

Prospectus

Credito Emiliano S.p.A.

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

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

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

CREDEM CB S.r.l.

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

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

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

The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €5,000,000,000 (or its equivalent in other currencies calculated as described herein, unless increased in accordance with the Programme Documents). This Programme Limit may be increased in accordance with the terms of the Programme Agreement.

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

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

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

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

Application has also been made for Covered Bonds issued under the Programme during the period of 12 (twelve) months from the date of this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2004/65/EU. As referred to in Article 6(4) of the Luxembourg law on prospectuses for securities of 16 July 2019, by approving this Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the issuer.

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

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

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, the European Money Markets Institute (as administrator of EURIBOR) and the ICE Benchmark Administration Limited (as administrator of LIBOR) are 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**).

The Covered Bonds will be issued in dematerialised form, or in registered form (the **Registered Covered Bonds**). Covered Bonds issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli S.p.A. whose registered office is in Milan, at Piazza degli Affari, No.6, Italy, (**Monte Titoli**) for the account of the relevant Monte Titoli account holders. Monte Titoli will also act as depository for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream**). The Covered Bonds issued in dematerialised form will at all times be held in book entry form and title to the Covered Bonds will be evidenced by book-entries in accordance with the provisions of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented (the **Financial Laws Consolidated Act**) and implementing regulations and with the joint regulation of the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) and the Bank of Italy dated 13 August 2018 and published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) 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.

The Covered Bonds will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in Condition 6 (*Redemption and Purchase*)). Unless previously redeemed in full in accordance with the Conditions, the Covered Bonds of each Series will be redeemed at their Final Redemption Amount on the relevant Maturity Date (or, as applicable, the Extended Maturity Date), subject as provided in the relevant Final Terms.

As at the date of this Prospectus, payments of interest and other proceeds in respect of the Covered Bonds may be subject to withholding or deduction for or on account of Italian substitute tax, in accordance with Italian Legislative Decree No. 239 of 1 April 1996 (the **Decree No. 239**), as amended and supplemented from time to time, and any related regulations. Upon the occurrence of any

withholding or deduction for or on account of tax from any payments under any Series of Covered Bonds, the Issuer shall be required to pay additional amounts in respect of the amounts so deducted or withheld, subject to a number of exceptions including deductions on account of Italian substitute tax pursuant to Decree No. 239. For further details see the section entitled "*Taxation*".

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

Each Series of Covered Bonds issued under the Programme, if rated, is expected to be assigned, unless otherwise stated in the applicable Final Terms, a rating as specified in the relevant Final Terms by any rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any rating agency at the relevant time provides ratings in respect of any Series of Covered Bonds. Whether or not each credit rating applied for in relation to the relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under (EC) No.1060/2009, as amended from time to time, including also by Regulation (EC) No. 462/2013 and Regulation (EC) No. 513/2011 (as amended, the **CRA Regulation**) will be disclosed in the Final Terms. The credit ratings included or referred to in this Prospectus have been issued by Moody's Deutschland GmbH (**Moody's**) and/or by Fitch Ratings Ireland Limited Sede Secondaria Italiana (**Fitch** and, together with Moody's, the **Rating Agencies** and, each of them, a **Rating Agency**), which is established in the European Union and is registered under the CRA Regulation. As such Moody's and Fitch are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with such CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union or the UK 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 CRA Regulation) unless (1) the rating is provided by a credit rating agency not established in the EEA or the UK but endorsed by a credit rating agency established in the EEA or the UK and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA or the UK which is certified under the CRA Regulation. **Other than in relation to the documents which are incorporated by reference (see the section headed "*Documents Incorporated by Reference*")**, the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the CSSF.

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

ARRANGER AND DEALER
BARCLAYS

The date of this Prospectus is 18 December 2020.

This Prospectus is a base prospectus for the purposes of Article 8 of the Prospectus Regulation.

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

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

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

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

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

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

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

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

attention.

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

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

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

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

The information contained in this Prospectus was obtained from the Issuer and the other sources identified herein, but, no assurance can be given by any of the Dealers or the Arranger or any of their respective affiliates or advisers as to the accuracy or completeness of such information. Save for the Issuer, no other party has separately verified the information contained in this Prospectus.

