issuance of the relevant Corresponding Series of Covered Bonds (the **Conversion Date**), it shall be converted into a Converted Loan.

Each Converted Loan shall accrue interest on its principal amount outstanding at a rate calculated on the same basis as the interest computed under the Corresponding Series of Covered Bonds (the **Base Interest**) and shall be payable on each Guarantor Payment Date falling on any Interest Payment Date following the relevant Conversion Date in accordance with the relevant Priority of Payments.

In respect of each Term Loan a Premium may be payable on each Guarantor Payment Date following the relevant Drawdown Date, subject to the relevant Priority of Payments.

Each Converted Loan shall be due for final repayment on the date that matches the Maturity Date (or, as applicable, Extended Maturity Date) of the Corresponding Series of Covered Bonds, and shall be payable within the limits of the Guarantor Available Funds and in accordance with the relevant Priority of Payments, provided that, if on such date the relevant Converted Loan has not been repaid in full, any amount outstanding thereunder shall be deemed as a Term Loan and the provisions of the Subordinated Loan Agreement regulating the repayment of a Term Loan shall apply.

Each Term Loan shall be repaid on each Guarantor Payment Date prior to an Issuer Event of Default according to the relevant Priority of Payments and within the limits of the then

Guarantor Available Funds, provided that such repayment does not result in a breach of any of the Tests and provided that, unless repaid in full prior to such date, it shall be due for repayment on the Programme Maturity Date or the Extended Programme Maturity Date, again within the limits of the then Guarantor Available Funds and in accordance with the relevant Priority of Payments.

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

To the extent that the Guarantor makes a payment under the Guarantee, Banco BPM S.p.A. will become indebted to the Guarantor for an amount equal to the relevant payment. Any amounts owing by Banco BPM S.p.A. to the Guarantor in respect of amounts paid by the Guarantor under the Guarantee shall be set-off automatically against any amounts repayable by the Guarantor under the terms of the Subordinated Loan Agreement granted by Banco BPM S.p.A., as the case may be.

Pursuant to the Subordinated Loan Agreement each Term Loan that has been repaid in accordance with the terms thereof will be available to the Guarantor for redrawing during the Availability Period within the limits of the relevant Total Commitment.

Payments by the Issuer of amounts due to the Bondholders under the Guarantee are not conditional upon receipt by the Issuer of payments from the Guarantor pursuant to the relevant Subordinated Loan Agreement.

Governing law

The Subordinated Loan Agreements and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

BANCO BPM SUBORDINATED LOAN AGREEMENT

On 31 October 2017, Banco BPM and the Guarantor entered into the Banco BPM Subordinated Loan Agreement, pursuant to article 7-bis of the Securitisation and Covered Bonds Law under which Banco BPM granted to the Guarantor a term loan facility in an aggregate amount equal to the relevant Total Commitment, for the purposes of funding the purchase of Eligible Assets and any Substitution Assets.

Each Term Loan granted pursuant to the Banco BPM Subordinated Loan Agreement shall be advanced for the purpose of purchasing Substitution Assets; and/or advanced for the purpose of purchasing other Eligible Assets to be sold in accordance with the Cover Pool Management Agreement.

Should a Term Loan be advanced for the purpose of purchasing Eligible Assets to serve the Cover Pool for a future issuance of a Corresponding Series of Covered Bonds, upon the issuance of the relevant Corresponding Series of Covered Bonds (the **Conversion Date**), it shall be converted into a Converted Loan.

Each Converted Loan shall accrue interest on its principal amount outstanding at a rate calculated on the same basis as the interest computed under the Corresponding Series of Covered Bonds (the **Base Interest**) and shall be payable on each Guarantor Payment Date falling on any Interest Payment Date following the relevant Conversion Date in accordance with the relevant Priority of Payments.

In respect of each Term Loan a Premium may be payable on each Guarantor Payment Date following the relevant Drawdown Date, subject to the relevant Priority of Payments.

Each Converted Loan shall be due for final repayment on the date that matches the Maturity Date (or, as applicable, Extended Maturity Date) of the Corresponding Series of Covered Bonds, and shall be payable within the limits of the Guarantor Available Funds and in accordance with the relevant Priority of Payments, provided that, if on such date the relevant Converted Loan has not been repaid in full, any amount outstanding thereunder shall be deemed as a Term Loan and the provisions of the Banco BPM Subordinated Loan Agreement regulating the repayment of a Term Loan shall apply.

Each Term Loan shall be repaid on each Guarantor Payment Date prior to an Issuer Event of Default according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, provided that such repayment does not result in a breach of any of the Tests and provided that, unless repaid in full prior to such date, it shall be due for repayment on the Programme Maturity Date or the Extended Programme Maturity Date, again within the limits of the then Guarantor Available Funds and in accordance with the relevant Priority of Payments.

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

To the extent that the Guarantor makes a payment under the Guarantee, Banco BPM will become indebted to the Guarantor for an amount equal to the relevant payment. Any amounts owing by Banco BPM to the Guarantor in respect of amounts paid by the Guarantor under the Guarantee shall be set-off automatically against any amounts repayable by the Guarantor under the terms of the Banco BPM Subordinated Loan Agreement granted by Banco BPM, as the case may be.

Pursuant to the Banco BPM Subordinated Loan Agreement each Term Loan that has been repaid in accordance with the terms thereof will be available to the Guarantor for redrawing during the Availability Period within the limits of the relevant Total Commitment.

Payments by the Issuer of amounts due to the Bondholders under the Guarantee are not conditional upon receipt by the Issuer of payments from the Guarantor pursuant to the relevant Subordinated Loan Agreement.

Governing law

The Banco BPM Subordinated Loan Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

MASTER RECEIVABLES PURCHASE AGREEMENT

On 26 August 2015 the Seller entered into a Master Receivables Purchase Agreement with the Guarantor in accordance with the combined provisions of articles 4 and 7-*bis* of the Securitisation and Covered Bonds Law, pursuant to which the Seller assigned and transferred, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), the Receivables comprised in the Initial Portfolio.

Under the Master Receivables Purchase Agreement, upon satisfaction of certain conditions set out therein, the Seller (i) undertook to assign and transfer in the future, without recourse

(*pro soluto*), to the Guarantor and the Guarantor undertook to purchase in the future, without recourse (*pro soluto*) from the Seller, Subsequent Portfolios if such transfer is required under the terms of the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Tests; and (ii) may transfer Subsequent Portfolios to the Guarantor, and the Guarantor shall purchase from the relevant Seller such Subsequent Portfolios, in order to supplement the Cover Pool in connection with the issuance by the Issuer of further Series of Covered Bonds under the Programme in accordance with the Programme Agreement.

Prior to the occurrence of a Guarantor Event of Default, Portfolios may only be offered or purchased if the following conditions are satisfied:

(a) the First Series of Covered Bonds has been issued and fully subscribed;

(b) a Guarantor Default Notice has not been served on the Guarantor;

(c) such transfer will not result in a breach of any requirements of law (including, but not limited to, the Securitisation and Covered Bonds Law, Decree No. 310 and the Bank of Italy Regulations), including compliance of the Cover Pool with the 15 per cent threshhold limit with respect to the Substitution Assets in accordance with Decree No. 310 and the Bank of Italy Regulations.

The Initial Portfolio Purchase Price payable pursuant to the Master Receivables Purchase Agreement is equal to the aggregate Individual Purchase Price of all the Receivables included in the Initial Portfolio. The Individual Purchase Price for each Receivable included in the relevant Initial Portfolio is equal to (I) (a) the book value (ultimo valore di iscrizione in bilancio) as of the audited balance sheet of 31 December 2014 in respect of those Receivables included in the Initial Portfolio originated prior to such date and (b) for those Receivables originated after 31 December 2014, the value certified by the auditors of the Issuer in accordance with the provisions of the Bank of Italy Regulations; plus (II) any Accrued Interest; less (III) any principal Collections received by Banco BPM S.p.A. from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione bilancio*) is calculated (included) to the relevant Valuation Date (included). Under the Master Receivables Purchase Agreement the parties thereof have acknowledged that the Initial Portfolio Purchase Price shall be funded through the proceeds of the first Term Loan under the Subordinated Loan Agreement.

The Receivables comprised in the Initial Portfolio and Subsequent Portfolio meet the Common Criteria (described in detail in the section headed **Description of the Cover Pool**). Receivables comprised in any Subsequent Portfolio to be transferred under the Master Receivables Purchase Agreement shall meet, in addition to the Common Criteria, the relevant Additional Criteria and/or any Further Criteria (both as defined below).

As consideration for the transfer of any Subsequent Portfolios, pursuant to the Master Receivables Purchase Agreements, the Guarantor will pay to the relevant Seller an amount equal to the aggregate of the Individual Purchase Price of all the relevant Receivables as at the relevant Valuation Date. The Individual Purchase Price for each Receivable included in each Subsequent Portfolio will be equal to (I)(a) the book value as of the most recent audited balance sheet (*ultimo valore di iscrizione in bilancio*) of all the Receivables included in the relevant Subsequent Portfolio and (II) for those Receivables originated after such audited balance sheet, the value certified by the auditors of Banco BPM in accordance with the provisions of the Bank of Italy Regulations plus (III) any Accrued Interest; less (IV) any

principal Collections received by Banco BPM from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione bilancio*) is calculated (included) to the relevant Valuation Date (included), provided that the relevant Seller and the Guarantor may agree to use different criteria for the calculation of the purchase price of any Subsequent Portfolio in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310.

Pursuant to the Master Receivables Purchase Agreement, prior to the service of an Issuer Default Notice, the Seller will have the right to repurchase Receivables, in accordance with articles 1260 and following of the Civil Code or in accordance with article 58 of the Consolidated Banking Act, as the case may be, transferred to the Guarantor under the Master Receivables Purchase Agreement in the following circumstances:

(a) to purchase Excess Receivables (to be selected on a random basis);

(b) to purchase any Defaulted Receivables;

(c) to purchase Receivables arising from Mortgage Loans which have became non-eligible in accordance with Decree No. 310; or

(d) to purchase Affected Receivables.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor may or, following an Issuer Default Notice, shall sell Selected Assets included in the Cover Pool in accordance with the terms of the Cover Pool Management Agreement and the Seller, pursuant to the relevant Master Receivables Purchase Agreement, has the right of pre-emption to buy such Selected Assets.

The transfer of the Initial Portfolio and each Subsequent Portfolios by the Seller were and will made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of the Securitisation and Covered Bonds Law). Notice of the relevant assignments were and will be published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) and filed for publication in the companies register of Rome.

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

Governing law

The Master Receivables Purchase Agreements and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

BANCO BPM MASTER RECEIVABLES PURCHASE AGREEMENT

On 31 October 2017, Banco BPM and the Guarantor entered into the Banco BPM Master Receivables Purchase Agreement in accordance with the combined provisions of articles 4 and 7-bis of the Securitisation and Covered Bonds Law, pursuant to which the relevant Seller assigned and transferred, without recourse (pro soluto), to the Guarantor and the Guarantor purchased, without recourse (pro soluto), the Receivables comprised in the Initial Portfolio.

Under the Banco BPM Master Receivables Purchase Agreement, upon satisfaction of certain conditions set out therein, the Seller (i) undertook to assign and transfer in the future, without recourse (pro soluto), to the Guarantor and the Guarantor undertook to purchase in the future, without recourse (pro soluto) from the Seller, Subsequent Portfolios if such transfer is required under the terms of the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Tests; and (ii) may transfer Subsequent Portfolios to the Guarantor, and the Guarantor shall purchase from the relevant Seller such Subsequent Portfolios, in order to supplement the Cover Pool in connection with the issuance by the Issuer of further Series of Covered Bonds under the Programme in accordance with the Programme Agreement.

Prior to the occurrence of a Guarantor Event of Default, Portfolios may only be offered or purchased if the following conditions are satisfied:

(a) a Guarantor Default Notice has not been served on the Guarantor;

(b) such transfer will not result in a breach of any requirements of law (including, but not limited to, the Securitisation and Covered Bonds Law, Decree No. 310 and the Bank of Italy Regulations), including compliance of the Cover Pool with the 15 per cent threshhold limit with respect to the Substitution Assets in accordance with Decree No. 310 and the Bank of Italy Regulations.

The Initial Portfolio Purchase Price payable pursuant to the Banco BPM Master Receivables Purchase Agreement is equal to the aggregate Individual Purchase Price of all the Receivables included in the Initial Portfolio. The Individual Purchase Price for each Receivable included in the relevant Initial Portfolio is equal to (I) (a) the book value (*ultimo valore di iscrizione in bilancio*) as of the audited balance sheet of 31 December 2016 in respect of those Receivables included in the Initial Portfolio originated prior to such date and (b) for those Receivables originated after 31 December 2016, the value certified by the auditors of the Issuer in accordance with the provisions of the Bank of Italy Regulations; plus (II) any Accrued Interest; less (III) any principal Collections received by Banco BPM from the Business Day following the date on which the most recent book value (ultimo valore di iscrizione bilancio) is calculated (included) to the relevant Valuation Date (included). Under the Banco BPM Master Receivables Purchase Agreement the parties thereof have acknowledged that the Initial Portfolio Purchase Price shall be funded through the proceeds of the first Term Loan under the Banco BPM Subordinated Loan Agreement.

The Receivables comprised in the Initial Portfolio and Subsequent Portfolio meet the Common Criteria (described in detail in the section headed "*Description of the Cover Pool*"). Receivables comprised in any Subsequent Portfolio to be transferred under the Banco BPM Master Receivables Purchase Agreement shall meet, in addition to the Common Criteria, the relevant Additional Criteria and/or any Further Criteria (both as defined below).

As consideration for the transfer of any Subsequent Portfolios, pursuant to the Banco BPM Master Receivables Purchase Agreements, the Guarantor will pay to the relevant Seller an amount equal to the aggregate of the Individual Purchase Price of all the relevant Receivables as at the relevant Valuation Date. The Individual Purchase Price for each Receivable included in each Subsequent Portfolio will be equal to (I)(a) the book value as of the most recent audited balance sheet (ultimo valore di iscrizione in bilancio) of all the Receivables included in the relevant Subsequent Portfolio and (II) for those Receivables originated after such audited balance sheet, the value certified by the auditors of the Banco BPM in accordance

with the provisions of the Bank of Italy Regulations plus (III) any Accrued Interest; less (IV) any principal Collections received by Banco BPM from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione bilancio*) is calculated (included) to the relevant Valuation Date (included), provided that the relevant Seller and the Guarantor may agree to use different criteria for the calculation of the purchase price of any Subsequent Portfolio in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310.

Pursuant to the Banco BPM Master Receivables Purchase Agreement, prior to the service of an Issuer Default Notice, the Seller will have the right to repurchase Receivables, in accordance with articles 1260 and following of the Civil Code or in accordance with article 58 of the Consolidated Banking Act, as the case may be, transferred to the Guarantor under the Banco BPM Master Receivables Purchase Agreement in the following circumstances:

(a) to purchase Excess Receivables (to be selected on a random basis);

(b) to purchase any Defaulted Receivables;

(c) to purchase Receivables arising from Mortgage Loans which have became non-eligible in accordance with Decree No. 310; or

(d) to purchase Affected Receivables.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor may or, following an Issuer Default Notice, shall sell Selected Assets included in the Cover Pool in accordance with the terms of the Cover Pool Management Agreement and the Seller, pursuant to the relevant Banco BPM Master Receivables Purchase Agreement, has the right of pre-emption to buy such Selected Assets.

The transfer of the Initial Portfolio and each Subsequent Portfolios by the Sellers were and will be made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of the Securitisation and Covered Bonds Law). Notice of the relevant assignments were and will be published in the Official Gazette of the Republic of Italy (Gazzetta Ufficiale della Repubblica Italiana) and filed for publication in the companies register of Rome.

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

Governing law

The Banco BPM Master Receivables Purchase Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

WARRANTY AND INDEMNITY AGREEMENT

On 26 August 2015 the Seller entered into a Warranty and Indemnity Agreement with the Guarantor, pursuant to which the Seller has given certain representations and warranties in favour of the Guarantor in respect of, inter alia, itself, the relevant Receivables, the Real Estate Assets and certain other matters in relation to the issue of the Covered Bonds and has

agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the relevant Receivables.

The Warranty and Indemnity Agreement contains representations and warranties given by the Seller as to matters of law and fact affecting the Seller including, without limitation, that the Seller validly exists as a legal entity, has the corporate authority and power to enter into the Transaction Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

The Warranty and Indemnity Agreement sets out standard representations and warranties in respect of the Receivables including, inter alia, that, as of the date of execution of the relevant Warranty and Indemnity Agreement:

(a) the Receivables comprised in the relevant Initial Portfolio are valid, in existence and in compliance with the Criteria;

(b) each relevant Residential Mortgage Loan Agreement, as amended and/or supplemented even pursuant to a burden deed (*atto di accollo*) has been entered into, executed and performed and the advance of each Residential Mortgage Loan has been made in compliance with all applicable laws, rules and regulations, including, without limitation, all laws, rules and regulations relating to *credito fondiario*, usury, personal data protection and disclosure in force at the time, as well as in accordance with commercial practice, including origination guidelines and lending policies and procedures adopted from time to time by the relevant Seller;

(c) each authorisation, approval, consent, license, registration, recording, filing, presentation, or notarisation or other action which is required to ensure the validity, legality, or effectiveness of the rights and obligations of the relevant parties to each Residential Mortgage Loan Agreement, Mortgage, Collateral Security or of any other agreement, deed or document relating thereto, has been duly and unconditionally obtained, made or taken by the time of execution of each Residential Mortgage Loan Agreement, Mortgage and Collateral Security and other agreement, deed or document relating thereto, or by such other time as is required by any applicable law;

(d) each Residential Mortgage Loan has been fully and timely advanced and drawn down by the relevant Debtor, as evidenced by the relevant disbursement agreements and the relevant receipts, and there is no obligation on the part of the relevant Seller to advance or disburse further amounts in connection with the relevant Residential Mortgage Loan;

(e) each Residential Mortgage Loan Agreement has been entered into substantially in the form of the relevant Seller's standard form agreement as adopted from time to time. No Residential Mortgage Loan Agreement has been substantially amended with respect to the relevant Seller's standard form agreement from the date of its execution;

(f) all Residential Mortgage Loans were granted in accordance with the criteria set out in the relevant Seller's origination and underwriting procedures applicable from time to time or, in relation to Residential Mortgage Loans purchased by a Seller from different banks, in accordance with the criteria of the relevant originator, substantially

in line with the relevant Seller criteria. For any Residential Mortgage Loan granted on the basis of an appraisal carried out by an external appraiser (i.e. not a in-house appraiser of the relevant Seller), such appraiser's fee was not conditional or subordinated to the approval of such Residential Mortgage Loan Agreement and, to the best of the relevant Seller's knowledge, having taken all reasonable care to ensure that such is the case, such appraiser at no time had any direct or indirect interest in the related Real Estate Asset and Residential Mortgage Loan Agreements;

(g) each Mortgage is economically a first ranking mortgage (ipoteca di primo grado), i.e. (i) a first ranking priority mortgage (*ipoteca di primo grado*), (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is the relevant Seller and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage. There are no other mortgages in relation to the Real Estate Assets in favour of third parties which rank *pari passu* with or in priority to the Mortgages;

(h) each Receivable is fully and unconditionally owned by, and available to, the relevant Seller and is not subject to any lien (*pignoramento*), seizure (*sequestro*) or other charges in favour of any third party and is freely transferable to the Guarantor. Each Seller holds sole and unencumbered legal title to each of the Residential Mortgage Loan Agreements and it has not assigned (whether absolutely or by way of security), charged, transferred or otherwise disposed of any of the Residential Mortgage Loan Agreements, the Residential Mortgage Loans and/or the Receivables or otherwise created, allowed creation of, or constitution of any lien, pledge, encumbrance, or any other right, claim or beneficial interest of any third party on any of the Residential Mortgage Loan Agreements, the Residential Mortgage Loans and/or the Receivables;

(i) as of the Valuation Date, each Residential Mortgage Loan is classified as performing (*in bonis*) and at least one Instalment has been paid;

(j) as of the Valuation Date, no Residential Mortgage Loan falls within the definition of a defaulted debt (*credito in sofferenza*), unlikely to pay debt (*inadempienze probabili*) or a debt that is in the process of being restructured (credito in corso di ristrutturazione) under the Bank of Italy supervisory regulations (*Istruzioni di Vigilanza*) or under the Credit and Collection Policy;

(k) the books, the records, data and the documents relating to the Residential Mortgage Loan Agreements and the Receivables, all instalments and any other amounts paid or repaid thereunder are in all material respects complete, proper and up to date, and all such books, records, data and documents are kept by and available to the relevant Seller;

(l) all the Real Estate Assets were existing and fully owned by the relevant Mortgagors at the time the Mortgage was perfected;

(m) the Insurance Policies are in full force, valid and regulated by Italian law and the relevant Seller is the only beneficiary of such Insurance Policies. Each Seller has the right to require that all payments to be made pursuant to the relevant Insurance Policies are made directly to it or any of its assignees different from the relevant Debtor and that all the interests and rights in favour of the relevant Debtor arising from the Insurance Policies can be assigned to the Guarantor without affecting the validity of each Insurance Policy;

(n) pursuant to the Master Receivables Purchase Agreements, the rights arising from the Insurance Policies have been duly transferred to the Guarantor. Such transfer is valid and opposable to the relevant Seller and any other third party;

(o) each Real Estate Asset is located in Italy;

(p) the amount of the relevant registered Mortgage (*importo di iscrizione ipotecaria*) is at least equal 150% of the Principal Balance of the relevant Residential Mortgage Loan as of the date of origination.

Pursuant to the Warranty and Indemnity Agreements, the Seller has agreed to indemnify and hold harmless the Guarantor, its officers or agents or any of its permitted assigns from and against any and all damages, losses, claims, costs and expenses awarded against, or incurred by such parties which arise out of or result from, *inter alia*, (a) a default by the relevant Seller in the performance of any of its obligations under any Transaction Document to which it is a party; (b) any representation and warranty given by the relevant Seller under or pursuant to the Warranty and Indemnity Agreement being false, incomplete or incorrect; (c) any alleged liability and/or claim raised by any third party against the Guarantor, as owner of the Receivables, which arises out of any negligent act or omission by the Seller in relation to the relevant Receivables, the servicing and collection thereof or from any failure by the Seller to perform its obligations under any of the Transaction Documents to which it is, or will become, a party; (d) the non compliance of the terms and conditions of any Mortgage Loan with the provisions of article 1283 of the Civil Code; (e) the fact that the validity or effectiveness of any security, pledge, collateral or other security interest, relating to the Mortgage Loans, has been challenged by way of claw-back (*azione revocatoria*) or otherwise, including, without limitation, pursuant to article 67 of the Bankruptcy Law; (f) any amount of any Receivable not being collected or recovered by the Guarantor as a consequence of the proper and legal exercise by any Debtor and/or insolvency receiver of a Debtor of any grounded right to termination, annullability or withdrawal, or other claims and/or counterclaims, including set off, against the relevant Seller in relation to each relevant Mortgage Loan Agreement, Mortgage Loan, Mortgage, Collateral Security and any other connected act or document, including, without limitation, any claim and/or counterclaim deriving from non compliance with the Usury law provisions in the granting of the Mortgage Loan; (g) any Receivables being assigned under the Initial Portfolios and the Subsequent Portfolios assigned to the Guarantor, *inter alia*, on 15 June 2009, 14 October 2010, 15 October 2010 and 17 October 2011, which arise from Residential Mortgage Loans granted to Debtors for the purpose of purchasing an house other than a first house of residence (*prima casa*); and (h) any Receivables (other than the Receivables already covered by letter (g) above) which have become a Defaulted Receivables (and in relation to which the process of legal enforcement of the real estate property has started), which arise from Residential Mortgage Loans granted to Debtors for the purpose of purchasing an house other than a first house of residence (*prima casa*).

Governing law

The Warranty and Indemnity Agreements and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

BANCO BPM WARRANTY AND INDEMNITY AGREEMENT

On 31 October 2017, Banco BPM and the Guarantor entered into the Banco BPM Warranty and Indemnity Agreement, pursuant to which each Seller has given certain representations and warranties in favour of the Guarantor in respect of, inter alia, itself, the relevant Receivables, the Real Estate Assets and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, inter alia, in connection with the purchase and ownership of the relevant Receivables.

The Banco BPM Warranty and Indemnity Agreement contains representations and warranties given by the Seller as to matters of law and fact affecting the Seller including, without limitation, that the Seller validly exists as a legal entity, has the corporate authority and power to enter into the Transaction Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

The Banco BPM Warranty and Indemnity Agreement sets out standard representations and warranties in respect of the Receivables including, inter alia, that, as of the date of execution of the relevant Warranty and Indemnity Agreement:

(a) the Receivables comprised in the relevant Initial Portfolio are valid, in existence and in compliance with the Criteria;

(b) each relevant Residential Mortgage Loan Agreement, as amended and/or supplemented even pursuant to a burden deed *(atto di accollo*) has been entered into, executed and performed and the advance of each Residential Mortgage Loan has been made in compliance with all applicable laws, rules and regulations, including, without limitation, all laws, rules and regulations relating to *credito fondiario*, usury, personal data protection and disclosure in force at the time, as well as in accordance with commercial practice, including origination guidelines and lending policies and procedures adopted from time to time by the relevant Seller;

(c) each authorisation, approval, consent, license, registration, recording, filing, presentation, or notarisation or other action which is required to ensure the validity, legality, or effectiveness of the rights and obligations of the relevant parties to each Residential Mortgage Loan Agreement, Mortgage, Collateral Security or of any other agreement, deed or document relating thereto, has been duly and unconditionally obtained, made or taken by the time of execution of each Residential Mortgage Loan Agreement, Mortgage and Collateral Security and other agreement, deed or document relating thereto, or by such other time as is required by any applicable law;

(d) each Residential Mortgage Loan has been fully and timely advanced and drawn down by the relevant Debtor, as evidenced by the relevant disbursement agreements and the relevant receipts, and there is no obligation on the part of the relevant Seller to advance or disburse further amounts in connection with the relevant Residential Mortgage Loan;

(e) each Residential Mortgage Loan, granted into two or more tranches to the relevant Debtor will be transferred in full, with all its related tranches;

(f) each Residential Mortgage Loan Agreement has been entered into substantially in the form of the relevant Seller's standard form agreement as adopted from time to time. No Residential Mortgage Loan Agreement has been substantially amended with respect to the relevant Seller's standard form agreement from the date of its execution;

(g) all Residential Mortgage Loans were granted in accordance with the criteria set out in the relevant Seller's origination and underwriting procedures applicable from time to time or, in relation to Residential Mortgage Loans purchased by a Seller from different banks, in accordance with the criteria of the relevant originator, substantially in line with the relevant Seller criteria. For any Residential Mortgage Loan granted on the basis of an appraisal carried out by an external appraiser (i.e. not a in-house appraiser of the relevant Seller), such appraiser's fee was not conditional or subordinated to the approval of such Residential Mortgage Loan Agreement and, to the best of the relevant Seller's knowledge, having taken all reasonable care to ensure that such is the case, such appraiser at no time had any direct or indirect interest in the related Real Estate Asset and Residential Mortgage Loan Agreements;

(h) each Mortgage is economically a first ranking mortgage (*ipoteca di primo grado*), *i.e.* (i) a first ranking priority mortgage (*ipoteca di primo grado*), (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is the relevant Seller and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage. There are no other mortgages in relation to the Real Estate Assets in favour of third parties which rank pari passu with or in priority to the Mortgages;

(i) each Receivable is fully and unconditionally owned by, and available to, the relevant Seller and is not subject to any lien (*pignoramento*), seizure (*sequestro*) or other charges in favour of any third party and is freely transferable to the Guarantor. Each Seller holds sole and unencumbered legal title to each of the Residential Mortgage Loan Agreements and it has not assigned (whether absolutely or by way of security), charged, transferred or otherwise disposed of any of the Residential Mortgage Loan Agreements, the Residential Mortgage Loans and/or the Receivables or otherwise created, allowed creation of, or constitution of any lien, pledge, encumbrance, or any other right, claim or beneficial interest of any third party on any of the Residential Mortgage Loan Agreements, the Residential Mortgage Loans and/or the Receivables;

(j) as of the Valuation Date, each Residential Mortgage Loan is classified as performing (in bonis) and at least one Instalment has been paid;

(k) as of the Valuation Date, no Residential Mortgage Loan falls within the definition of a defaulted debt (*credito in sofferenza*), unlikely to pay debt (*inadempienze probabili*) or a debt that is in the process of being restructured (*credito in corso di*

ristrutturazione) under the Bank of Italy supervisory regulations (*Istruzioni di Vigilanza*) or under the Credit and Collection Policy;

(l) the books, the records, data and the documents relating to the Residential Mortgage Loan Agreements and the Receivables, all instalments and any other amounts paid or repaid thereunder are in all material respects complete, proper and up to date, and all such books, records, data and documents are kept by and available to the relevant Seller;

(m) all the Real Estate Assets were existing and fully owned by the relevant Mortgagors at the time the Mortgage was perfected;

(n) the Insurance Policies are in full force, valid and regulated by Italian law and the relevant Seller is the only beneficiary of such Insurance Policies. Each Seller has the right to require that all payments to be made pursuant to the relevant Insurance Policies are made directly to it or any of its assignees different from the relevant Debtor and that all the interests and rights in favour of the relevant Debtor arising from the Insurance Policies can be assigned to the Guarantor without affecting the validity of each Insurance Policy;

(o) pursuant to the Master Receivables Purchase Agreements, the rights arising from the Insurance Policies have been duly transferred to the Guarantor. Such transfer is valid and opposable to the relevant Seller and any other third party;

(p) each Real Estate Asset is located in Italy;

(q) the value of registration of the relevant Mortgage (*importo di iscrizione ipotecaria*) is at least equal to 150% of the Principal Balance of the relevant Residential Mortgage Loan as of the date of origination.

Pursuant to the Banco BPM Warranty and Indemnity Agreements, the Seller has agreed to indemnify and hold harmless the Guarantor, its officers or agents or any of its permitted assigns from and against any and all damages, losses, claims, costs and expenses awarded against, or incurred by such parties which arise out of or result from, inter alia, (a) a default by the relevant Seller in the performance of any of its obligations under any Transaction Document to which it is a party; (b) any representation and warranty given by the relevant Seller under or pursuant to the Banco BPM Warranty and Indemnity Agreement being false, incomplete or incorrect; (c) any alleged liability and/or claim raised by any third party against the Guarantor, as owner of the Receivables, which arises out of any negligent act or omission by the Seller in relation to the relevant Receivables, the servicing and collection thereof or from any failure by the Seller to perform its obligations under any of the Transaction Documents to which it is, or will become, a party; (d) the non compliance of the terms and conditions of any Mortgage Loan with the provisions of article 1283 of the Civil Code; (e) the fact that the validity or effectiveness of any security, pledge, collateral or other security interest, relating to the Mortgage Loans, has been challenged by way of claw-back (*azione revocatoria*) or otherwise, including, without limitation, pursuant to article 67 of the Bankruptcy Law; and (f) any amount of any Receivable not being collected or recovered by the Guarantor as a consequence of the proper and legal exercise by any Debtor and/or insolvency receiver of a Debtor of any grounded right to termination, annullability or withdrawal, or other claims and/or counterclaims, including set off, against the relevant Seller in relation to each relevant Mortgage Loan Agreement, Mortgage Loan, Mortgage, Collateral

Security and any other connected act or document, including, without limitation, any claim and/or counterclaim deriving from non compliance with the Usury law provisions in the granting of the Mortgage Loan.

Governing law

The Banco BPM Warranty and Indemnity Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

MASTER SERVICING AGREEMENT

On 26 August 2015, the Master Servicer and the Guarantor entered into the Master Servicing Agreement, pursuant to which the Guarantor has appointed Banco BPM (formerly Banca Popolare di Milano S.c. a r.l.) as Master Servicer of the Receivables and Zenith Service S.p.A. as Back-up Servicer. The receipt of the Collections is the responsibility of the Master Servicer acting as agent (*mandatario*) of the Guarantor. The Master Servicer will also act as the *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento* pursuant to the Securitisation and Covered Bonds Law. In such capacity, the Master Servicer shall also be responsible for ensuring that such operations comply with the provisions of articles 2.3, letter (c), and 2.6 of the Securitisation and Covered Bonds Law. On 30 May 2017 the Master Servicer has appointed Banco BPM (formerly, BPM S.p.A.) (which accepted) to act as Sub-Servicer in relation to he Cover Pool (to the extent that, and limited to, the Receivabels sold by Banco BPM (formerly, BPM S.p.A.) to the Guarantor in its capacity as Seller).

In case of accession of Additional Seller(s) to the Programme, the Master Servicer may sub-delegate each Additional Seller(s), in its capacity as Sub-Servicer in the management, administration, collection and recovery of the Receivables, comprised in each relevant Portfolio which will be assigned and transferred in the context of the Programme pursuant to the Master Receivables Purchase Agreement, subject to the limitations set out in the supervisory regulations and with the prior written notice to the Guarantor, the Representative of the Bondholders, the Asset Monitor and the Rating Agency, provided that such sub-delegation does not prejudice the compliance by the Master Servicer with its obligations under the Master Servicing Agreement. The Master Servicer will be responsible for the fulfilment of the obligations undertaken by it under the Master Servicing Agreement and will not be responsible, in express derogation of the provisions of article 1717, second paragraph, of the Italian Civil Code, for the actions undertaken by the Sub-Servicers, which will, on their part, be responsible for the fulfilment of the obligations undertaken by them under the Master Servicing Agreement. Notwithstanding the above, the Master Servicer undertakes to remedy any breach of the provisions of the Master Servicing Agreement resulting from an action by, or a failure to act on the part of, such Sub-Servicers, in performing any of the activities sub-delegated to them by the Master Servicer.

On 31 October 2017 Banco BPM acceded to the Servicing Agreement in the capacity as Sub-Servicer.

Under the Master Servicing Agreement, the Master Servicer and the Sub-Servicer(s) (if any), as the case may be, shall credit to the relevant Collection Account any amounts collected from the Receivables (i) within the same Business Day upon receipt if such sums are received by the Master Servicer or the relevant Sub-Servicers before 15.00 p.m. or (ii) within the

following Business Day if such sums are received by the Master Servicer or the relevant Sub-Servicers after 15.00 p.m..

Each of the Master Servicer and the Sub-Servicer(s) (if any), each in respect of the Receivables, has been authorised to reach with the Debtors any settlement agreements or payment extensions or moratorium or similar arrangements (including any renegotiation in relation to the margin), in accordance with the provisions of the Credit and Collection Policy, however, following the delivery of an Issuer Default Notice the Master Servicer and the Sub-Servicer(s) will not be authorised, with respect to the performing Receivables (*in bonis*), to reach with any Debtors thereof any extension of the maturity or any modification of the margin originally agreed in the relevant Mortgage Loan Agreement.

The Master Servicer and the Sub-Servicer(s) (if any), each in relation to its servicing activities pursuant to the Master Servicing Agreement, has confirmed its willingness to be the autonomous holder (*titolare autonomo del trattamento dei dati personali*) together with the Guarantor, for the processing of personal data in relation to the Receivables, pursuant to the Privacy Law and to be responsible, in such capacity, for processing such data.

Each of the Master Servicer and the Sub-Servicer(s) has represented to the Guarantor that it has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Master Servicing Agreement.

The Master Servicer has undertaken to prepare and deliver to, *inter alios*, the Guarantor, the Asset Monitor, the Representative of the Bondholders, the Principal Paying Agent and the Guarantor Corporate Servicer, the Quarterly Master Servicer's Report (the latter will be delivered, in addition to the above entities, to the Rating Agency).

Each Sub-Servicer has undertaken to prepare and deliver to the Master Servicer the quarterly Sub-Servicer's report, substantially in the form of the Quarterly Master Servicer's Report.

If the counterparty risk assessment rating of the Master Servicer falls below "Ba3(cr)" by Moody's and provided that no Potential Commingling Amount is deducted in the Asset Coverage Test in accordance with the Cover Pool Management Agreement, the Master Servicer (i) shall immediately give notice of such event to the Representative of the Bondholders, the Calculation Agent, the Sub-Servicer and the Guarantor; and (ii) shall, alternatively:

(a) notify in writing the Debtors with the details of the new account opened in name of the Guarantor with an Eligible Institution where any payments in respect of the Receivables shall be made; or

(b) procure and maintain a first demand and irrevocable guarantee granted by an Eligible Institution to the Guarantor in order to guarantee the due and timely performance of the obligations of the Master Servicer and the Sub-Servicer to transfer the Collections under the Master Servicing Agreement.

The Guarantor may terminate the Master Servicer's appointment and appoint a successor master servicer (the **Substitute Master Servicer**) if certain events occur (each a **Master Servicer Termination Event**). The Master Servicer Termination Events include the following events:

(a) failure (not attributable to force majeure) on the part of the Master Servicer to deposit or pay any amount required to be paid or deposited which failure continues for a period of 5 Business Days following receipt by the Master Servicer of a written notice from the Guarantor requiring the relevant amount to be paid or deposited;

(b) failure on the part of the Master Servicer to observe or perform any other term, condition, covenant or agreement provided for under the Master Servicing Agreement and the other Transaction Documents to which it is a party, and the continuation of such failure for a period of 5 Business Days following receipt by the Master Servicer of written notice from the Guarantor, provided that a failure ascribable to any entities delegated by the Master Servicer in accordance with the Master Servicing Agreement shall not constitute a Master Servicer Termination Event;

(c) an Insolvency Event occurs with respect to the Master Servicer;

(d) it becomes unlawful for the Master Servicer to perform or comply with any of its obligations under the Master Servicing Agreement or the other Transaction Documents to which it is a party;

(e) the Master Servicer is or will be unable to meet the current or future legal requirements and the Bank of Italy's regulations for entities acting as servicers in the context of a covered bonds transaction.

Notice of any termination of the Master Servicer's appointment shall be given in writing, in accordance with the provisions of the Master Servicing Agreement, by the Guarantor to the Master Servicer with the prior agreement of the Representative of the Bondholders and shall be effective from the date of such termination or, if later, when the appointment of a Substitute Master Servicer becomes effective.

Upon occurrence of a Master Servicer Termination Event the Back-up Servicer will automatically succeed to the Master Servicer.