Accordingly, none of the Dealers or the Arranger make any representation, warranty or undertaking, express or implied, or accept any responsibility, with respect to the adequacy, accuracy, reasonableness or completeness of any of the information contained or incorporated in this Prospectus or any other information provided by the Issuer, the Seller and the Guarantor in connection with the Programme or any document or agreement relating to the Covered Bonds or any Programme Agreement. Neither the Dealers, the Arranger nor the Representative of the Bondholders accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer, the Seller and the Guarantor in connection with the Programme or the adequacy, accuracy, reasonableness or completeness of the same. The Dealers and the Arranger do not accept any responsibility for the compliance by any party with any provision of any document entered into in connection with the Programme or any Series of Covered Bonds.

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 Programme Documents, or any other agreement or document relating to the Covered Bonds or any Programme Document, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. 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.

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

Third Party Information – Certain information and statistics presented in this Prospectus regarding markets and market share of the Issuer or the CREDEM Group are either derived from, or are based on, internal data or publicly available data from external sources. In addition, the sources for the rating information set out in the sections headed “Ratings” of this Prospectus are the following rating agencies: Fitch Italia Società Italiana per il Rating S.p.A. and Moody’s France S.A.S. (each as defined below). In respect of information in this Prospectus that has been extracted from a third party, the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources.

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 and the legal and regulatory framework applicable to Covered Bonds at EU and national level and the impact of the referred legal and regulatory framework on any holding of 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.

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

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

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

The language of this Prospectus is English. Certain legislative references and technical terms have

been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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

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

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

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

IMPORTANT – EEA AND UK RETAIL INVESTORS - Unless the Final Terms in respect of any Cover Bonds specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", 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) or in the United Kingdom (UK). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instrument (**MiFID II**); or (ii) a customer within the meaning of Directive (UE) 2016/97, 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 **PRIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIPs 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 the 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 MiFID Product Governance rules under EU Delegated Directive No. 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bond, but otherwise neither the Arranger nor the Dealer nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.*

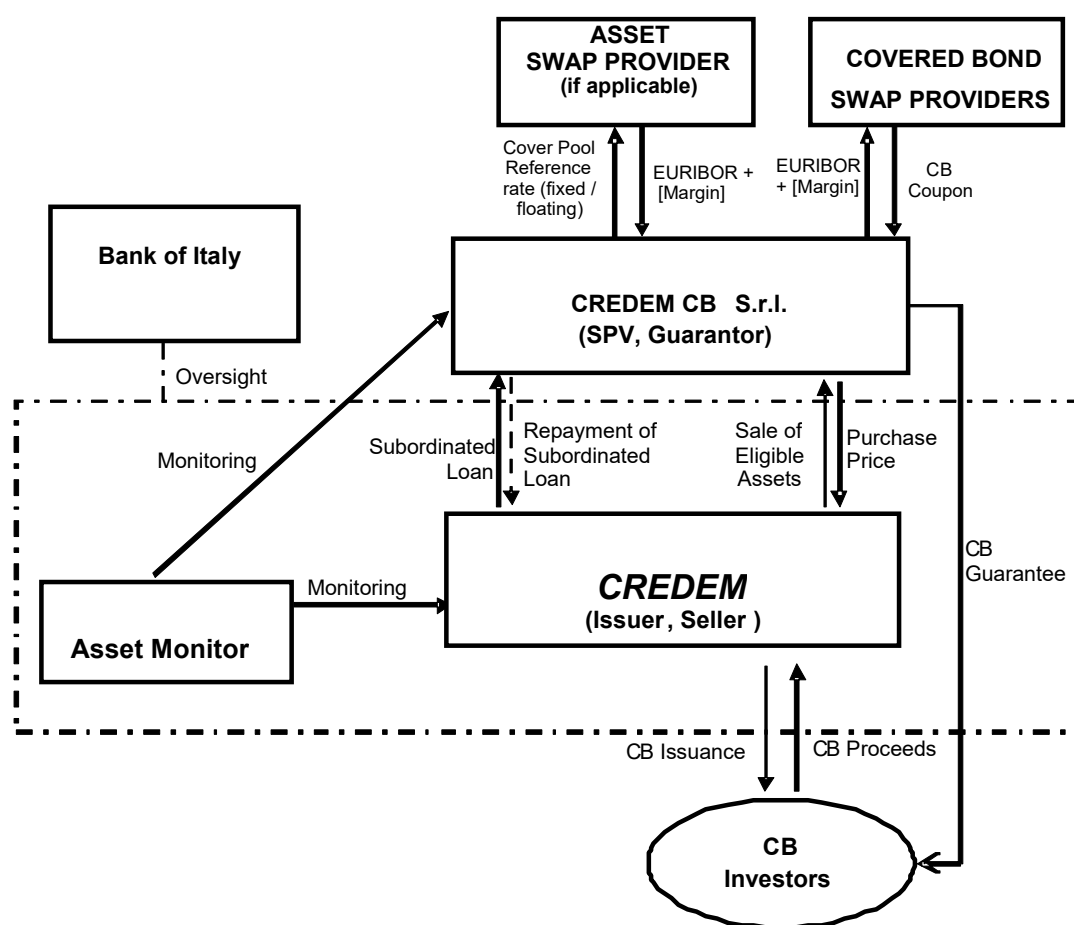
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OVERVIEW OF THE PROGRAMME

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

Structure Diagram



PARTIES

Issuer

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

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

Guarantor

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

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

Seller

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

Servicer

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

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

Subordinated Loan Provider

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

Pursuant to the Cash Allocation, Management and Payments Agreement and the Subordinated Loan Agreement, CREDEM will act as Subordinated Loan Provider in respect of the Subordinated Loan Account.

Investment Manager

Pursuant to the Cash Allocation, Management and Payments Agreement, CREDEM has been appointed as Investment Manager.

Calculation Agent

BNP Paribas Securities Services, a French *société en commandite par actions* with registered office at Rue d'Antin, 3, Paris, France, operating for the purpose hereof through its Milan branch, whose registered office is at Piazza Lina Bo Bardi, 3, 20124 Milan, Italy, registered with the companies' register held in Milan at number 13449250151, fiscal code and VAT number 13449250151, registered with the register of banks (*albo delle banche*) held by the Bank of Italy pursuant to article 13 of the Banking Act under number 5483 (**BNP Paribas Securities Services, Milan branch or BNPP**), has been appointed as Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement. The significant business activities of BNP Paribas Securities

Services, Milan branch, consist of, *inter alia*, delivering agency solutions covering all aspects of securitisation, structured finance and debt capital markets. The main responsibilities of the Calculation Agent consist of, *inter alia*, determining the amounts payable by the Guarantor in accordance with the relevant Priority of Payments and preparing and delivering the Payments Report.

Principal Paying Agent

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

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

Test Calculation Agent

Pursuant to the Cash Allocation, Management and Payments Agreement, **CREDEM** has been appointed as Test Calculation Agent.

Account Bank

Pursuant to the Cash Allocation, Management and Payments Agreement, **BNP Paribas Securities Services, Milan branch**.

Cash Reserve Commingling Account Bank

Pursuant to the Cash Allocation, Management and Payments Agreement, **BNP Paribas Securities Services, Milan branch** is acting as Cash Reserve Commingling Account Bank.

Asset Monitor

A reputable firm of independent accountants and auditors will be appointed as Asset Monitor pursuant to a mandate granted by the Issuer and the Asset Monitor Agreement. The initial Asset Monitor will be **BDO Italia S.p.A.**, a company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi 94, 20131, Milan, Italy, fiscal code number and enrolment with the companies register of Milan number 07722780967. BDO Italia S.p.A. is included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at no. 167911.

Asset Swap Provider(s)

Any counterparty to the Guarantor under an Asset Swap Agreement.

Covered Bond Swap Provider(s)	Any counterparty to the Guarantor under a Covered Bond Swap Agreement.
Listing Agent	BNP Paribas Securities Services , a French <i>société en commandite par actions</i> with registered office at Rue d'Antin, 3, Paris, France, operating for the purpose hereof through its Luxembourg branch, whose registered offices is at 60 avenue J.F. Kennedy L-1855 Luxembourg, is the Listing Agent.
Guarantor Corporate Servicer	Pursuant to the Corporate Services Agreement, Banca Finanziaria Internazionale S.p.A. has been appointed as Guarantor Corporate Servicer
Guarantor Quotaholders	CREDEM and SVM Securitisation Vehicles Management S.r.l.
Back-up Servicer	Banca Finanziaria Internazionale S.p.A.
Representative of the Bondholders	BNP Paribas Securities Services, Milan branch will act as Representative of the Bondholders pursuant to the Programme Agreement, the Intercreditor Agreement, the Conditions and the Rules of the Organisation of the Bondholders.
Registrar	Any institution which shall be appointed by the Issuer to act as registrar in respect of the Registered Covered Bonds under the Programme (the Registrar).
Registered Paying Agent	Any institution which shall be appointed by the Issuer to act as paying agent in respect of the Registered Covered Bonds under the Programme, if any (the Registered Paying Agent).
Arranger and Dealer	Barclays Bank Ireland PLC , a public limited company incorporated under the laws of Ireland with registered number 396330 and having its registered office at One Molesworth Street, Dublin 2, Ireland, D02 RF29