The Parties to the Master Servicing Agreement agreed that, upon the long term counterparty risk assessment of the Master Servicer's becoming equal or higher than "Ba3 (cr)" by Moody's, the Guarantor may revoke the appointment of the Back-up Servicer, provided that in the event that the rating of the Master Servicer's long term counterparty risk assessment falls below "Ba3 (cr)" by Moody's the Guarantor, subject to prior consultation with the Representative of the Bondholders and the Master Servicer, shall, within 30 days from the abovementioned events, appoint a new back-up servicer being any person:

(a) who meets the requirements of the Securitisation and Covered Bonds Law and the Bank of Italy to act as Master Servicer;

(b) who has a significant track record (whether directly or through subsidiaries) in the administration of mortgage loans in Italy;

(c) who has available and is able to use software for the administration of mortgages compatible with that of the Master Servicer;

(d) who is able to ensure, directly or indirectly, the efficient and professional maintenance of a computerised archive system (*Archivio Unico Informatico*) as required by Italian money-laundering legislation and, if such legislation requires, the production of such

information as is necessary to meet the information requirements of the Bank of Italy; and

(e) has sufficient assets to ensure the continuous and effective performance of its duties.

In accordance with the provisions summarised above, on 16 June 2017, Zenith Service S.p.A. has been revoked from its role of Back-up Servicer under the Master Servicing Agreement.

Pursuant to the Master Servicing Agreement the Master Servicer shall not be entitled to resign from its appointment as Master Servicer prior to the expiry date of the Master Servicing Agreement.

The Guarantor may terminate each Sub-Servicer, and thereafter the Master Servicer will succeed to the terminated Sub-Servicer, if certain events occur (each, a **Sub-Servicer Termination Event**):

(a) failure to observe or perform duties under specified clauses of the Master Servicing Agreement and the continuation of such failure for a period of 5 (five) Business Days following receipt of written notice from the Guarantor;

(b) an Insolvency Event occurs with respect to the Sub-Servicer;

(c) it becomes unlawful for the Sub-Servicer to perform or comply with any of its obligations under the Master Servicing Agreement.

Notice of any termination of each Sub-Servicer's appointment shall be given in writing by the Guarantor to the relevant Sub-Servicer, to the Master Servicer and to the Issuer with the prior written notice to the Representative of the Bondholders and shall be effective from the date of such termination or, if later, when the Master Servicer succeeds the relevant Sub-Servicer's obligations pursuant to the Master Servicing Agreement. The Sub-Servicer must continue to act as such and meet its obligations under the Master Servicing Agreement unless and until the Master Servicer succeeds to the Sub-Servicer's obligations.

Governing law

The Master Servicing Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

CASH ALLOCATION, MANAGEMENT AND PAYMENT AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Master Servicer, the Seller, the Account Bank, the Collection Account Bank, the Investment Manager, Guarantor Corporate Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders entered into the Cash Allocation, Management and Payment Agreement.

On 31 October 2017 Banco BPM acceded to the Cash Allocation, Management and Payments Agreement.

Under the terms of the Cash Allocation, Management and Payment Agreement:

(a) the Account Bank has established in the name and on behalf of the Guarantor, the Transaction Account, the Reserve Account and the Securities Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

(b) the Collection Account Bank has established in the name and on behalf of the Guarantor, the Collection Account, the Quota Capital Account and the Expenses Account to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the Collection Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

(c) The Guarantor Corporate Servicer has agreed to operate the Expenses Account in order to make certain payments as set out in the Cash Allocation, Management and Payment Agreement.

(d) The Principal Paying Agent has agreed to provide the Issuer and the Guarantor with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

(e) The Calculation Agent has agreed to provide the Guarantor with calculation services with respect to the Accounts and the Guarantor Available Funds and calculation services with respect to the Floating Rate Provisions.

(f) The Investment Manager has agreed to invest on behalf of the Guarantor any funds standing to the credit of the Transaction Account and Reserve Account in Eligible Investments having a rate of return not less than a specified margin linked to Euribor.

Pursuant to Clause 10 (*Back-up Account Bank*) of the Cash Allocation, Management and Payment Agreement, in the event that Banco BPM re-acquires the status of Eligible Institution, the Guarantor shall be entitled to (i) transfer the Accounts opened with the Account Bank, together with any funds deposited thereon, to the accounts to be opened with the Back-Up Account Bank, and thereafter (ii) close the Accounts opened with the Account Bank.

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke its appointment of any Agent by giving not less than three months' (or less, in the event of a breach of warranties and covenants) written notice to the relevant Agent (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. Prior to the delivery of an Issuer Default Notice, the Issuer may revoke its appointment of the Principal Paying Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Principal Paying Agent (with a copy to the Representative of the Bondholders). Any Agent may resign from its appointment under the Cash Allocation, Management and Payment Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Bondholders subject to and conditional upon certain

conditions set out in the Cash Allocation, Management and Payment Agreement, provided that a valid substitute has been appointed.

Governing law

The Cash Allocation, Management and Payment Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

THE SWAP AGREEMENTS

Cover Pool Swap Agreement

The Guarantor may or may not enter into the Cover Pool Swap Agreement with the Cover Pool Swap Provider to ensure that it has sufficient funds to meet from time to time its quarterly payment obligations. The aggregate notional amount of such swap shall be the value of the Cover Pool.

Interest Rate Swap Agreements

The Guarantor may or may not enter into one or more Interest Rate Swap Agreements with one or more Interest Rate Swap Providers to mitigate certain interest rate, and other risks in respect of (a) amounts received by the Guarantor under the Cover Pool (and the Cover Pool Swap Agreement (if any)) and (b) amounts payable by the Guarantor under the Term Loans and Converted Loans prior to the service of an Issuer Default Notice and under the Covered Bonds following an Issuer Default Notice. The Interest Rate Swap Provider(s) will be required to obtain a guarantee of its/their obligations from an appropriately rated guarantor, find an appropriately rated replacement or put in place other appropriate credit support arrangements in the event that its/their ratings fall below a specified ratings level.

Rating Downgrade Event

Under the terms of each Swap Agreement, in the event that the rating(s) of the Swap Provider is downgraded by a Rating Agency below the rating(s) specified in the relevant Swap Agreement (in accordance with the requirements of the Rating Agency) for that Swap Provider, the Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures which may include:

(a) providing collateral for its obligations under the Swap Agreement, or

(b) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency, or

(c) procuring another entity with the ratings required by the relevant Rating Agency to become co obligor or guarantor in respect of its obligations under the Swap Agreement, or

(d) taking such other action or putting in place such alternative hedging (provided that the Rating Agencies confirm that it will not adversely affect the ratings of the then outstanding Series of Covered Bonds).

A failure to take such steps within the time periods specified in the Swap Agreement will allow the Guarantor to terminate the relevant Swap Agreement(s).

Governing law

The Swap Agreements any non-contractual obligations arising out of or in connection with them shall be governed by English Law.

MANDATE AGREEMENT

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Mandate Agreement under which, subject to a Guarantor Default Notice being served or upon failure by the Guarantor to exercise its rights under the Transaction Documents and fulfilment of certain conditions, the Representative of the Bondholders, acting in such capacity, shall be authorised to exercise, in the name and on behalf of the Guarantor, all the Guarantor's non-monetary rights arising out of the Transaction Documents to which the Guarantor is a party.

Governing law

The Mandate Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

INTERCREDITOR AGREEMENT

On or about the First Issue Date, the Guarantor and the Other Guarantor Creditors entered into the Intercreditor Agreement. Under the Intercreditor Agreement provision is made as to the application of the proceeds from Collections in respect of the Cover Pool and as to the circumstances in which the Representative of the Bondholders will be entitled, in the interest of the Bondholders, to exercise certain of the Guarantor's rights in respect of the Cover Pool and the Transaction Documents.

In the Intercreditor Agreement the Other Guarantor Creditors have agreed, *inter alia*: (i) to the order of priority of payments to be made out of the Guarantor Available Funds; (ii) that the obligations owed by the Guarantor to the Bondholders and, in general, to the Other Guarantor Creditors are limited recourse obligations of the Guarantor; and (iii) that the Bondholders and the Other Guarantor Creditors have a claim against the Guarantor only to the extent of the Guarantor Available Funds.

On 31 October 2017 Banco BPM acceded to the Intercreditor Agreement.

Under the terms of the Intercreditor Agreement, the Guarantor has undertaken, following the service of a Guarantor Default Notice, to comply with all directions of the Representative of the Bondholders, acting pursuant to the Terms and Conditions, in relation to the management and administration of the Cover Pool.

Each of the Other Guarantor Creditors has agreed in the Intercreditor Agreement that in the exercise of its powers, authorities, duties and discretions the Representative of the Bondholders shall have regard to the interests of both the Bondholders and the Other Guarantor Creditors but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interests of the Bondholders. The actions of the Representative of the Bondholders will be binding on each of the Other Guarantor Creditors.

Under the Intercreditor Agreement, each of the Other Guarantor Creditors has appointed the Representative of the Bondholders, as their agent (*mandatario con rappresentanza*), so that the Representative of the Bondholders may, in their name and behalf and also in the interests of and for the benefit of the Bondholders (who make a similar appointment pursuant to the Programme Agreements and the Conditions), *inter alia*, enter into the Deed of Charge. In such capacity, the Representative of the Bondholders, with effect from the date when the Covered Bonds have become due and payable (following a claim to the Guarantor or a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or the enforcement of the Guarantee if so instructed by the Bondholders or the exercise any other rights of enforcement conferred to the Representative of the Bondholders), may exercise all of the Bondholders and Other Guarantor Creditors' right, title and interest in and to and in respect of the assets charged under the Deed of Charge and do any act, matter or thing which the Representative of the Bondholders considers necessary for the protection of the Bondholders and Other Guarantor Creditors' rights under any of the Transaction Documents including the power to receive from the Issuer or the Guarantor any and all moneys payable by the Issuer or the Guarantor to any Bondholder or Other Guarantor Creditors. In any event, the Representative of the Bondholders shall not be bound to take any of the above steps unless it has been indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

Governing law

The Intercreditor Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

CORPORATE SERVICES AGREEMENT

On 26 August 2015 the Guarantor Corporate Servicer and the Guarantor entered into the Corporate Services Agreement, pursuant to which the Guarantor Corporate Servicer has agreed to provide certain corporate and administrative services to the Guarantor.

Governing law

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

PROGRAMME AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s), entered into the Programme Agreement pursuant to which the parties thereof have recorded the arrangements agreed between them in relation to the issue by the Issuer and the subscription by the Dealer(s) from time to time of Covered Bonds issued under the Programme.

On 31 October 2017 Banco BPM acceded to the Programme Agreement.

Under the Programme Agreement, the Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties,

undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series.

Pursuant to the Programme Agreement, before the Issuer reaches its first agreement with any Dealer for the issue and purchase of the first Series of Covered Bonds under the Programme, each Dealer shall have received, and found satisfactory (in its reasonable opinion), all of the documents and confirmations described in schedule 1 (*Initial Conditions Precedent*) of the Programme Agreement constituting the initial conditions precedent and the conditions precedent set out under Clause 3.2 (*Conditions precedent to the issue of any Series of Covered Bonds*) of the Programme Agreement, as applicable to the first Series, shall have been satisfied.

According to the terms of the Programme Agreement, the Issuer may nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular Series of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

In addition, under the Programme Agreement, the parties thereof have agreed to certain terms regulating, *inter alia*, the performance of any stabilisation action which may be carried out in connection with the issue of any Series of Covered Bonds.

Governing law

The Programme Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

COVER POOL MANAGEMENT AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Calculation Agent and the Representative of the Bondholders entered into the Cover Pool Management Agreement pursuant to which they have agreed certain terms regulating, *inter alia*, the performance of the Tests and the purchase and sale by the Guarantor of the Eligible Assets and Substitution Assets included in the Cover Pool.

On 31 October 2017 Banco BPM acceded to the Cover Pool Management Agreement.

Under the Cover Pool Management Agreement the Issuer has undertaken to procure that on any Calculation Date each of the Mandatory Tests and the Amortisation Test (as described in detail in section "*Credit Structure - Tests*" below) is met with respect to the Cover Pool. In addition, starting from the Issue Date of the first Series of Covered Bonds and until the earlier of (i) the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Terms and Conditions, and (ii) the date on which an Issuer Default Notice is served on the Issuer and the Guarantor, the Issuer has undertaken to procure that on any Calculation Date, the Asset Coverage Test (as described in detail in section "*Credit Structure - Tests*" below) are met with respect to the Cover Pool.

The Calculation Agent has agreed to prepare and deliver to the Issuer, (any Additional Seller, if any), the Guarantor, the Master Servicer, the Representative of the Bondholders and the

Asset Monitor, a report setting out the calculations carried out by it with respect of the Mandatory Tests and the Amortisation Test and, prior to the delivery of an Issuer Default Notice, the Asset Coverage Test (the **Test Performance Report**). Such report shall specify the occurrence of a breach of the Mandatory Tests and/or the Amortisation Test and/or of the Asset Coverage Test.

Following the notification by the Calculation Agent, in the relevant Test Performance Report, of a breach of any Test, the Guarantor will purchase (with the proceeds of any appropriate Term Loan advanced by the Issuer (and/or any Additional Seller, if any) in accordance with the relevant Subordinated Loan Agreement) Subsequent Portfolios from the Seller (and/or any Additional Seller, if any) in accordance with the Master Receivables Purchase Agreement and/or purchase, or invest in, Substitution Assets or other Eligible Assets, in order to ensure that, within the Test Grace Period, all Tests are satisfied with respect to the Cover Pool.

If the relevant breach has not been remedied prior to the end of the applicable Test Grace Period, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders shall deliver:

(a) a Breach of Tests Notice to the Issuer and the Guarantor; or

(b) a Guarantor Default Notice, if an Issuer Default Notice has already been served and is outstanding.

Under the Cover Pool Management Agreement the parties thereof have also agreed the conditions that the Guarantor shall comply with in the selection of the assets to be purchased. For such purpose the Guarantor will:

(i) give priority to the purchase of Subsequent Portfolios or any other Eligible Assets from the Seller (and/or any Additional Seller, if any) and

(ii) to the extent that the Seller (and/or any Additional Sellers) inform the Guarantor that the Receivables available for sale to the Guarantor prior to the expiry of the relevant Test Grace Period are not sufficient for the purpose of allowing the Tests to be met as of the following Calculation Date, the Guarantor will:

  (a) purchase Substitution Assets from the Seller (and/or any Additional Sellers); and

  (b) to the extent the Substitution Assets purchased in accordance with item (a) above are insufficient, purchase Substitution Assets from other entities;

provided however that the aggregate amount of Substitution Assets included in the Cover Pool following such purchase may not be in excess of 15% of the aggregate outstanding principal amount of the Cover Pool or any other limit set out in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor (or the Master Servicer on

behalf of the Guarantor) may, or following an Issuer Default Notice, shall sell, provided that the Representative of the Bondholders has been duly informed, the Eligible Assets and Substitution Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the rights of pre-emption in favour of the Seller to buy such Eligible Assets and Substitution Assets pursuant to, respectively, the Master Receivables Purchase Agreement and the Cover Pool Management Agreement.

The Eligible Assets and Substitution Assets to be sold will be selected from the Cover Pool on a random basis by the Master Servicer on behalf of the Guarantor (any such Eligible Assets and Substitution Assets, the **Selected Assets**) and the proceeds from any sale of Selected Assets shall be credited to the Transaction Account and applied as set out in the applicable Priority of Payments.

Under the terms of the Cover Pool Management Agreement, before offering Selected Assets for sale, the Guarantor shall ensure that the Selected Assets have an aggregate Outstanding Principal Balance in an amount (the **Adjusted Required Outstanding Principal Balance Amount**) which is as close as possible to:

(a) following the service of an Breach of Test Notice (but prior to service of an Issuer Default Notice), such amount that would ensure that, if the Selected Assets were sold at their Outstanding Principal Balance plus the interest in arrears and Accrued Interest thereon, the relevant Test would be satisfied on the next Calculation Date taking into account the payment obligations of the Guarantor on the Guarantor Payment Date following that Calculation Date (assuming for this purpose that the Breach of Test Notice is not revoked on the next Calculation Date);

(b) following the service of an Issuer Default Notice:

  (a) the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by 1+ Negative Carry Factor x (days to maturity of the relevant Series of Covered Bonds/365) (the **Required Redemption Amount**); *minus*

  (b) amounts standing to the credit of the Accounts; *minus*

  (c) the EUR Equivalent of the principal amount of any Substitution Assets and Eligible Investments, *plus or minus*

  (d) as applicable, any swap termination amounts payable under the Swap Agreements to or by the Guarantor in respect of the relevant Series of Covered Bonds,

excluding, with respect to items (b) and (c) above all amounts estimated to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the applicable Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which become due prior to or on the same date as the Earliest Maturing Covered Bonds.

The Guarantor will offer the Selected Assets for sale for the best price reasonably available but in any event for an amount not less than the Adjusted Required Outstanding Principal Balance Amount. If the Selected Assets have not been sold in an amount equal to the

Adjusted Required Outstanding Principal Balance Amount by the date which is six months prior to, as applicable, the Maturity Date (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or the Extended Maturity Date (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date) of the Earliest Maturing Covered Bonds, and the Guarantor does not have sufficient other funds standing to the credit of the Accounts available to repay the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the Guarantor will offer the Selected Assets for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Outstanding Principal Balance Amount.

In addition, after the delivery of an Issuer Default Notice, the Guarantor may, upon the evaluation carried out by the Portfolio Manager taking into account the then relevant market conditions, sell Selected Assets for an amount equal to the Adjusted Required Outstanding Principal Balance Amount calculated in respect of any other Series of Covered Bonds then outstanding, rather than in respect of the Earliest Maturing Covered Bonds only.

The Guarantor may offer for sale part of any portfolio of Selected Assets (a **Partial Portfolio**). Except in certain circumstances, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Outstanding Principal Balance Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Assets.

With respect to any sale to be carried out in accordance with the Cover Pool Management Agreement, the Guarantor shall instruct a recognised portfolio manager (which shall be appointed through a tender process) (the **Portfolio Manager**) to endeavour - to the extent possible taking into account the time left before the Maturity Date or Extended Maturity Date (if applicable) of the Earliest Maturing Covered Bonds - to advise in relation to the sale of the Selected Assets included in the Cover Pool.

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

Under the Cover Pool Management Agreement, following the delivery by the Representative of the Bondholders of a Guarantor Default Notice, the Guarantor shall immediately sell all Eligible Assets and Substitution Assets included in the Cover Pool in accordance with the procedures described above and set out in the Cover Pool Management Agreement, provided that the Guarantor will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

Pursuant to the Cover Pool Management Agreement, prior to the occurrence of a Segregation Event, or if earlier, an Issuer Event of Default, the Seller have the right to repurchase any Excess Assets transferred to the Guarantor provided that, (a) any such purchase will cause

any Test to be breached, (b) the Seller shall repurchase any Substitution Assets before any other Excess Assets and (c) any such purchase may occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulation and the Decree No. 310.

For further details, see section "*Credit Structure - Tests*" below.

Governing law

The Cover Pool Management Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DEED OF CHARGE

On or about the First Issue Date, the Guarantor will enter into the Deed of Charge with the Representative of the Bondholders pursuant to which, without prejudice and in addition to any security, guarantees and other rights provided by the Securitisation and Covered Bonds Law securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor will assign in favour of the Representative of the Bondholders as trustee for the Bondholders and the Other Guarantor Creditors all of its rights, benefits and interest under the Interest Rate Swap Agreement and any other English law governed Transaction Document that may from time to time be entered into. The security created pursuant to the Deed of Charge will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Charge any non-contractual obligations arising out of or in connection with it are governed by English law.