THE PROGRAMME

Programme description	Under the terms of the Programme, the Issuer will issue Covered Bonds (<i>Obbligazioni Bancarie Garantite</i>) on each Issue Date.
Programme Limit	The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed €5,000,000,000 (or its

equivalent in other currencies to be calculated as described in the Programme Agreement). This Programme Limit may be increased in accordance with the terms of the Programme Agreement and, according to Article 18, letter (i), of the Commission Delegated Regulation (EU) 2019/979 of 14 March 2019, the Issuer will publish a supplement to the Prospectus.

THE COVERED BONDS

Form of Covered Bonds

The Covered Bonds will be issued in dematerialised form.

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

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

Denomination of Covered Bonds

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

Status of the Covered Bonds

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

Issuance in Series

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

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

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

Specified Currency

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

Maturities

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

Redemption

The applicable Final Terms relating to each Series of Covered Bonds will indicate either that the Covered Bonds of such Series of Covered Bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following a Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer (or the Bondholders, as the case may be, as specified in the relevant Final Terms) on a date or dates specified prior to the specified Maturity Date and at a price and on other terms as may be agreed between the Issuer and the Dealer(s) as set out in the applicable Final Terms and in accordance with Condition 6 (*Redemption and Purchase*).

For further details, see Condition 6 (*Redemption and*

Purchase).

Extended Maturity Date

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

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

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

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

For further details, see Condition 6 (*Redemption and Purchase*).

Issue Price

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

Interest

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

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

Fixed Rate Covered Bonds

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

Floating Rate Covered Bonds

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

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

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

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

Bullet Covered Bonds

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

Taxation

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

withheld, subject to a number of exceptions including deductions on account of Italian substitute tax pursuant to Decree No .239.

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

For further details, see Condition 9 (*Taxation*).

Issuer Cross Default

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

Notice to the Rating Agencies

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

Listing and admission to trading

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

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

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

Governing Law

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

other applicable law, as may be set out in the relevant Final Terms.

Ratings

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

Whether or not a rating in relation to any Series of Covered Bonds will be issued by a credit rating agency established in the European Union or the UK and registered under the CRA Regulation, will be disclosed in the relevant Final Terms. The credit ratings referred to in this Base Prospectus have been issued by Moody's or Fitch each of which is established in the European Union and each of which is registered under the CRA Regulation as resulting from the list of registered credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> <http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union or the UK 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 CRA Regulation) unless (1) the rating is provided by a credit rating agency not established in the EEA or the UK but endorsed by a credit rating agency established in the EEA or the UK and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA or the UK which is certified under the CRA Regulation.

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

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

Breach of Tests

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

Segregation Event

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

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

Effect of a Segregation Event

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

- (a) **No further Series of Covered Bonds:** the Issuer may not issue any further Series of Covered Bonds;
- (b) **No payments under the Subordinated Loan:** there shall be no further payments to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (c) **Purchase price for any Eligible Assets or Top-Up Assets:** the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid only by using the proceeds of the Subordinated Loan, except where the breach referred to in the Breach of Test Notice may be cured by using the Guarantor Available Funds;
- (d) **Payments due under the Covered Bonds:** payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Event of Default Notice has been delivered; and
- (e) **No renegotiations:** the Servicer shall no longer be entitled to perform any renegotiation of the Mortgage Loans included in the Cover Pool as set out in the Servicing Agreement.

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

Issuer Events of Default

An Issuer Event of Default will occur if:

- (i) **Non-payment:** the Issuer fails to pay any amount of

interest and/or principal due and payable on any Series of Covered Bonds at their relevant Interest Payment Date (including the relevant Maturity Date) and such breach is not remedied within the next 15 Business Days, in case of amounts of interest, or 20 Business Days, in case of amounts of principal, as the case may be; or