ASSET MONITOR AGREEMENT

Please see section "*The Asset Monitor*" below.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts under the Guarantee until the occurrence of an Issuer Event of Default, service by the Representative of the Bondholders on the Issuer and on the Guarantor of an Issuer Default Notice or, if earlier, following the occurrence of a Guarantor Event of Default, service by the Representative of the Bondholders of a Guarantor Default Notice on the Guarantor. The Issuer will not be relying on payments by the Guarantor in respect of the Term Loans or receipt of Interest Available Funds or Principal Available Funds from the Cover Pool in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Bondholders, as follows:

- the Guarantee provides credit support for the benefit of the Beneficiaries;
- the Mandatory Tests and the Amortisation Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;
- the Asset Coverage Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds following the service of an Issuer Default Notice, applying for the purpose of such coverage an Asset Percentage factor determined in order to provide a degree of over-collateralization with respect to the Cover Pool;
- the Swap Agreements (if any) are intended to mitigate certain interest rate, current or other risks in respect of amounts received and amounts payable by the guarantor.
- a Reserve Account will be established which will build up over time using excess cash flow from Interest Available Funds and will be maintained only as long as the Counterparty Risk Assessment of the Issuer's is below "Baa3(cr)" by the Rating Agency; and
- under the terms of the Cash Allocation, Management and Payment Agreement, the Investment Manager has agreed to invest the moneys standing to the credit of the Transaction Accounts and the Reserve Account in purchasing Eligible Investments.

Certain of these factors are considered more fully in the remainder of this section.

Guarantee

The Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment pursuant to Condition 11.2 (*Issuer Events of Default*) following the delivery of an Issuer Default Notice. In this circumstance (and until a Guarantor Event of Default occurs and a Guarantor Default Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts as

they fall Due for Payment. Payments to be made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

See further "*Description of the Transaction Documents - Guarantee*", as regards the terms of the Guarantee. See "*Cashflows - Guarantee Priority of Payments*", as regards the payment of amounts payable by the Guarantor to Bondholders and other creditors following the occurrence of an Issuer Event of Default.

Tests

Under the terms of the Cover Pool Management Agreement, the Issuer (and any Additional Seller(s), if any) must ensure that on each Calculation Date the Cover Pool is in compliance with the Tests described below. If on any Calculation Date the Cover Pool is not in compliance with the Tests, then the Guarantor may require the Issuer (and each Seller (on a joint and several basis)) to grant further Term Loans for the purposes of funding the purchase of Subsequent Portfolios or investments in Substitution Assets representing an amount sufficient to allow the Tests to be met on the next following Calculation Date, in accordance with, as appropriate, the Master Receivables Purchase Agreement. If the Cover Pool is not in compliance with the Tests on the next following Calculation Date, the Representative of the Bondholders will serve a Breach of Tests Notice on the Issuer and the Guarantor. The Representative of the Bondholders shall revoke the Breach of Tests Notice if on any Calculation Date the Tests are subsequently satisfied unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to a subsequent Breach of Tests Notice. If following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the Calculation Date falling at the end of the Test Remedy Period, the Representative of the Bondholders will serve an Issuer Default Notice on the Issuer and the Guarantor.

- Mandatory Tests

The Mandatory Tests are intended to ensure that the Guarantor can meet its obligations under the Guarantee. In order to ensure that the Mandatory Tests provided for under Article 3 of Decree No. 310 (the **Mandatory Tests**) are satisfied and that the Cover Pool is at all times sufficient to repay the Covered Bonds, the Issuer (and any Additional Seller(s), if any) must always ensure that the three tests set out below are satisfied on each Calculation Date.

(A) ***Nominal value test***

The Issuer (and any Additional Seller(s), if any) must ensure that on each Calculation Date the aggregate Outstanding Principal Balance of the Eligible Cover Pool is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date, provided that, prior to the delivery of an Issuer Default Notice, such test will always be deemed met to the extent that the Asset Coverage Test (as defined below) is met as of the relevant Calculation Date.

(B) ***Net Present Value Test***

The Issuer (and any Additional Seller, if any) must ensure that on each Calculation Date, the net present value of the Eligible Cover Pool (including the payments of any

nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected or due with respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions.

(C) ***Interest Coverage Test***

The Issuer (and any Additional Seller, if any) must ensure that on each Calculation Date the amount of interest and other revenues generated by the assets included in the Eligible Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the costs borne by the Guarantor (including the payments of any nature expected or due to the Swap Providers with respect to any Swap Agreement), shall be higher than the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions.

Asset Coverage Test

The Calculation Agent shall calculate the that on each Calculation Date the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds.

The Calculation Agent shall verify Adjusted Aggregate Loan Amount will be calculated by applying the following formula:

A+B+C+D-Z-W

where,

(A) "***A***" is equal to the lower of (i) and (ii), where:

"**(i)**" means the sum of the **LTV Adjusted Principal Balance** of each Residential Mortgage Loan in the Cover Pool, which shall be the lower of (1) the actual Outstanding Principal Balance of the relevant Residential 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 Residential Mortgage Loan multiplied by M (where M is: (a) equal to 80 per cent. for all Residential Mortgage Loans that are less than three months in arrears or not in arrears; (b) equal to 40 per cent. for all the Delinquent Receivables; and (c) equal to 0 per cent. for all Non Performing Receivables and/or Renegotiated Loans)

minus

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted Principal Balance of the Residential Mortgage Loans in the Cover Pool if any of the following occurred during the previous Calculation Period:

(1) a Residential Mortgage Loan or its Collateral Security was, in the immediately preceding Calculation Period, in breach of the

representations and warranties contained in the relevant Warranty and Indemnity Agreement and the relevant Seller has not indemnified the Guarantor to the extent required by the terms of the relevant Warranty and Indemnity Agreement (any such Residential Mortgage Loan an **Affected Loan**). In this event, the aggregate LTV Adjusted Principal Balance of the Residential 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 (and/or any Additional Seller) (as the case may be), in any preceding Calculation Period, was in breach of any other material warranty under the relevant Master Receivables Purchase Agreement and/or the Master Servicer or any Sub-Servicer was, in any preceding Calculation Period, in breach of a material term of the Master Servicing Agreement. In this event, the aggregate LTV Adjusted Principal Balance of the Residential 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 (and/or any Additional Seller) (as the case may be), to indemnify the Guarantor for such financial loss) (any such loss a **Breach Related Loss**);

AND

"**(ii)**" means the aggregate **Asset Percentage Adjusted Principal Balance** of the Residential Mortgage Loans in the Cover Pool which in relation to each Residential Mortgage Loan shall be the lower of (1) the actual Outstanding Principal Balance of the relevant Residential Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period, and (2) the Latest Valuation relating to that Residential Mortgage Loan multiplied by N (where N is: (x) equal to 1 for all Residential Mortgage Loans that are less than three months in arrears or not in arrears and/or (y) equal to 40 per cent. for all Delinquent Receivables and/or (z) equal to 0 per cent. for all Non Performing Receivables and/or Renegotiated Loans)

minus

the aggregate sum of (1) the Asset Percentage Adjusted Principal Balance of the any Affected Loan(s) and/or (2) any Breach Related Losses occurred during the previous Calculation Period calculated as described under (i)(1) and (i)(2) above;

the result of which is multiplied by

the Asset Percentage (as defined below);

(B) "**B**" is equal to

the aggregate amount of all cash standing on the Accounts;

(C) "**C**" is equal to

the aggregate amount of any proceeds advanced under the Subordinated Loan Agreement which have not been applied as at the relevant Calculation Date to acquire further Eligible Assets and their Collateral Security or otherwise applied in accordance with the Transaction Documents;

(D) "**D**" is equal to

the aggregate outstanding principal balance of any Eligible Assets (other than those under letter (A) above) and/or Substitution Assets and/or Eligible Investments, as applicable;

(E) "**Z**" is equal to

the WA Remaining Maturity multiplied by the aggregate (Euro Equivalent) Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor;

(F) "**W**" is equal to

the Potential Commingling Amount.

Asset Percentage means:

93 per cent. or such lesser percentage figure as determined from time to time by the Calculation Agent (on behalf of the Guarantor) and notified to the Rating Agency and the Representative of the Bondholders.

The Guarantor (or the Calculation Agent on its behalf) will, on each Calculation Date, send notification to the Rating Agency and the Representative of the Bondholders of the percentage figure selected by it, being the difference between 100 per cent. and the amount of credit enhancement required to maintain the then current ratings of the covered bonds.

Save where otherwise agreed with the Rating Agency, the Asset Percentage will be adjusted in accordance with the various methodologies prescribed by the Rating Agency to ensure that sufficient credit enhancement will be maintained, provided that the Asset Percentage may not, at any time, exceed 93 per cent.

If the Asset Percentages that would result from the above calculations for a particular Calculation Date as determined by the various methodologies of the Rating Agency are not the same, the lowest such figure will be applied as the Asset Percentage on such Calculation Date.

"Set-off"

Under the Cover Pool Management Agreement the Issuer has undertaken, if its rating falls below "A3" by Moody's, to provide to the Rating Agency, on a regular basis (as agreed with

the Rating Agency), information in respect of certain balances held by the relevant Debtors with the Issuer.

- Amortisation Test

The Calculation Agent shall verify on each Calculation Date following the delivery of an Issuer Default Notice that the Amortisation Test is met with respect to the Cover Pool. The Calculation Agent shall verify that the Euro Equivalent of the outstanding principal balance of the Cover Pool, considered, for the purpose of such test, as an amount equal to the Amortisation Test Aggregate Loan Amount, which will be calculated on each Calculation Date by applying the following formula:

A+B+C-Z

where,

(A) "***A***" is the lower of:

(1) the actual Outstanding Principal Balance of each Residential Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period multiplied by M; and

(2) the Latest Valuation multiplied by M,

where M is: (i) equal to 100 per cent. for all the Residential Mortgage Loans that are less than three months in arrears or not in arrears (or such higher percentage as may be agreed with respect to insured Residential Mortgage Loans); (ii) equal to 80 per cent. for all the Residential Mortgage Loans that are equal to or more than three months in arrears; and (iii) equal to 65 per cent. for all the Defaulted Receivables and/or Renegotiated Loans;

(B) "***B***" the aggregate amount of all cash standing on the Accounts;

(C) "***C***" is the aggregate outstanding principal balance of any Eligible Assets (other than those under letter "**A**" above) and/or Substitution Assets and/or Eligible Investments, as applicable, as calculated on the latest Calculation Date; and

(D) "***Z***" is equal to the WA Remaining Maturity multiplied by the aggregate (EUR Equivalent) Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor.

is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Breach of Tests

If the Calculation Agent determines that any of the Mandatory Tests and/or the Amortisation Test and/or the Asset Coverage Test is not met according to the respective formulas, then such event shall constitute a breach of the Mandatory Tests and/or of the Amortisation Test and/or of the Asset Coverage Test.

During the period starting on the date on which the breach is notified by the Calculation Agent and the following Calculation Date (the **Test Grace Period**) the Guarantor will:

(a) purchase Subsequent Portfolios from the Seller which assigned the Receivables in relation to which the shortfall has occurred or, upon certain circumstances set out in the Cover Pool Management Agreement, from any Seller, in accordance with the relevant Master Receivables Purchase Agreement (or the relevant transfer agreement); and/or

(b) purchase, or invest in, Substitution Assets or other Eligible Assets,

in each case in an amount sufficient to ensure, also taking into account the information provided by the Calculation Agent in its notification of the breach, that as of the subsequent Calculation Date, all Tests are satisfied with respect to the Eligible Cover Pool.

Failure to remedy Tests

If the relevant breach has not been remedied prior to the end of the applicable Test Grace Period, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders, shall deliver:

(a) a Breach of Tests Notice to the Issuer and the Guarantor; or

(b) a Guarantor Default Notice, if an Issuer Default Notice has already been served.

Upon receipt of a Breach of Tests Notice or a Guarantor Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool, in accordance with the Cover Pool Management Agreement.

Revocation of a Breach of Tests Notice

Following the delivery of a Breach of Tests Notice, but prior to the delivery of an Issuer Event of Default, the right of the Guarantor to sell Selected Assets in accordance to the terms of the Cover Pool Management Agreement shall cease to apply if on any Calculation Date prior to the expiry of the Test Remedy Period the Tests are subsequently met, unless any other Segregation Event has occurred and is outstanding and the Representative of the Bondholders will promptly deliver to the Issuer (any Additional Seller(s), if any), the Guarantor and the Asset Monitor a notice (the **Cure Notice**) informing such parties that the Breach of Tests Notice then outstanding has been revoked provided that nothing shall prejudice to the obligation of the Representative of the Bondholders to deliver a subsequent Breach of Tests Notice at any time thereafter to the extent a further Segregation Event occurs.

Reserve Account

The Reserve Account is held in the name of the Guarantor and will build up over time using excess cash flows remaining on each Guarantor Payment Date after payments required to be made on such date have been made. On each Guarantor Payment Date, in accordance with the Priority of Payments, available funds shall be deposited by the Issuer in the Reserve Account until the Cash Reserve equals the target cash reserve for such Guarantor Payment Date. The cash reserve amount over and above the target cash amount will be used on each Guarantor Payment Date together with other Guarantor Available Funds, for making the payments required by the Priorities of Payments, to the extent that the Guarantor Available

Funds are not sufficient to make such payments on such Payments Date. The Reserve Account will be maintained only as long as the Counterparty Risk Assessment of the Issuer is below "Baa3(cr)" by the Rating Agency.

CASHFLOWS

As described above under "*Credit Structure*", until an Issuer Default Notice is served on the Guarantor, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the Guarantor.

This section summarises the cashflows of the Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Accounts and their order of priority (all such orders of priority, the **Priority of Payments**) (a) prior to an Issuer Event of Default and a Guarantor Event of Default, (b) following an Issuer Event of Default (but prior to a Guarantor Event of Default) and (c) following a Guarantor Event of Default.

Definitions

For the purposes hereof the Guarantor Available Funds are constituted by the Interest Available Funds and the Principal Available Funds, which will be calculated by Banco BPM on each Calculation Date.

Interest Available Funds means in respect of any Guarantor Payment Date, the aggregate of, without double counting:

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

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

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

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

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

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

(g) subject to item (i) below, any amounts received under the Cover Pool Swap Agreement (if any),

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

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

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

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

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

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

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

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

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

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

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

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

Principal Available Funds means in respect of any Guarantor Payment Date, the aggregate of, without double counting:

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

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

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

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

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

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

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

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

Transaction Account and applied as Principal Available Funds on such Guarantor Payment Date;

(g) any amounts paid out of item *Ninth* of the Pre-Issuer Default Interest Priority of Payments; and

(h) any principal amounts standing to the credit of the Transaction Account, other than the Potential Commingling Amount (to the extent they are not entitled to be released).

Pre-Issuer Default Interest Priority of Payments

The Interest Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first*, (a) to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. *second*, to pay any amount due and payable to the Representative of the Bondholders;

3. *third*, to pay, *pro rata* and *pari passu*, any amount due and payable to the Master Servicer, the Back-up Servicer, the Sub-Servicer(s), the Account Bank, the Back-up Account Bank, the Collection Account Bank, the Asset Monitor, the Calculation Agent the Investment Manager, the Principal Paying Agent and the Guarantor Corporate Servicer;

4. *fourth*, to pay any amounts due to the Cover Pool Swap Provider (if any) (including any termination payments due and payable by the Guarantor except where the swap counterparty is the Defaulting Party or the sole Affected Party (the **Excluded Swap Termination Amounts**));

5. *fifth*, *pro rata* and *pari passu* (a) on any relevant Guarantor Payment Date, to pay, or make a provision for payment of such proportion of, any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts to be received from the Cover Pool Swap Provider under the Cover Pool Rate Swap Agreement (if any) and, if applicable, any amounts (other than principal) to be received from an Interest Rate Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine), of interest amounts due to the Interest Rate Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Interest Rate Swap Agreement (if any) (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (b) on any relevant Guarantor Payment Date, to pay, or make a provision for payment of such proportion of, any Base Interest due and payable up to the next following Guarantor Payment Date to the Subordinated Lender pursuant to the terms of the Subordinated Loan Agreement, provided that (i) no Segregation Event has occurred and is continuing on such

Guarantor Payment Date; and (ii) if a Segregation Event has occurred and is continuing, any amount of interest on the Covered Bonds has been duly and timely paid by the Issuer;

6. *sixth*, to credit to the Reserve Account an amount required to ensure that the Reserve Amount is funded up to the Reserve Required Amount, as calculated on the immediately preceding Calculation Date;

7. *seventh*, upon the occurrence of a Master Servicer Termination Event, to credit all remaining Interest Available Funds to the Transaction Account until such Master Servicer Termination Event is either remedied or waived by the Representative of the Bondholders or a new servicer is appointed;

8. *eighth*, to pay *pro rata* and *pari passu* in accordance with the respective amounts thereof any Excluded Swap Termination Amounts (if any);

9. *ninth*, to transfer to the Principal Available Funds an amount equal to the Interest Shortfall Amount, if any, allocated on the immediately preceding Guarantor Payment Date under item First of the Pre-Issuer Default Principal Priority of Payments and on any preceding Guarantor Payment Dates and not already repaid;

10. *tenth*, to pay to Banco BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Pre-Issuer Default Interest Priority of Payments;

11. *eleventh*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any Premium on the Term Loans, provided that no Segregation Event has occurred and is continuing.

Pre-Issuer Default Principal Priority of Payments

The Principal Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first*, to pay any amount payable as Interest Shortfall Amount;

2. *second*, to acquire Subsequent Portfolios and/or Substitution Assets and/or other Eligible Assets (other than those funded through the proceeds of a Term Loan) to ensure the Asset Coverage Test and the Mandatory Tests are met;

3. *third*, to pay, *pari passu* and *pro rata* in accordance with the respective amounts thereof: (a) any principal amounts due or to become due and payable to the relevant Swap Providers *pro rata* and *pari passu* in respect of each relevant Swap Agreement (if any); and (b) (where appropriate, after taking into account any amounts in respect of principal to be received from a Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine) (i) on each Guarantor Payment Date the amounts (in respect of principal) due or to become due and payable under a Converted Loan in accordance with the provisions of the relevant Subordinated Loan Agreement, and (ii) on each Guarantor Payment Date, the amounts (in respect of principal) due or to become due and payable under a Term Loan, provided that in both cases under (i) and

(ii) above no Segregation Event has occurred and is continuing and/or, where applicable, provided that no amounts shall be applied to make a repayment in full in respect of a Converted Loan if the principal amounts outstanding under the relevant Series of Covered Bonds which have fallen due for payment on such relevant Guarantor Payment Date have not been repaid in full by the Issuer.

Guarantee Priority of Payments

Following the delivery of an Issuer Default Notice, the Guarantor Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first*, (a) to pay, *pari passu* and *pro rata*, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. *second*, to pay any amount due and payable to the Representative of the Bondholders;

3. *third*, to pay, *pari passu* and according to the respective amounts thereof, any amount due and payable to the Master Servicer, the Back-up Servicer, the Sub-Servicer(s) (if any), the Account Bank, the Back-up Account Bank, the Collection Account Bank, the Asset Monitor, the Calculation Agent the Investment Manager, the Principal Paying Agent, the Guarantor Corporate Servicer, the Paying Agent(s) (if any) and the Portfolio Manager (if any);

4. *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, (i) to pay, on such Guarantor Payment Date or to make a provision for payment of such proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine, any interest amounts due to the Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Swap Agreement (if any) (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (ii) to pay, on such Guarantor Payment Date, any interest due and payable on such Guarantor Payment Date (or that will become due and payable on the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds *pari passu* and *pro rata* in respect of each Series of Covered Bonds;

5. *fifth*, *pari passu* and *pro rata*: (a) in or towards payment on such Guarantor Payment Date or to make a provision for payment of such proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine, of, the amounts in respect of principal due or to become due and payable to the Swap Providers (if any) *pro rata* and *pari passu* in respect of each relevant Swap Agreement (if any) (including any termination payment due and payable by the Guarantor under the relevant Swap Agreement, other than any Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; and (b) in or towards payment, on each Guarantor Payment Date (where appropriate, after taking into account any amounts in respect of principal to be received from the Swap Provider(s) (if any)) of principal amounts that are due and payable on such Guarantor Payment Date (or that will become due and payable during

the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds, *pro rata* and *pari passu* in respect of each Series of Covered Bonds;

6. *sixth*, until each Series of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), to credit any remaining amounts to the Transaction Account;

7. *seventh*, to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount (if any) due and payable by the Guarantor;

8. *eighth*, to pay to Banco BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Guarantee Priority of Payments;

9. *ninth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any Premium on the Term Loans.

Post-enforcement Priority of Payment

Following a Guarantor Event of Default, the making of a demand under the Guarantee and the delivery of a Guarantor Default Notice by the Representative of the Bondholders, the Guarantor Available Funds shall be applied, on each Guarantor Payment Date, in making the following payments in the following order of priority:

1. *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);

2. *second*, to pay any amount due and payable to the Representative of the Bondholders;

3. *third*, to pay, *pro rata* and *pari passu*, (i) any amount due and payable to the Servicer, the Back-up Servicer, the Sub-Servicer(s) (if any), the Account Bank, the Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the Investment Manager, the Back-up Account Bank (if any), the Principal Paying Agent, the Paying Agent(s) (if any) and the Portfolio Manager (if any); (ii) amounts due to the Swap Provider(s) (if any); and (iii) amounts due under the Guarantee in respect of each Series of Covered Bonds;

4. *fourth*, to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

5. *fifth*, to pay to Banco BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Post-enforcement Priority of Payments;

6. *sixth*, to pay or repay any amounts outstanding under the Subordinated Loan Agreement.

DESCRIPTION OF THE COVER POOL

The Cover Pool is and will be comprised of (i) Eligible Assets (which for the avoidance of doubt do not comprise asset backed securities) transferred pursuant to the Master Receivables Purchase Agreement (as more fully described under "*Description of the Transaction Documents - Master Receivables Purchase Agreement*") and in accordance with the Securitisation and Covered Bonds Law, the Decree No. 310 and the Bank of Italy Regulations; and (ii) any other Substitution Assets.

As at the date of this Prospectus, each Initial Portfolio and each Subsequent Portfolios (the **Portfolio**) consists of Residential Mortgage Loans transferred by the Sellers to the Guarantor in accordance with the terms of the Master Receivables Purchase Agreements, as more fully described under "*Description of the Transaction Documents - Master Receivables Purchase Agreement*".

Save for the real estate assets revaluation procedure ruled by the regulations of the Bank of Italy, no revaluation of the relevant properties has been made by Banco BPM and, originally, BPM for the purpose of any issue under the Programme. Any valuation has been performed only as at the date of the origination of any Mortgage Loan.

For the purposes hereof:

BPM Initial Portfolio means the initial portfolio of Receivables purchased by the Guarantor from BPM, on 26 August 2015, pursuant to the terms and subject to the conditions of the relevant Master Receivables Purchase Agreement.

Banco BPM Initial Portfolio means the initial portfolio of Receivables purchased by the Guarantor from Banco BPM, on 31 August 2015, pursuant to the terms and subject to the conditions of the relevant Master Receivables Purchase Agreement**.**

Initial Portfolios means collectively the BPM Initial Portfolio and the Banco BPM Initial Portfolio and any of them an **Initial Portfolio**.

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

Eligibility Criteria

The sale of Mortgage Loans and their related Security Interest and the transfer of any other Eligible Assets and Substitution Asset to the Guarantor will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the relevant Transfer Date (except as otherwise indicated). The Eligibility Criteria with respect to each asset type will vary from time to time but will at all times include criteria so that both Italian law and Rating Agency requirements are met. In addition, under the Master Receivables Purchase Agreements it is provided that to the extent that notwithstanding the application of the Eligible Criteria as described below the Sellers intends to sell Subsequent Portfolios which have characteristics and/or features that differ materially from the characteristics and/or features of the relevant Initial Portfolio, the Sellers shall give prior written notice to the Representative of the Bondholders and the Rating Agency as a condition to the transfer of such Subsequent Portfolios to the Guarantor.

The Receivables transferred from time to time from BPM to the Guarantor pursuant to the relevant Master Receivables Purchase Agreement met the following Eligibility Criteria of BPM S.p.A. (the **BPM Common Criteria) on each relevant Valuation Date:**

Receivables arising from Mortgage Loans which, as at the Valuation Date, met the following criteria:

1. are residential mortgage receivables in respect of which the ratio between the (i) outstanding principal amount and (ii) the estimated value of the mortgaged property is equal to or lower than 80 per cent.;

2. which are granted in compliance with the requirements of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;

3. did not provide at the time of disbursement for any subsidy or other benefit in relation to principal or interest (mutui agevolati);

4. that have not been granted to public entities (enti pubblici), clerical entities (enti ecclesiastici) or public consortium (consorzi pubblici);

5. that are not consumer loans (crediti al consumo);

6. that are not "mutui agrari" pursuant to Articles 43, 44 and 45 of the Consolidated Banking Act;

7. that are secured by a mortgage created over real estate assets in accordance with applicable laws and regulations and are located in the Republic of Italy;

8. the payment of which is secured by a first ranking mortgage (ipoteca di primo grado economico), such term meaning (i) a first ranking mortgage or (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is BPM and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage;

9. in respect of which the hardening period (periodo di consolidamento) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of Art. 39, fourth paragraph of the Consolidated Banking Act;

10. that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

11. for which at least an instalment inclusive of principal has been paid (i.e. Mortgage Loans that are not in the pre-amortising phase);

12. do not have any Instalment due and unpaid;

13. that are governed by Italian law;

14. that have not been granted to individuals that as of the origination date were employees of Banco BPM Group (including also loans granted to two or more individuals, one of which was an employee or a manager of Banco BPM Group as of the valuation date);

15. that are denominated in Euro (or disbursed in a different currency and then re-denominated in Euro);

16. in respect of which none of the relevant borrowers or obligors has been served by BPM with a writ of enforcement (precetto) or an injunction order (decreto ingiuntivo) or entered into an out-of-court settlement following a non payment;

17. that are not classified as a non performing loan ("sofferenze") pursuant to Bank of Italy Regulation No 272 of 30 July 2008 and article 178 of Regulation (EU) No 575/2013;

18. which are mortgage loans whose relevant borrower falls in the category SAE 600 (famiglie consumatrici).

The Receivables included in the Initial Portfolio and in each Subsequent Portfolio to be transferred under the Master Receivables Purchase Agreement entered into between the Garantor and BPM S.p.A. may, in addition to the BPM Common Criteria, meet further criteria (the **BPM Additional Criteria**).

The BPM Additional Criteria will be selected among the following list of Additional Criteria:

Receivables arising from Mortgage Loans which, as at the Valuation Date, met the following additional criteria:

1. the advance date falls between [*date*] and [*date*];

2. the last instalment falls due after [*date*];

3. the ratio between the disbursed amount and the value of the mortgaged real estate property as at the relevant disbursement date is equal to or lower than 80 per cent;

4. the relevant debtor is not an employee of BPM that as at the valuation date is retired;

5. the relevant instalments are paid through account bank debit or Sepa Direct Debt (SSD);

6. the relevant Mortgage Loan is not subject to any payment holiday or suspension of payments;

7. the relevant debtor has not requested a reduction of the principal amount outstanding of the Mortgage Loan.

Eligibility Criteria of Banco BPM S.p.A.

The Receivables contained in each Portfolio transferred pursuant to the Master Receivable Purchase Agreement executed between the Garantor and Banco BPM S.p.A. will be selected in such a way as to form a plurality of monetary receivables identifiable in a pool (*crediti individuabili in blocco*), within the meaning of and for the purposes referred to in the combined provisions of article 7-bis and article 4 of the Securitisation and Covered Bonds Law. The Receivables will be identified on the basis of predetermined criteria as follows (the **Banco BPM Common Criteria**).

Banco BPM S.p.A. Common Criteria

Receivables arising from Mortgage Loans which, as at the Valuation Date, meet the following criteria:

1. are residential mortgage receivables in respect of which the ratio between the (i) outstanding principal amount and (ii) the estimated value of the mortgaged property is equal to or lower than 80 per cent.;

2. which are granted in compliance with the requirements of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;

3. did not provide at the time of disbursement for any subsidy or other benefit in relation to principal or interest (*mutui agevolati*);

4. that have not been granted to public entities (*enti pubblici*), clerical entities (*enti ecclesiastici*) or public consortium (*consorzi pubblici*);

5. that are not consumer loans (*crediti al consumo*);

6. that are not "mutui agrari" pursuant to Articles 43, 44 and 45 of the Consolidated Banking Act;

7. that are secured by a mortgage created over real estate assets in accordance with applicable laws and regulations and are located in the Republic of Italy;

8. the payment of which is secured by a first ranking mortgage (ipoteca di primo grado economico), such term meaning (i) a first ranking mortgage or (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is Banco BPM and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage;

9. in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of Art. 39, fourth paragraph of the Consolidated Banking Act;

10. that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

11. for which at least an instalment inclusive of principal has been paid (*i.e.* Mortgage Loans that are not in the pre-amortising phase);

12. do not have any Instalment due and unpaid;

13. that are governed by Italian law;

14. that have not been granted to individuals that as of the origination date were employees of Banco BPM Group (including also loans granted to two or more individuals, one of which was an employee or a manager of Banco BPM Group as of the Valuation Date);

15. that are denominated in Euro (or disbursed in a different currency and then re-denominated in Euro);

16. in respect of which none of the relevant borrowers or obligors has been served by Banco BPM with a writ of enforcement (*precetto*) or an injunction order (*decreto ingiuntivo*) or entered into an out-of-court settlement following a non payment;

17. that are not classified as a non performing loan ("*sofferenze*") pursuant to Bank of Italy Regulation No 272 of 30 July 2008 and article 178 of Regulation (EU) No 575/2013;

18. which are mortgage loans whose relevant borrower falls in the category SAE 600 (*famiglie consumatrici*);

Banco BPM S.p.A. Additional Criteria

The Receivables included in each Portfolio to be transferred under this Agreement may, in addition, be identified on the basis of further criteria (the **Banco BPM S.p.A. Additional Criteria**).

With respect to each Subsequent Portfolio, Banco BPM will indicate at the time of each transfer in the relevant Transfer Notice to the Guarantor and the Representative of the Bondholders the Banco BPM S.p.A. Additional Criteria which will be from time to time selected by Banco BPM from the following Banco BPM S.p.A. Additional Criteria.

Receivables arising from Mortgage Loans which, as at the Valuation Date, meet the following additional criteria:

1. the advance date falls between [*date*] and [*date*];

2. the last instalment falls due after [*date*];

3. the ratio between the disbursed amount and the value of the mortgaged real estate property as at the relevant disbursement date is equal to or lower than 80 per cent;

4. the relevant debtor is not an employee of Banco BPM that as at the valuation date is retired;

5. the relevant instalments are paid through account bank debit or Sepa Direct Debt (SSD);

6. the relevant Mortgage Loan is not subject to any payment holiday or suspension of payments;

7. the relevant debtor has not requested a reduction of the principal amount outstanding of the Mortgage Loan

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In accordance with the provisions of the Master Receivables Purchase Agreement, the Sellers and the Guarantor shall, to the extent necessary, identify further criteria in order to supplement the Common Criteria and the Additional Criteria (the **Further Criteria**).

Under the Warranty and Indemnity Agreement, the Seller has represented, *inter alia*, that, as of the date of execution of the Warranty and Indemnity Agreement, the Mortgage Loans comprised in the Initial Portfolio (i) were valid, in existence and in compliance with the Criteria, and (ii) related to Mortgage Loan Agreements which have been entered into, executed and performed by the Seller in compliance with all applicable laws, rules and regulations (including the Usury Law).

THE ASSET MONITOR

The Bank of Italy Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Guarantee.

Pursuant to the Bank of Italy Regulations, the asset monitor must be an independent auditor, enrolled with the special register of accounting firms held by the CONSOB pursuant to article 161 of the Financial Laws Consolidation Act and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer and the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed also to the Statutory Auditors of the Issuer.

Pursuant to an engagement letter entered into on 31 August 2015, the Issuer has appointed BDO Italia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi, 94 - 20131 Milano, Italy, share capital of Euro 1,000,000. of which paid Euro 1,000,000, fiscal code and enrolment with the companies register of Milan No. 07722780967and enrolled under No. 167911 with the Register of Statutory Auditors (*Registro dei Revisori Legali*) maintained by the Minister of Economy and Finance, pursuant to article 161 of the Financial Law (the **Asset Monitor**) in order to perform, with reference to the period prior to the occurrence of an Issuer Event of Default and subject to receipt of the relevant information from the Issuer, specific agreed upon procedures concerning, *inter alia*, (i) the compliance with the issuing criteria set out in the Bank of Italy Regulations in respect of the issuance of covered bonds; (ii) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Substitution Assets included in the Cover Pool; (iii) the arithmetical accuracy of the calculations performed by the Issuer in respect of the Mandatory Tests and the compliance with the limits set out in Decree No. 310 with respect to covered bonds issued and the Eligible Assets and Substitution Assets included in the Cover Pool as determined in the Mandatory Test; (iv) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310 and the Bank of Italy Regulations; (v) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme and (vi) the completeness, truthfulness and timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013.

The engagement letter is in line with the provisions of the Bank of Italy Regulations in relation to the reports to be prepared and submitted by the Asset Monitor also to the Statutory Auditors Board of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

ASSET MONITOR AGREEMENT

On or about the First Issue Date the Issuer, the Guarantor, the Asset Monitor and the Representative of the Bondholders entered into the Asset Monitor Agreement) pursuant to which, and subject to due receipt of the information to be provided by the Calculation Agent, the Asset Monitor, (i) prior to the delivery of an Issuer Default Notice, verifies the arithmetic accuracy of the calculations performed by the Calculation Agent pursuant to the Cover Pool Management Agreement with respect to the Asset Coverage Test; and (ii) following the delivery of an Issuer Default Notice, verifies the arithmetic accuracy of the calculations performed by the Calculation Agent pursuant to the Cover Pool Management Agreement with respect to the Mandatory Tests and the Amortisation Test.

In addition, on or prior to each Asset Monitor Report Date, the Asset Monitor shall deliver to the Guarantor, the Calculation Agent, the Representative of the Bondholders and the Issuer a report in the form set out in the Asset Monitor Agreement.

The Asset Monitor Agreement provides for certain matters such as the payment of fees and expenses to the Asset Monitor, the limited recourse nature of the payment obligation of the Guarantor *vis-à-vis* the Asset Monitor, the resignation of the Asset Monitor and the replacement by the Guarantor of the Asset Monitor.

The Asset Monitor Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

Introduction

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- Article 7-*bis* and article 7-*ter* of the Law No. 130 of 30 April 1999 (as amended, the **Italian Securitisation and Covered Bonds Law**);
- the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under Decree No. 310 (the **MEF Regulation**);
- the C.I.C.R. Decree dated 12 April 2007; and
- Part III, Chapter 3 of the "Disposizioni di Vigilanza per le Banche" (Circular No. 285, as defined below), as amended and supplemented from time to time (the **Bank of Italy Regulations**).

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the Italian Securitisation and Covered Bonds Law by adding two new articles, Articles 7-*bis* and 7-*ter*, which enable banks to issue covered bonds. Articles 7-*bis* and 7-*ter*, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

The Securitisation and Covered Bonds Law was further amended by law decree No. 145 of 23 December 2013, called "*Decreto Destinazione Italia*" (the ***Destinazione Italia* Decree**) converted into law No. 9 of 21 February 2014, by law decree No. 91, called "*Decreto Competitività*" (the **Law Decree *Competitività***), converted into law No. 116 of 11 August 2014, by law decree No. 18 of 15 February 2016 converted into law No. 49 of 8 April 2016, by law decree No. 50 of 24 April 2017 converted into law No. 96 of 21 June 2017, by Law No. 145 of 30 December 2018 and by law decree No. 34 of 30 April 2019.

Following the issue of the MEF Regulation, the Bank of Italy Regulations were published on 17 May 2007, as subsequently amended on 24 March 2010, completing the relevant legal and regulatory framework and allowing for the implementation on the Italian market of this funding instrument, which had previously only been available under special legislation to specific companies (such as *Cassa Depositi e Prestiti S.p.A.*).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285) which came into force on 1 January 2014, implementing CRD IV and setting out additional local prudential rules concerning matters not harmonised on EU level. Following the publication on 24 June 2014 of the 5th update to Circular of the Bank of Italy No. 285 of 17 December 2013 (the **Circular No. 285**), which added a new Chapter 3 ("*Obbligazioni bancarie garantite*") in Part III contained therein, the provisions set forth under Title V, Chapter 3 of Circular No. 263 of 27 December 2006 have been abrogated.

The Bank of Italy Regulations introduced provisions, among other things, regulating:

- the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;
- limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;
- criteria to be adopted in the integration of the assets constituting the cover pools;
- the identification of the cases in which the integration is permitted and its limits; and
- monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

Basic structure of a covered bond issue

The structure provided under Article 7-*bis* with respect to the issue of covered bonds may be summarised as follows:

- a bank transfers a pool of eligible assets (i.e. the cover pool) to an Article 7-*bis* special purpose vehicle (the **Guarantor**);
- the bank (or a different bank) grants the Guarantor a subordinated loan in order to fund the payment by the Guarantor of the purchase price due for the cover pool;
- the bank (or a different bank) issues the covered bonds which are supported by a first demand, unconditional and irrevocable guarantee issued by the Guarantor for the exclusive benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction. The Guarantee is backed by the entire cover pool held by the Guarantor.

Article 7-*bis* however also allows for structures which contemplate different entities acting respectively as cover pool provider, subordinated loan provider and covered bonds issuer.

The Guarantor

The Italian legislator chose to implement the new legislation on covered bonds by supplementing the Italian Securitisation and Covered Bonds Law, thus basing the new structure on a well established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the Guarantor is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchase of assets eligible for cover pools and the person giving guarantees in the context of covered bond transactions.

The guarantee

The MEF Regulation provides that the guarantee issued by the Guarantor for the benefit of the bondholders must be irrevocable, first-demand, unconditional and independent from the obligations of the issuer of the covered bonds. Furthermore, upon the occurrence of a default by the issuer in respect of its payment obligations under the covered bonds, the Guarantor

must provide for the payment of the amounts due under the covered bonds, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool. The acceleration of the issuer's payment obligations under the covered bonds will not therefore result in a corresponding acceleration of the Guarantor's payment obligations under the guarantee (thereby preserving the maturity profile of the covered bonds).

Upon an insolvency of the issuer, solely the Guarantor will be responsible for the payment obligations of the issuer owed to the Bondholders, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool.

If a resolution pursuant to Article 74 of the Consolidated Banking Act is passed in respect of the Issuer, the Guarantor, in accordance with Decree 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the entire period in which the suspension continues at their relevant due date, provided that it shall be entitled to claim any such amounts from the Issuer. For further details see section "*Description of the Transaction Documents - Guarantee*".

Finally, if a moratorium is imposed on the issuer's payments, the Guarantor will fulfil the issuer's payment obligations, with respect to amounts which are due and payable and with limited recourse to the cover pool. The Guarantor will then have recourse against the issuer for any such payments.

Segregation and subordination

Article 7-*bis* provides that the assets comprised in the cover pool and the amounts paid by the debtors with respect to the receivables and/or debt securities included in the cover pool are exclusively designated and segregated by law for the benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction.

In addition, Article 7-*bis* expressly provides that the claim for reimbursement of the loan granted to the Guarantor to fund the purchase of assets in the cover pool is subordinated to the rights of the Bondholders and of the hedging counterparties involved in the transaction.

Exemption from claw-back

Article 7-*bis* provides that the guarantee and the subordinated loan granted to fund the payment by the Guarantor of the purchase price due for the cover pool are exempt from the bankruptcy claw-back provisions set out in Article 67 of the Bankruptcy Law (Royal Decree No. 267 of 16 March 1942).

In addition to the above, any payments made by an assigned debtor to the Guarantor may not be subject to any declaration of ineffectiveness according to Article 65 of the Bankruptcy Law.

The Issuing Bank

The Bank of Italy Regulations provide that covered bonds may only be issued by banks which individually satisfy, or which belong to banking groups which, on a consolidated basis:

- have own funds (*fondi propri*) of at least €250,000,000; and

- have a minimum total capital ratio of 9%.

The above mentioned requirements must be complied with, as at the date of the assignment, also by the banks selling the assets, where the latter are different from the bank issuing the covered bonds and do not fall within the same banking group.

The Bank of Italy Regulations specify that the requirements above also apply to the bank acting as cover pool provider (in the case of structures in which separate entities act respectively as issuing bank and as cover pool provider).

Banks not complying with the above mentioned requirements may set up covered bond programmes only prior notice to the Bank of Italy, which may start an administrative process to assess the compliance with the required requirements.

The Bank of Italy Regulations furthermore provide that the total amount of eligible assets that a bank may transfer to cover pools in the context of covered bond transactions is subject to limitations linked to the tier 1 ratio and common equity tier 1 ratio of the individual bank (or of the relevant banking group, if applicable) as follows:

	Ratios	**Transfer Limitations**
"**A**" range	- Tier 1 ratio ≥ 9%; and – Common Equity Tier 1 ratio ≥ 8%	No limitation
"**B**" range	- Tier 1 ratio ≥ 8%; and – Common Equity Tier 1 ratio ≥ 7%	Up to 60% of eligible assets may be transferred
"**C**" range	- Tier 1 ratio ≥ 7%; and – Common Equity Tier 1 ratio ≥ 6%	Up to 25% of eligible assets may be transferred

The Bank of Italy Regulations clarify that the ratios provided with respect to each range above must be satisfied jointly: if a bank does not satisfy both ratios with respect to a specific range, the range applicable to it will be the following, more restrictive, range. Accordingly, if a bank (or the relevant banking group) satisfies the "**b**" range total capital ratio but falls within the "**c**" range with respect to its tier 1 ratio, the relevant bank will be subject to the transfer limitations applicable to the "**c**" range.

The Cover Pool

For a description of the assets which are considered eligible for inclusion in a cover pool under Article 7-*bis*, see "Description of the Cover Pool - Eligibility Criteria".

Ratio between cover pool value and covered bond outstanding amount

The MEF Regulation provides that the cover pool provider and the issuer must continually ensure that, throughout the transaction:

- the aggregate nominal value of the cover pool is at least equal to the nominal amount of the relevant outstanding covered bonds;

- the net present value of the cover pool (net of all the transaction costs borne by the Guarantor, including in relation to hedging arrangements) is at least equal to the net present value of the relevant outstanding covered bonds;

- the interest and other revenues deriving from the cover pool (net of all the transaction costs borne by the Guarantor) are sufficient to cover interest and costs due by the issuer with respect to the relevant outstanding covered bonds, taking into account any hedging agreements entered into in connection with the transaction.

In respect of the above, under the Bank of Italy Regulations, strict monitoring procedures are imposed on banks for the monitoring of the transaction and of the adequacy of the guarantee on the cover pool. Such activities must be carried out both by the relevant bank and by an asset monitor, to be appointed by the bank, which is an independent accounting firm. The asset monitor must prepare and deliver to the issuing bank's s board of auditors, on an annual basis, a report detailing its monitoring activity and the relevant findings.

The Bank of Italy Regulations require banks to carry out the monitoring activities described above at least every 6 months with respect to each covered bond transaction. Furthermore, the internal auditors of banks must comprehensively review every 12 months the monitoring activity carried out with respect to each covered bond transaction, basing such review, among other things, on the evaluations supplied by the asset monitor.

In addition to the above, pursuant to the Bank of Italy Regulations provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013 (CRR).

In order to ensure that the monitoring activities above may be appropriately implemented, the Bank of Italy Regulations require that the entities participating in covered bond transactions be bound by appropriate contractual undertakings to communicate to the issuing bank, the cover pool provider and the entity acting as servicer in relation to the cover pool assets all the necessary information with respect to the cover pool assets and their performance.

Substitution of assets

The MEF Regulation and the Bank of Italy Regulations provide that, following the initial transfer to the cover pool, the eligible assets comprised in the cover pool may only be substituted or supplemented in order to ensure that the requirements described under "*Ratio between cover pool value and covered bond outstanding amount*", or the higher over-collateralization provided for under the relevant covered bond transaction documents, are satisfied at all times during the transaction.

The eligible assets comprised in the cover pool may only be substituted or supplemented by means of:

- the transfer of further assets (eligible to be included in the cover pool in accordance with the criteria described above);

- the establishment of deposits held with banks (**Qualified Banks**) which have their registered office in a member state of the European Economic Area or in Switzerland or in a state for which a 0% risk weight is applicable in accordance with the prudential regulations' standardised approach; and

- the transfer of debt securities, having a residual life of less than one year, issued by the Qualified Banks.

The Bank of Italy has clarified that the eligible assets included in the cover pool may be substituted with other eligible assets originated by the Seller, provided that such substitution is expressly provided for and regulated under the relevant programme documentation and appropriate disclosure is given to the investors in the prospectus.

The Decree No. 310 and the Bank of Italy Regulations, however, provide that the assets described in the last two paragraphs above (together with the liquidity deriving from the management of the cash-flows of the cover pool), cannot exceed 15% of the aggregate nominal value of the cover pool. This 15% limitation must be satisfied throughout the transaction and, accordingly, the substitution of cover pool assets may also be carried out in order to ensure that the composition of the assets comprised in the cover pool continues to comply with the relevant threshold. However the Bank of Italy has clarified that such 15% limitation may be exceeded upon occurrence of an Insolvency Event in respect of the Issuer, whereby supplementing the cover pool is no longer possible and the accumulation of liquidity over the 15% limit may be conducive to the benefit of the Bondholders.

The Bank of Italy Regulations clarify that the limitations to the overall amount of eligible assets that may be transferred to cover pools described under "*The Issuing Bank*" above do not apply to the subsequent transfer of supplemental assets for the purposes described under this paragraph.

Taxation

Article 7-*bis*, sub-paragraph 7, provides that any tax is due as if the granting of the subordinated loan and the transfer of the cover pool had not taken place and as if the assets constituting the cover pool were registered as on-balance sheet assets of the cover pool provider, provided that:

- the purchase price paid for the transfer of the cover pool is equal to the most recent book value of the assets constituting the cover pool; and

- the subordinated loan is granted by the same bank acting as cover pool provider.

It is likely that the provision described above would imply, as a main consequence, that banks issuing covered bonds will be entitled to include the receivables transferred to the cover pool as on-balance receivables for the purpose of tax deductions applicable to reserves for the depreciation on receivables in accordance with Article 106 of Presidential Decree No. 917 of 22 December 1986.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Republic of Italy

Tax treatment of Covered Bonds issued by the Issuer

Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented (**Decree No. 239**) sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) issued, inter alia, by Italian resident banks. The provisions of Decree No. 239 only apply to Covered Bonds issued by the Issuer which qualify as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (**Decree No. 917**).

For these purposes, debentures similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

The tax regime set forth by Decree No. 239 also applies to Interest from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian Resident Bondholders

Pursuant to Decree No. 239, where an Italian resident Bondholder, who is the beneficial owner of the Covered Bonds, is:

(a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless the investor has entrusted the management of his financial assets, including the Covered Bonds, to an authorised intermediary and has opted for the so called "*regime del risparmio gestito*" (the Asset Management Regime) – see under "*Capital gains tax*" below for an analysis of such regime), or

(b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a de facto partnership not carrying out commercial activities or professional associations, or

(c) a private or public entity other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, with the exclusion of collective investment funds; or

(d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent., either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Covered Bonds. All the above categories are qualified as "net recipients".

Where the resident holders of the Covered Bonds described under (a) and (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of Covered Bonds received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraphs 100 – 114, of Law No. 232 of 11 December 2016 (**Law No. 232**) and in Article 1, paragraphs 210 – 215, of Law No. 145 of 30 December 2018 (**Law No. 145**), as implemented by the Ministerial Decree 30 April 2019.

Where an Italian resident Bondholder is a company or similar commercial entity (including limited partnership qualified as *società in nome collettivo* or *società in accomandita semplice* and private and public institutions carrying out commercial activities and holding the Covered Bonds in connection with this kind of activities), or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected, and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Bondholder's income tax return and are therefore subject to Italian corporate income taxation. In certain circumstances, depending on the "status" of the Bondholder, Interest from the Covered Bonds would be subject to IRAP (the regional tax on productive activities). Interest on the Covered Bonds that are not deposited with an authorised intermediary, received by the above persons is subject to a 26 per cent. substitute tax levied as provisional tax.

Where a Bondholder is an Italian resident real estate investment fund or a real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001 (**Decree No. 351**), Article 32 of Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, Interest accrued on the Covered Bonds will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. The income of the real estate fund or the real estate SICAF is subject to tax, in the hands of the unitholder,

depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAV (an investment company with variable share capital) or a SICAF (an Italian investment company with fixed share capital) (together, the **Fund**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority and the relevant Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund accrued at the end of each tax period. The Fund will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Substitute Tax**).

Where an Italian resident Bondholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005 (**Decree No. 252**)) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the **Pension Fund Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds). Subject to certain conditions (including minimum holding period requirement) and limitations, Interest in respect of the Covered Bonds may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraphs 100 – 114, of Law No. 232 and in Article 1, paragraphs 210 – 215, of Law No. 145, as implemented by the Ministerial Decree 30 April 2019.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (**SIMs**), fiduciary companies, *società di gestione del risparmio* (**SGR**s), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an **Intermediary**), as subsequently amended and integrated.

An Intermediary (a) must (i) be resident in Italy, or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary, or (iii) an entity or company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239, and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds and the relevant coupons are not deposited with an authorised Italian Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the imposta *sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Covered Bonds or, absent that by the Issuer.

Non Italian resident Bondholders

Pursuant to Decree No. 239, payments of Interest in respect of Covered Bonds issued by the Issuer will not be subject to *imposta sostitutiva* at the rate of 26 per cent. if made to beneficial owners who are non Italian resident beneficial owners of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected provided that:

(i) such beneficial owners are resident, for tax purposes, in a State or territory included in the list of States or territories allowing an adequate exchange of information with Italy and listed in Ministerial Decree dated 4 September 1996, as amended and supplemented by Ministerial Decree of 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree No. 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the **White List**); and

(ii) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Covered Bonds made to (i) international bodies or entities established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors, whether or not subject to tax, which are established in countries included in the White List; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

In order to ensure payment of Interest in respect of the Covered Bonds without the application of 26 per cent. *imposta sostitutiva*, non Italian resident Bondholders indicated above must be the beneficial owners of the payments of Interest and must:

(a) deposit in due time, directly or indirectly, the Covered Bonds with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a self-statement, which remains valid until withdrawn or revoked, in which the Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities established in accordance with international agreements ratified in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

Failure of a non resident Bondholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments.

Non-resident holders of the Covered Bonds who are subject to substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant holder of the Covered Bonds.

Payments made by an Italian resident guarantor

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

In accordance with another interpretation, any such payment made by the Italian resident guarantor may be subject to a withholding tax at a rate of 26 per cent. levied as a final tax or provisional tax depending on the residential "status" of the Bondholder, pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Bondholders, a final withholding tax may be applied at 26 per cent. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Covered Bonds multiplied by the number of years of the duration of the Covered Bonds.

Atypical securities

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Covered Bonds issued by an Italian resident issuer, where the Bondholder is:

(a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected;

(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 connected;

(d) an Italian commercial partnership; or

(e) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of Covered Bonds received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the withholding tax on Interest relating to "*titoli atipici*", if those Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraphs 100 – 114, of Law No. 232 and in Article 1, paragraphs 210 – 215, of Law No. 145, as implemented by the Ministerial Decree 30 April 2019.

In all other cases, including when the Bondholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Bondholders, the 26 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Italian resident Bondholders

Pursuant to Legislative Decree of 21 November 1997, No. 461 (**Decree No. 461**), a 26 per cent. capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by:

(a) an Italian resident individual not engaged in entrepreneurial activities to which the Covered Bonds are connected;

(b) an Italian resident partnership not carrying out commercial activities;

(c) an Italian private or public institution not carrying out mainly or exclusively commercial activities; or

on any sale or transfer for consideration of the Covered Bonds or redemption thereof.

In respect of the application of *imposta sostitutiva* on capital gains, taxpayers may opt for one of the three regimes described below:

(a) under the tax declaration regime ("*regime della dichiarazione*"), which is the default regime for Italian Bondholders under (a) to (c) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised pursuant to all sales or redemptions of the Covered Bonds carried out during any given fiscal year. The capital gains realised in any fiscal year, net of any relevant incurred capital loss, must be detailed in the annual tax return to be filed with Italian tax authorities and the *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for such fiscal year. Capital

losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

(b) alternatively to the tax declaration regime, Italian Bondholders under (a) to (c) above may elect for the administrative savings regime ("*regime del risparmio amministrato*") to pay the *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Covered Bonds. Such separate taxation of capital gains is allowed subject to (i) the Covered Bonds being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the administrative savings regime being made in writing in due time by the relevant Bondholder. The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the holder of the Covered Bonds, deducting a corresponding amount from the proceeds to be credited to the holder of the Covered Bonds or using funds provided by the holder of the Covered Bonds. Where a sale or transfer or redemption of the Covered Bonds results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Covered Bonds within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the administrative savings regime, the realised capital gain is not required to be included in the annual income tax return of the Bondholder and the Bondholder remains anonymous.

(c) Alternatively to the above described regimes, the aforementioned Bondholders may elect for "asset management" regime (the "*risparmio gestito*" regime), under which any capital gains realised upon sale, transfer or redemption by Italian Bondholders under (a) to (c) above who have entrusted the management of their financial assets (including the Covered Bonds) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Also under the asset management regime the realised capital gain is not required to be included in the annual income tax return of the Bondholder and the Bondholder remains anonymous.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Covered Bonds realised upon sale, transfer or redemption by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraphs 100 – 114, of Law No. 232 and in Article 1, paragraphs 210 – 215, of Law No. 145, as implemented by the Ministerial Decree 30 April 2019.

In the case of Covered Bonds held by Funds capital gains on Covered Bonds contribute to determinate the increase in value of the managed assets of the Funds accrued at the end of each tax year. The Funds will not be subject to taxation on such increase, but the Collective

Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where a Bondholder is an Italian resident real estate investment fund or a real estate SICAF, to which the provisions of Decree No. 351 apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. The income of the real estate fund or the real estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where an Italian resident Bondholder is a pension fund (subject to the regime provided for by article 17 of Decree No. 252) and the Covered Bonds are deposited with an Italian resident intermediary, any capital gains realised upon sale, transfer or redemption of the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include capital gains accrued on the Covered Bonds). Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Covered Bonds may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraphs 100 – 114, of Law No. 232 and in Article 1, paragraphs 210 – 215, of Law No. 145, as implemented by the Ministerial Decree 30 April 2019.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non Italian resident corporations to which the Covered Bonds are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Non-Italian resident Bondholders

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Covered Bonds by non Italian resident individuals and corporations without a permanent establishment in Italy to which the Covered Bonds are effectively connected, if the Covered Bonds are held in Italy.

However, pursuant to Article 23 of Decree No. 917, any capital gains realised by non Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale for consideration or redemption of the Covered Bonds are exempt from taxation in Italy to the extent that the Covered Bonds are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Covered Bonds are deposited, even if the Covered Bonds are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Capital gains realised by non-Italian resident Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale, transfer or redemption of Covered Bonds issued by an Italian resident issuer not traded on regulated

markets are not subject to the *imposta sostitutiva*, provided that the beneficial owner of the Covered Bonds is:

(a) resident in a State or territory included in the White List as defined above; and

(b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

The same exemption applies where the non-Italian resident beneficial owners of the Covered Bonds are (i) international entities or organizations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors, whether or not subject to tax, established in countries included in the White List; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

If none of the conditions above is met, capital gains realised by non-Italian resident Bondholders from the sale, transfer or redemption of Covered Bonds issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, non-Italian resident Bondholders may benefit from any applicable tax treaty with Italy providing that capital gains realised upon the sale, transfer or redemption of the Covered Bonds are to be taxed only in the country of tax residence of the recipient.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected elect for the asset management regime or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply provided that they timely file with the Italian authorised financial intermediary a self declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3rd October, 2006, converted with amendments by Law No. 286 of 24th November, 2006 effective from 29th November, 2006, and Law No. 296 of 27th December, 2006, the transfers of any valuable assets (including the Covered Bonds) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(a) 4 per cent. to transfers in favour of spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);

(b) 6 per cent. to transfers in favour of brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);

(c) 6 per cent. to transfers in favour of relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and

(d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

With respect to Covered Bonds listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Covered Bonds, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Moreover, an anti-avoidance rule is provided for by Law No. 383 of 18 October 2001 for any gift of assets (such as the Covered Bonds) which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Covered Bonds for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

Transfer tax

Contracts relating to the transfer of securities are subject to a € 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of use or voluntary registration.

Stamp Duty

Pursuant to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as amended by Article 1 par. 581 of Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed € 14,000 for taxpayers other than individuals. This stamp duty is determined on the market value or – in the absence of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Covered Bonds). Stamp duty applies both to Italian resident Bondholders and to non-Italian resident Bondholders, to the extent that the Covered Bonds are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Law No. 147 of 27 December 2013, Italian resident individuals holding financial assets – including the Covered Bonds – outside of the Italian territory are required to pay in their own

annual tax declaration a wealth tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. The Italian tax authority clarified (Circular No. 28/E of 2 July 2012) that financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries.

Tax Monitoring Obligations

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended by Law No. 97 of 6 August 2013 and subsequently amended by Law No. 50 of 28 March 2014 and Law No. 186 of 15 December 2014, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad or are the actual owners, under the Italian money-laundering law, provided by Italian Legislative Decree No. 231 of 21 November 2007, of investments abroad or foreign financial assets must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return).

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Covered Bonds deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through Italian financial intermediaries intervention, upon condition that the items of income derived from the Covered Bonds have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

U.S. Foreign Account Tax Compliance Withholding (FATCA)

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by **FATCA**) may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would

be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Covered Bonds (as described under "Terms and Conditions—Further Issues") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

LUXEMBOURG TAXATION

The following is an overview of certain Luxembourg tax considerations relating to the Covered Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Covered Bonds, whether in Luxembourg or elsewhere. Prospective purchasers of the Covered Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds and the consequences of such actions under the tax laws of Luxembourg. This overview is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding tax issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Covered Bonds.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

A Bondholder may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Covered Bonds, or the execution, performance, delivery and/or enforcement of the Covered Bonds.

Withholding Tax

All payments of interest (including accrued but unpaid interest) and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Covered Bonds, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005, as amended (the **2005 Law**), which provides for a 20% withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the 2005 Law) paid by a paying agent within the meaning of the 2005 Law established in Luxembourg.

Responsibility for the withholding of the 20% withholding tax will be assumed by the Luxembourg paying agent and not by the Issuer.

Pursuant to the 2005 Law, Luxembourg resident individuals can opt to self declare and pay a 20% levy on savings income paid or ascribed by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

The 20% withholding tax as described above or the 20% levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

SUBSCRIPTION AND SALE

Covered Bonds may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Programme Agreement dated 31 August 2015 (the **Programme Agreement**) and made between the Issuer, the Guarantor, the Representative of the Bondholders and the Dealers. Any Subscription Agreement will, *inter alia*, make provision for the terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series or Tranche of Covered Bonds For the purposes of this section, references in this section to "Dealer" and "Dealers" also refers to any Dealer or Dealers appointed subsequently.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Covered Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer further agrees, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of Covered Bonds comprising any Series or Tranche, offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the

Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) a customer within the meaning of Directive (UE) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) 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) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2)

of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Covered Bonds to the public in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

no deposit-taking: in relation to any Covered Bonds which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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 FSMA by the Issuer;

(a) **financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) **general compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Covered Bonds has not been registered with the CONSOB pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that sales of the Covered Bonds in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Each Dealer has represented and agreed that, save as set out below, no Covered Bonds may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except 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) (the **Regulation No. 11971**).

Any such offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (the **Consolidated Banking Act**) (in each case as amended from time to time);

(b) in compliance with Article 129 of the Consolidated Banking Act, as amended, as applicable, or any applicable implementing guidelines of the Bank of Italy, and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or any other Italian authority.

France

Each Dealer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in the Republic of France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the **FIEA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Covered Bonds in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses, distributes or publishes this Prospectus or any Final Terms or any related offering material, in all cases at its own

expense. Other persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the Dealers. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Covered Bonds) or in a supplement to this Prospectus.

GENERAL INFORMATION

Approval, Listing and Admission to Trading

This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the *Commission de Surveillance du Secteur Financier* (**CSSF**) in its capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Directive. Application has been made for Covered Bonds issued under the Programme to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

However, Covered Bonds may be issued pursuant to the Programme which will be unlisted or be admitted to listing, trading and/or quotation by such other competent authority, stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Prospectus; (ii) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive; and (iii) if so required by the competent authority of such Member State, a translation into the official language(s) of such Member State of a summary of this Prospectus.

Authorisations

The Programme and the issue of Covered Bonds has been duly authorised by a resolutions of the Management Board (*Consiglio di Gestione*) of the Issuer (formerly Banca Popolare di Milano S.c. a.r.l.) dated 10 March 2015 and 21 July 2015 and the giving of the Guarantee has been duly authorised by a resolution of the Quotaholders of the Guarantor dated 7 August 2015. The annual update of the Programme has been authorised by the resolution of the board of directors of the Issuer dated 18 December 2018.

Legal and Arbitration Proceedings

Save as described under "*Business Description of Banco BPM Società per Azioni – Legal Proceedings of the Group – Ongoing Legal and Administrative Proceeding*" and "*Ongoing Tax Proceedings*" on pages 227 ss. of this Prospectus there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the twelve months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer, the Guarantor or its Subsidiaries.

Trend Information / No Significant Change

Save as described under "*Business Description of Banco BPM Società per Azioni – Recent Developments*", there has been no significant change in the financial or trading position of the Issuer since 31 March 2019 and there has been no material adverse change in the prospects of the Issuer since 31 December 2018.

There has been no significant change in the financial or trading position of the Guarantor since 31 December 2018 (the end of the last financial period for which either audited

financial information or interim financial information has been published) and there has been no material adverse change in the prospects of the Guarantor since 31 December 2018.

Minimum denomination

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

Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer:

(a) the by-laws (with an English translation thereof) of the Issuer and the Guarantor;

(b) the audited consolidated annual financial statements of Banco BPM as at and for the years ended 31 December 2017 and 31 December 2018;

(c) the non consolidated financial statements of the Guarantor as at and for the years ended as at 31 December 2017 and 31 December 2018;

(d) the auditor's reports in respect of the Guarantor's annual financial statements for the years ended as at 31 December 2017 and 31 December 2018;

(e) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer;

(f) a copy of this Prospectus;

(g) any future offering circulars, prospectuses, information memoranda and supplements to this Prospectus including Final Terms and any other documents incorporated herein or therein by reference;

(h) each of the following transaction documents (the **Transaction Documents**), namely:

- Guarantee;
- Subordinated Loan Agreements;
- Master Receivables Purchase Agreements;
- Cover Pool Management Agreement;
- Warranty and Indemnity Agreements;

- Master Servicing Agreement;
- Asset Monitor Agreement;
- Quotaholders' Agreement;
- Cash Allocation, Management and Payment Agreement;
- Mandate Agreement;
- Deed of Charge (if any);
- Intercreditor Agreement;
- Corporate Services Agreement;
- Programme Agreement;
- any Subscription Agreement for Covered Bonds issued on a syndicated basis that are listed; and
- Master Definitions Agreement;

Independent Auditors

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010, as implemented by MEF (Decree n. 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 by the shareholders' meetings of Banca Popolare di Milano S.c. a r.l. and Banco Popolare – Società Cooperativa held on 15 October 2016 in the context of the Merger as independent auditor of the Issuer for its consolidated and non-consolidated annual financial statements as well as for its interim consolidated financial statements. The engagement of PricewaterhouseCoopers S.p.A. will expire upon approval of the Issuer's financial statements as at and for the year ending 31 December 2025.

PricewaterhouseCoopers S.p.A. audited the consolidated and non-consolidated annual financial statements of Banco BPM S.p.A. as at and for the years ended 31 December 2017 and 31 December 2018.

PricewaterhouseCoopers S.p.A.has also audited the 2017 financial statements and the 2018 financial statements of the Guarantor.

Principal Shareholders of the Issuer

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 Prospectus, no shareholder of Banco BPM holds more than 3 per cent of its share capital with the exception of (i) Capital Research and Management Company which holds a share equal to 5.198% and (ii) Invesco Ltd. which holds a share equal to 4.994%. (Source: CONSOB).

Material Contracts

The Issuer nor any of its respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Bondholders.

The Guarantor nor any of its respective subsidiaries has entered into any contracts since 26 March 2015 outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Bondholders.

Clearing of the Covered Bonds

The Covered Bonds issued in dematerialised form have been accepted for clearance through Monte Titoli, Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms. The relevant Conditions and/or Final Terms shall specify (i) any other clearing system for the Covered Bonds issued in dematerialised form as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information or (ii) with respect to Covered Bonds issued in any of the other form which may be indicated in the relevant Conditions and/or Final Terms, the indication of the agent or registrar through which payments to the Bondholders will be performed.

Financial Statements

The Guarantor produces non-consolidated financial statements on an annual basis, at the end of each calendar year.

The Issuer produces consolidated and non-consolidated financial statements at the end of each calendar year and, thereafter, on a quarterly basis, interim consolidated financial statements.

Dealers

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect

of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GLOSSARY

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

Account Bank means BNP Paribas Securities Services, Milan Branch or any other entity acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement.

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

Account Bank Report Date means the date falling two Business Days prior to each Calculation Date.

Account Bank Report means the report produced by the Account Bank pursuant to the Cash Allocation, Management and Payment Agreement.

Account Mandates means the resolutions, instructions and signatures authorities relating to each of the Accounts.

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

Accrual Yield has the meaning given in the relevant Final Terms.

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

Additional Criteria means, with respect to the Initial Portfolio, the criteria listed in schedule 2 to the relevant Master Receivables Purchase Agreement and with respect to any Subsequent Portfolios, the criteria listed in schedule 3 to the relevant Master Receivables Purchase Agreement.

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

Additional Seller means any additional seller which may from time to time enter into the Programme.

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

Adjustment Purchase Price means the adjusted purchase price payable under clause 5.3 if the Master Receivables Purchase Agreement.

Arranger means Barclays Bank PLC and any other entity appointed as an arranger for the Programme, save that in the event of the exit by the United Kingdom from the European Union, (i) Barclays Bank PLC shall automatically cease to be appointed as Arranger, and (ii) Barclays Bank Ireland PLC shall be appointed as Arranger, in each case with effect from the Withdrawal Date and references in the Programme Documents to the Arranger following the Withdrawal Date shall be construed accordingly.

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

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

Affected Receivables has the meaning specified in clause 8.1 of the Warranty and Indemnity Agreement.

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

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

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

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

Asset Monitor Agreement means the asset monitor agreement entered into on 31 August 2015 between, *inter alios*, the Asset Monitor and the Issuer.

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

Availability Period means the period from the date of execution of the Subordinated Loan Agreement to the Programme Maturity Date (or the Extended Programme Maturity Date, as the case may be).

Back-up Account Bank means Banco BPM or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payment Agreement.

Back-up Servicer means any back-up servicer which may be appointed pursuant to the terms of the Master Servicing Agreement.

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

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

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

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

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

Banco BPM S.p.A. or **Banco BPM** means a bank incorporated in Italy as a *società per azioni*, having its registered office at Piazza F. Meda, 4, Milan, Italy, and registered with the Companies' Register of Milan under number 09722490969, and with the register of banking groups held by the Bank of Italy "*Codice meccanografico*" 5034 under number 8065 and authorised to carry out business in Italy pursuant to the Consolidated Banking Act (which, *inter alia*, incorporated Banca Popolare di Milano S.p.A., **BPM S.p.A.**), acting in its capacity as Issuer of the Covered Bonds, Master Servicer, Seller, Subordinated Lender, Sub-Servicer, Collection Account Bank and Calculation Agent.

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

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

Broken Amount(s) means the amount set out in the relevant Final Terms.

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

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

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

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

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

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

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

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

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

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

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

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

Calculation Period means the period from one Calculation Date (included) to the next Calculation Date (excluded).

Cash Allocation, Management and Payment Agreement means the Cash Allocation, Management and Payment Agreement entered into on 31 August 2015 between the Issuer, the Guarantor, the Master Servicer, the Seller, the Account Bank, the Collection Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders.

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

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

Collateral Account has the meaning set out in Clause 7.3 of the Intercreditor Agreement.

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

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

Collection Account means the euro denominated account established in the name of the Guarantor with the Collection Account Bank number 83300 (IBAN: IT04O0558401600000000083300), or such other substitute or additional accounts, as may be opened in accordance with the Cash Allocation, Management and Payment Agreement, and the **Collection Accounts** means all of them.

Collection Period means each quarterly period, commencing on (and including) the first calendar day of each of January, April, July, October and ending on (and including) the last calendar day of March, June, September and December, in the case of the first Collection Period, commencing on (and excluding) the Valuation Date and ending on (and including) the last calendar day of the month preceding the first Guarantor Payment Date.

Collections means all amounts received or recovered by the Master Servicer and/or any Sub-Servicer in respect of the Receivables.

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

Conditions means the Terms and Conditions of the Covered Bonds and **Condition** means a condition of thereof.

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

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

Converted Loan means a loan (i) originally granted as a Term Loan advanced for the purpose of financing (in whole or in part) the purchase of Eligible Assets to be used as collateral for the issuance of a Series of Covered Bonds, whose interest and redemption profile changes in accordance with Clause 7.5 of the Subordinated Loan Agreement upon issuance of the relevant Corresponding Series of Covered Bonds.

Corporate Services Agreement means the agreement entered into on 26 August 2015 between the Guarantor and the Guarantor Corporate Servicer pursuant to which the Guarantor Corporate Servicer will provide certain administration services to the Guarantor.

Corresponding Series of Covered Bonds means, in respect of a Converted Loan, the Series of Covered Bonds issued pursuant to the Programme and notified by the Subordinated Lender to the Guarantor in the Term Loan Conversion Notice.

Covered Bonds means each series of covered bonds (*obbligazioni bancarie garantite*) issued or to be issued by the Issuer pursuant to the terms and subject to the conditions of the Programme Agreement.

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

Cover Pool Swap Agreement means the swap agreement that the Guarantor and the Cover Pool Swap Provider may enter into from time to time in respect of the Cover Pool.

Cover Pool Management Agreement means the agreement entered into on 31 August 2015 between the Issuer, the Guarantor, the Calculation Agent and the Representative of the Bondholders.

Credit and Collection Policy means the procedures for the management, collection and recovery of Receivables attached as schedule 1 to the Master Servicing Agreement.

Criteria means, collectively, the Common Criteria, the Additional Criteria (as listed, respectively, in schedules 1, 2 and 3 to the Master Receivables Purchase Agreement) and any Further Criteria determined pursuant to the terms of the Master Receivables Purchase Agreements.

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

Dealer means each of Barclays Bank PLC, Barclays Bank Ireland PLC and Banca Akros S.p.A. – Gruppo Banco BPM and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 6 (*Form of Dealer Accession Letter*) of the Programme Agreement and excludes any entity whose appointment has been terminated pursuant to Clause 14 of the Programme Agreement, save that in the event of the exit by the United Kingdom from the European Union, Barclays Bank PLC shall automatically be deemed to have its appointment terminated pursuant to the provisions of Clause 14.2 of the Programme Agreement with effect from the Withdrawal Date and references in the Programme Documents to the Dealers following the Withdrawal Date shall be construed accordingly.

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

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

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

Deed of Charge means the English law deed of charge to be entered upon execution by the Guarantor of any Swap Agreement between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors) and/or each supplemental deed entered into pursuant thereto.

Defaulted Receivable means any Receivable arising from Mortgage Loans included in the Portfolio having at least (i) one annual Instalment which is past due and unpaid for more than 180 days, (ii) two semi-annual Instalments which are past due and unpaid, (iii) three quarterly Instalments which are past due and unpaid, or (iv) seven monthly Instalments which are past due and unpaid.

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

Delinquent Receivable means any Receivable arising from Mortgage Loans included in the Portfolio having (a) at least (i) one annual Instalment which is past due and unpaid for more than 90 days, (ii) one semi-annual Instalment which is past due and unpaid for more than 90 days, (iii) two quarterly Instalments which are past due and unpaid, and/or (iv) four monthly Instalments which are past due and unpaid.

Distressed Receivables means, any Receivable arising from Mortgage Loans included in the Portfolio, in relation to which the relevant Debtor is deemed to be in a state of permanent distress in accordance with the Master Servicer's internal policy, even if such permanent distress is not judicially ascertained.

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

Drawdown Date means the date on which a Term Loan is advanced under the Subordinated Loan Agreements during the Availability Period and that corresponds to:

(a) in respect of the Initial Portfolio and any Subsequent Portfolio, the date on which the relevant purchase price has to be paid to Banco BPM S.p.A., as the case may be, by the Guarantor pursuant to the terms of the Master Receivables Purchase Agreement; and

(b) in respect of the Substitution Assets, the date on which the purchase price for the Substitution Assets has to be paid to the relevant Seller by the Guarantor pursuant to the terms of the Cover Pool Management Agreement and the Master Receivables Purchase Agreement.

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

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

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

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

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

Effective Date means the date on which, respectively, the Master Receivables Purchase Agreement, the Master Servicing Agreement, the Warranty and Indemnity Agreement and the Subordinated Loan Agreement have been entered into.

Eligible Assets means the Receivables arising from the Residential Mortgage Loans.

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

Eligible Institution means any depository institution organised under the laws of any state which is a member of the European Union, Switzerland or of the United States, (I) whose short-term unsecured, unsubordinated and unguaranteed debt obligations of which are rated at least "P-3" by Moody's (or any other rating level from time to time provided for in the Rating Agency's criteria) and whose long term unsecured, unsubordinated and unguaranteed debt obligations of which are rated at least "Baa3" by Moody's (or any other rating level from time to time provided for in the Rating Agency's criteria), or (II) whose obligations are guaranteed by an entity whose short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "P-3" by Moody's (or any other rating level from time to time provided for in the Rating Agency's criteria), and whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "Baa3" by Moody's (or any other rating level from time to time provided for in the Rating Agency's criteria).

Eligible Investment Date means any Business Date on which the Eligible Investments are made.

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

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

EU Directive on the Reorganisation and Winding up of Credit Institutions means Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions.

EU Insolvency Regulation means Council Regulation (EC) No. 1346/2000 of 29 May 2000 and the Recast EU Insolvency Regulation 2015/848/EU.

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

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

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

Euro, **€** and **EUR** refer to the single currency of member states of the European Union which adopt the single currency introduced in accordance with the treaty establishing the European Community.

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

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

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

Excess Receivables means any Receivables forming part of the Cover Pool which arise from Mortgage Loans that are in excess of the value of the Mortgage Loans required to satisfy the Asset Coverage Tests.

Excluded Swap Termination Amount has the meaning given to it in item *Fourth* of the Pre-Issuer Default Interest Priority of Payments.

Excluded Group means the Issuer, any affiliate of the Issuer, the Guarantor, any controlled affiliate of the Guarantor and references to a "member of the Excluded Group" shall mean any one of them.

Expenses Account means the euro denominated account established in the name of the Guarantor with the Collection Account Bank number 83344 (IBAN: IT21A0558401600000000083344), or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

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

Expiry Date means the date falling two years and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their terms and conditions.

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

Extended Programme Maturity Date means the date falling one year after the Programme Maturity Date.

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

Extraordinary Resolution has the meaning set out in the Rules.

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

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

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

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

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

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

First Series of Covered Bonds means the first Series of Covered Bonds issued by the Issuer in the context of the Programme on 14 September 2015.

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

FSMA means the Financial Services and Markets Act 2000.

Further Criteria means the criteria identified in accordance with Clause 2.4.3. of the Master Receivables Purchase Agreements.

Guarantee means the guarantee issued on 31 August 2015 by the Guarantor for the benefit of the Beneficiaries.

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

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

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

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

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

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

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

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

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

Guarantor Payment Date means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 18th day of each of January, April, July and October or, if such day is not a Business Day, the immediately following Business Day, with the first Guarantor Payment Date being 18 October 2015; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

Guarantor means BPM Covered Bond 2 S.r.l., a company incorporated in Italy as a *società a responsabilità limitata* pursuant to the Securitisation and Covered Bonds Law, with a share capital equal to Euro 10.000,00, having its registered office in Via Eleonora Duse 53, 00197 – Rome, enrolled with the Companies' Register of Rome under number 13317131004, enrolled with the register held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

Individual Purchase Price means (i) the most recent book value (*ultimo valore di iscrizione in bilancio*) of the relevant Receivable, minus all principal Collections received by the relevant Seller (from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione in bilancio*) is calculated (included) to the relevant Valuation Date (excluded)) and increased of any Accrued Interest on such Receivables as at the relevant Transfer Date; or, at the option of the relevant Seller (ii) such other value, as indicated by the relevant Seller in the Transfer Notice, as will allow the Seller to consider each duty or tax due as if the relevant Receivables had not been transferred for the purpose of article 7-*bis*, sub-paragraph 7, of the Securitisation and Covered Bond Law and in relation to which an auditing firm has certified that from their verifications there is no reason to believe that the criteria applied to calculate the purchase price of the relevant Receivables are different from those applicable to the relevant Seller in the preparation of its financial statements.

Initial Portfolio Purchase Price means the consideration paid by the Guarantor to the Seller for the transfer of the Initial Portfolio, calculated in accordance with clause 4.1 of the Master Receivables Purchase Agreement.

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

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

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

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

(c) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to Article 74 of the Consolidated Banking Act); or

(d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2484 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or

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

(f) such company, entity or corporation becomes subject to any proceedings resulting from the implementation of directive 2014/59/UE of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the **Bank Recovery and Resolution Directive**).

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

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

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

Intercreditor Agreement means the agreement entered into on 31 August 2015 between the Guarantor and the Other Guarantor Creditors.

Interest Available Funds means in respect of any Guarantor Payment Date, the aggregate of, without double counting:

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

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

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

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

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

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

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

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Calculation Date, (i) to make payments in respect of interest due and payable, *pro rata* and *pari passu* in respect of each relevant Interest Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and *pro rata* in respect of each relevant Series of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Calculation Agent may reasonably determine, or otherwise (iv) to make payments to a Subordinated Lender under the relevant Subordinated Loan Agreement as described in item *Fifth* (b) of the Pre-Issuer Default Interest Priority of Payments;

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest Instalment means the interest component of each Instalment.

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

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

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

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

Interest Rate Swap Agreement means each interest rate swap agreement that may be entered into between the Guarantor and an Interest Rate Swap Provider in the context of the Programme.

Interest Rate Swap Provider means any entity acting as an interest rate swap provider pursuant to an Interest Rate Swap Agreement.

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

Investment Manager Report means the report produced by the Investment Manager pursuant to the Cash Allocation, Management and Payments Agreement.

Investment Manager means Banco BPM or any other entity acting as such pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

ISDA Definitions means the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.

Issue Date means each date on which a Series of Covered Bonds is issued as set out in the relevant Final Terms.

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

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

Issuer means Banco BPM.

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

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

Loan Event of Default means the event specified as such in Clause 9 (*Loan Event of Default*) of the Subordinated Loan Agreement.

Loan Interest Period means, in relation to a Term Loan, each period determined in accordance with Clause 6.2 of the Subordinated Loan Agreement.

Luxembourg Listing and Paying Agent means BNP Paribas Securities Services, Luxembourg Branch or any other entity from time to time acting in such capacity.

Mandate Agreement means the mandate agreement entered into on or about 31 August 2015 between the Representative of the Bondholders and the Guarantor.

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

Market Value means the arithmetic mean between the value at which the Covered Bonds are being traded on the relevant regulated market and the average value of trading of such Covered Bonds in the preceding calendar month.

Master Definitions Agreement means this Agreement.

Master Receivables Purchase Agreement means any master receivables purchase agreement entered into between the Guarantor and a Seller, including the master receivables purchase agreement entered into between BPM S.p.A. (formerly Banca Popolare di Milano S.c. a r.l.) and the Guarantor on 26 August 2015.

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

Master Servicer's Reports means the Quarterly Master Servicer's Reports.

Master Servicing Agreement means the servicing agreement entered into on 26 August 2015 between the Guarantor and the Master Servicer.

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

Meeting has the meaning set out in the Rules.

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

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

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

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

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

Moody's means Moody's Frances SAS.

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

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

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

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

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

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

Non Performing Receivables means any Receivable (including, for the avoidance of doubts, any Defaulted Receivables and/or Distressed Receivables) 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 a state of permanent distress and handled by the Servicer's Office Litigation.

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

Offer Date means, with respect to each Subsequent Portfolio, the date falling 5 (five) Business Days prior to each Transfer Date, in accordance with Clause 3.1 of the Master Receivables Purchase Agreement.

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

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

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

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

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

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

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

Originator means Banco BPM S.p.A. in its capacity as such pursuant to the Master Receivables Purchase Agreement.

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

Outstanding Principal Balance means any Principal Balance outstanding in respect of a Mortgage Loan.

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

(a) 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

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

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

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

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

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

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

Potential Commingling Amount means (i) nil, if the Issuer's Counterparty Risk Assessment is at least "A3(cr)" by Moody's or if any of the remedies provided for under Clauses 3.11.1, 3.11.2 of the Master Servicing Agreement has been implemented, or, in any other case, (ii)

the amount calculated by Banco BPM, on a quarterly basis, in accordance with the from time to time applicable methodology of the Rating Agency.

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

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

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

Premium means, on each Guarantor Payment Date, an amount payable by the Guarantor on each Term Loan in accordance with the relevant Priority of Payments and equal to the Guarantor Available Funds as at such date, after all amounts payable in priority thereto have been made in accordance with the relevant Priority of Payments.

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

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

Principal Available Funds means in respect of any Guarantor Payment Date, the aggregate of, without double counting:

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

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

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

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

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

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

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

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

(h) any amounts paid out of item *Ninth* of the Pre-Issuer Default Interest Priority of Payments; and

(i) any principal amounts standing to the credit of the Transaction Account, other than the Potential Commingling Amount (to the extent they are not entitled to be released).

Principal Balance means for any Mortgage Loan as at any given date, the aggregate of: (a) the original principal amount advanced to the relevant Debtor and any further amount advanced on or before the given date to the relevant Debtor secured or intended to be secured by the related Security Interest; and (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Loan or with the relevant Debtor's consent and added to the amounts secured or intended to be secured by that Mortgage Loan; and (c) any other amount (including, for the avoidance of doubt, Accrued Interest and interest in arrears) which is due or accrued (whether or not due) and which has not been paid by the relevant Debtor and has not been capitalised, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date.

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

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Principal Paying Agent; and

(b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Principal Paying Agent.

Principal Instalment means the principal component of each Instalment.

Principal Paying Agent means BNP Paribas Securities Services, Milan Branch, or any other entity acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement.

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

Programme Agreement means the programme agreement entered into on 31 August 2015 between the Guarantor, the Issuer, the Dealers and the Representative of the Bondholders.

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

Programme Maturity Date means the date following 10 years after the date of publication of this Prospectus or, if later, with respect to the redemption of the Term Loans in accordance with the Subordinated Loan Agreement, the date when final redemption payments on the last maturing Series of Covered Bonds become due and payable pursuant to the extension of the relevant Maturity Date.

Programme Resolution has the meaning set out in the Rules.

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

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

Prospectus means the prospectus prepared in connection with the issue of the Covered Bonds.

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

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

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

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

Quarterly Master Servicer's Report Date means the date falling on the 18th of each of January, April, July and October of each year.

Quarterly Master Servicer's Report means the quarterly report delivered by the Master Servicer on each Quarterly Master Servicer's Report Date and containing details on the Collections of the Receivables during the relevant Collection Periods prepared in accordance with the Master Servicing Agreement.

Quota Capital Account means the euro denominated account established in the name of the Guarantor with the Account Bank number 83303 (IBAN: IT32R0558401600000000083303), or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

Quotaholders means Banco BPM and Stichting Bapoburg and **Quotaholder** means each of them.

Quotaholders' Agreement means the agreement entered into on 31 August 2015 between the Guarantor, the Quotaholders and the Representative of the Bondholders.

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

Rating Agency means Moody's.

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

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

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

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

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

(d) all rights in relation to the reimbursement of expenses and in relation to any losses, costs, indemnities and damages and any other amount due to each Seller in relation to the Mortgage Loans, the Mortgage Loan Agreements, including penalties and any other amount due to each Seller in the case of prepayments of the Mortgage Loans, and to the warranties and insurance related thereto, including the rights in relation to the reimbursement of legal, judicial and other possible expenses incurred in

connection with the collection and recovery of all amounts due in relation to the Mortgage Loans up to and as from the relevant Valuation Date;

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

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

Recoveries means any amounts received or recovered by the Master Servicer and/or the Sub-Servicers in relation to any Non Performing Receivables and any Delinquent Receivables.

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

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

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

Regular Period means:

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

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

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

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

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

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

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

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

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

Renegotiated Loan means a Mortgage Loan included in the Eligible Cover Pool whose relevant borrower benefits from a suspension of payment of the instalments in respect of principal or any other regulation issued by the Bank of Italy and replacing the Prudential Regulations.

Report Date means the date falling two Business Days prior to each Calculation Date.

Representative of the Bondholders means Securitisation Services S.p.A. or any other entity appointed as representative of the Bondholders pursuant to the Transaction Documents.

Request of Term Loan means a notice sent by the Guarantor to the Subordinated Lender substantially in the form set out in Schedule 2 (*Request*) of the Subordinated Loan Agreement.

Reserve Account means the euro denominated account established in the name of the Guarantor with the Account Bank number 802040901 (IBAN: IT10A0347901600000802040901), or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

Reserve Amount means any amount to be credited into the Reserve Account up to the Reserve Required Amount.

Reserve Required Amount means an amount equal to the sum of:

(a) the aggregate amount payable on the immediately following Guarantor Payment Date in respect of items from (*First*) to (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and

(b) (A) if no Cover Pool Swap Agreement has been entered into, or if a Cover Pool Swap Agreement has been entered into with an entity belonging to the Banco BPM Group,

an amount equal to any interest amounts due in relation to any Series of Covered Bonds outstanding in the immediately following three months; or (B) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group, but (i) no Interest Rate Swap Agreement has been entered into in relation to a Series of Covered Bonds or (ii) an Interest Rate Swap Agreement has been entered into with an entity belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due in relation to such Series of Covered Bonds in the immediately following three months; or (C) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group and an Interest Rate Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due to the Interest Rate Swap Provider in respect of the relevant Interest Rate Swap Agreement in the immediately following three months, calculated applying the Floating Rate Option (as defined in the ISDA Definitions) for each relevant Interest Rate Swap Agreement determined on a forward basis.

Residential Mortgage Loan Agreement means any residential mortgage loan agreement out of which Receivables arise.

Residential Mortgage Loan means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, a residential mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent of the value of the property and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

Retention Amount means an amount equal to €10,000.

Rules means the Rules of the Organisation of the Bondholders attached as Exhibit 1 to the Terms and Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

Screen Rate Determination means that the Rate of Interest will be determined in accordance with Condition 6(d) (*Screen Rate Determination*).

Securities Account means the euro denominated account established in the name of the Guarantor with the Account Bank with number 2040900, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

Securities Act means the U.S. Securities Act of 1933, as amended.

Securitisation and Covered Bonds Law means Italian Law No. 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

Security Interest means:

(a) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;

(b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

(c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

Security means the security created pursuant to the Deed of Charge.

Segregation Event means the occurrence of a breach of any Tests on a given Calculation Date which remains unremedied within the Test Grace Period.

Seller means Banco BPM S.p.A. and any other entity belonging to the Banco BPM Group acceding in such capacity to the Programme.

Series or **Series of Covered Bonds** means each series of Covered Bonds issued in the context of the Programme.

Servicer Termination Event means an event which allows the Guarantor to terminate the Master Servicer's appointment and appoint a Substitute Servicer, according to Clause 9.1 of the Servicing Agreement.

Specified Currency means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms).

Specified Denomination(s) has the meaning given in the relevant Final Terms, as agreed between the Issuer and the relevant Dealer(s).

Specified Office means:

(a) in the case of the Principal Paying Agent, Piazza Lina Bo Bardi 3, 20124 Milan, Italy; or

(b) in the case of any other Paying Agent, the offices specified in the relevant Final Terms; or

(c) in the case of the Calculation Agent, Piazza Filippo Meda 4, 20121 Milan, Italy,

(d) or, in each case, such other office in the same city or town as such agent may specify by notice to the Issuer and the other parties to the Cash Allocation, Management and Payment Agreement in the manner provided therein.

Stock Exchange means the Luxembourg Stock Exchange's main regulated market, *Bourse de Luxembourg*.

Subordinated Lender means Banco BPM S.p.A. and each Additional Seller, in its capacity as subordinated lender pursuant to the relevant Subordinated Loan Agreement.

Subordinated Loan Agreement means any subordinated loan agreement entered into between Subordinated Lender and the Guarantor, including the subordinated loan agreement entered into between BPM S.p.A. and the Guarantor on 26 August 2015.

Subsequent Portfolio Purchase Price means the consideration which the Guarantor shall pay to the Seller for the transfer of Subsequent Portfolios, calculated in accordance with Clause 4.2 of the Master Receivables Purchase Agreement.

Subsequent Portfolios means any portfolio of Receivables other than the Initial Portfolio which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement.

Sub-Servicer means Banco BPM S.p.A. and each Additional Seller, in its capacity as sub-servicer pursuant to the Master Servicing Agreement.

Subsidiary has the meaning given to it in Article 2359 of the Italian Civil Code.

Substitute Servicer means the successor of the Servicer upon the occurrence of a Servicer Termination Event, which may be appointed by the Guarantor pursuant to clause 9.4 of the Servicing Agreement.

Substitution Assets means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree No. 310, each of the following assets:

(a) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and

(b) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

Swap Agreements means, collectively, the Interest Rate Swap Agreement(s) and the Cover Pool Swap Agreement and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

Swap Collateral Excluded Amounts means at any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.

Swap Collateral means the collateral provided by a Swap Provider to the Guarantor under the relevant Swap Agreements.

Swap Providers means, as applicable, the Cover Pool Swap Provider(s), the Interest Rate Swap Providers and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

TARGET Settlement Day means any day on which the TARGET2 is open for the settlement of payments in Euro.

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.

Tax means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein.

Term Loan Notice means a notice sent by the Subordinated Lender to the Guarantor substantially in the form set out in Schedule 1 (*Term Loan Notice*) of the Subordinated Loan Agreement.

Term Loan means a loan made available to the Guarantor under the Facility (or the principal amount outstanding for the time being of such loan) (i) advanced for the purpose of purchasing Substitution Assets; and/or advanced for the purpose of purchasing other Eligible Assets to be sold in accordance with the Cover Pool Management Agreement for an amount equal to the principal amount of Substitution Assets or Eligible Assets, as the case may be, to be purchased or the lower amount necessary for such purpose, taking into account the Guarantor Available Funds; and/or (ii) equal to any principal amount still outstanding of a Converted Loan on the Maturity Date (or the Extended Maturity Date) of the Corresponding Series of Covered Bonds and not paid at such date.

Terms and Conditions means the Terms and Conditions of the Covered Bonds.

Test Grace Period means the period starting on the date on which the breach of any Test is notified by the Calculation Agent and the day falling one calendar month therafter.

Test Performance Report means the report to be delivered, on each Calculation Date, by the Calculation Agent pursuant to the terms of the Cover Pool Management Agreement.

Test Remedy Period means the period starting from the date on which a Breach of Test Notice is delivered and ending on the date falling one calendar month therafter.

Tests means, collectively, the Mandatory Tests, the Asset Coverage Test and the Amortisation Test.

Total Commitment means the Euro equivalent of the Programme Limit plus any other amount necessary to meet the Asset Coverage Test, to the extent not cancelled, reduced or increased by the Parties under the Subordinated Loan Agreement.

Trade Date means, as appropriate, the date on which the issue of the relevant Series of Covered Bonds is priced.

Transaction Account means the euro denominated account established in the name of the Guarantor with the Account Bank number 802040900 (IBAN: IT40Z0347901600000802040900), or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

Transaction Documents means the Master Receivables Purchase Agreement, the Master Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Swap Agreements (if any), the Mandate Agreement, the Quotaholders' Agreement, the Prospectus, the Deed of Charge (if any), the Master Definitions Agreement and any other agreement entered into in connection with the Programme.

Transfer Agreement means any subsequent transfer agreement for the purchase of each Subsequent Portfolio entered in accordance with the terms of the Master Receivables Purchase Agreement.

Transfer Date means the date designated by the Seller in the relevant Transfer Agreement.

Transfer Notice means, in respect to each Subsequent Portfolio, such transfer notice which will be sent by the Seller and addressed to the Guarantor in the form set out in schedule 7 to the relevant Master Receivables Purchase Agreement.

Usury Law means the Italian Law number 108 of 7 March 1996 together with Decree number 394 of 29 December 2000 which has been converted in law by Law number 24 of 28 February 2001, as subsequently amended and supplemented.

Valuation Date means (i) in respect of the Initial Portfolio transferred by BPM S.p.A., on 22 August 2015, and (ii) in respect of each other Initial Portfolio sold by any Additional Seller or in respect of each Subsequent Portfolio, the date on which the economic effects of the transfer of the relevant Portfolio will commence as specified in the relevant Transfer Agreement.

VAT or **Value Added Tax** means *Imposta sul Valore Aggiunto* (*IVA*) as defined in D.P.R. number 633 of 26 October 1972.

WA Remaining Maturity means the greater of (i) the weighted average remaining maturity of all Covered Bonds then outstanding and (ii) one (1) year.

Warranty and Indemnity Agreement means any warranty and indemnity agreement entered into between the Seller and the Guarantor, including the warranty and indemnity agreement entered into between BPM S.p.A. and the Guarantor on 26 August 2015.

Withdrawal Date means the date on which the United Kingdom exits the European Union.

Zero Coupon Covered Bond means a Covered Bond specified as such in the relevant Final Terms.

Zero Coupon Provisions means Condition 7 (*Zero Coupon Provisions*).

ISSUER, MASTER SERVICER, COLLECTION ACCOUNT BANK, BACK-UP ACCOUNT BANK AND CALCULATION AGENT

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Piazza F. Meda, 4
20121 Milan
Italy

GUARANTOR

BPM Covered Bond 2 S.r.l.
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00197 Rome
Italy

ARRANGER

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

REPRESENTATIVE OF THE BONDHOLDERS

Securitisation Services S.p.A.
Via V. Alfieri, 1,
31015 Conegliano (TV),
Italy

PRINCIPAL PAYING AGENT AND ACCOUNT BANK

BNP Paribas Securities Services
Piazza Lina Bo Bardi 3,
20124 Milan,
Italy

BACK-UP ACCOUNT BANK

Banco BPM S.p.A.
Piazza F. Meda, 4
20121 Milan
Italy

LEGAL AND TAX ADVISERS

TO THE ISSUER

as to Italian law, English law and taxation law

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Via Nino Bixio, 31
20129 Milan
Italy

TO THE ARRANGER AND THE DEALERS

as to Italian law, English law

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AUDITORS

To the Issuer and the Guarantor

PricewaterhouseCoopers S.p.A.
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Italy

DEALERS

Banca Akros | **Barclays Bank Ireland PLC** | **Barclays Bank PLC**