- (ii) **Breach of other obligations:** a breach by the Issuer of any of its material obligations under the Programme Documents (other than those referred to in item (i) and (vi)) occurs and such breach is not remedied within 30 days (or such longer period as the Representative of the Bondholders may permit) after the Representative of the Bondholders has given written notice thereof to the Issuer, indicating the occurred breach and specifying that an Issuer Event of Default will occur in case such breach is not remedied within the applicable remedy period set out above; or
- (iii) **Insolvency:** an Insolvency Event occurs with respect to the Issuer; or
- (iv) **Article 74 resolution:** a resolution pursuant to article 74 of the Consolidated Banking Act is issued in respect of the Issuer; or
- (v) **Breach of Tests:** following the delivery of a Breach of Test Notice, the Mandatory Tests are not met on, or prior to, the expiry of the Test Remedy Period unless a resolution of the Bondholders is passed resolving to extend the Test Remedy Period; or
- (vi) **Cessation of business:** the Issuer ceases to carry on its primary business.

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

Effect of an Issuer Event of Default Notice

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

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

shall be no further payments to the Subordinated Loan Provider under the Subordinated Loan, unless the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds, in accordance with the relevant Priority of Payments;

- (iii) ***No Purchase of any Eligible Assets or Top-Up Assets:*** if the Issuer Event of Default is a consequence of an Insolvency Event in respect of the Issuer, no further Portfolios shall be acquired by the Guarantor pursuant to the Master Assets Purchase Agreement;
- (iv) ***Guarantee:*** interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under the Conditions, subject to and in accordance with the terms of the Guarantee and the Post-Issuer Default Priority of Payment;
- (v) ***Disposal of Assets:*** the Guarantor shall sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement, if necessary in order to effect payments under the Covered Bonds,

provided that, in case of the Issuer Event of Default determined by a resolution issued in respect of the Issuer pursuant to article 74 of the Consolidated Banking Act (referred to under item (iv) (*Article 74 resolution*) above) (the **Article 74 Event**), the effects listed in items (i) (*No further Series of Covered Bonds*), (ii) (*No payments under the Subordinated Loan*), (iii) (*No Purchase price of any Eligible Assets or Top-Up Assets*) and (iv) (*Guarantee*) above will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect (the **Suspension Period**) and the effect listed in item (v) (*Disposal of Assets*) will apply only if the suspension of payments pursuant Article 74 Event is in force during the period commencing on an Extension Determination Date where the payments of the unpaid amounts due by the Guarantor in respect of a Series of Covered Bonds have been deferred to the relevant Extension Maturity Date (being understood that it will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect). Accordingly (A) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds within the immediately succeeding Interest Payment Date (and, for the avoidance of doubts, the Covered Bonds then outstanding

will not be deemed to be accelerated against the Issuer).

Guarantor Events of Default

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

- (i) **Non payment:** the Guarantor fails to pay any interest and/or principal due and payable under the Guarantee and such breach is not remedied within the next following 15 Business Days, in case of amounts of interests, or 20 Business Days, in case of amounts of principal, as the case may be; or
- (ii) **Insolvency:** an Insolvency Event occurs with respect to the Guarantor; or
- (iii) **Breach of other obligation:** a breach of any obligation under the Programme Documents by the Guarantor occurs (other than payment obligations referred to in item (i) (*Non-payment*) above) which is not remedied within 30 days (or such longer period as the Representative of the Bondholders may permit) after the Representative of the Bondholders has given written notice thereof to the Guarantor indicating the occurred breach and specifying that a Guarantor Event of Default will occur in case such breach is not remedied within the applicable remedy period set out above; or
- (iv) **Breach of the Amortisation Test: provided that** an Issuer Event of Default has occurred, the Amortisation Test is breached,

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

Effect of a Guarantor Event of Default Notice

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

- (i) **Acceleration of Covered Bonds:** the Covered Bonds shall become immediately due and payable at their Early Redemption Amount together, if appropriate, with any accrued interest and will rank *pari passu* among themselves in accordance with the Post-enforcement Priority of Payments;
- (ii) **Guarantee:** subject to and in accordance with the terms of the Guarantee, the Representative of the Bondholders, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount

equal to the Early Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable as gross up) in accordance with the Post-Enforcement Priority of Payments;

- (iii) ***Disposal of Assets:*** the Guarantor shall sell all Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement; and
- (iv) ***Enforcement:*** the Representative of the Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a Programme Resolution of the Bondholders.

THE TESTS

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

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

THE GUARANTOR AND THE GUARANTEE

Guarantee

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

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

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

Cover Pool

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

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

Limit to the transfer of Public Assets

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

Limited recourse

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

Segregation of Guarantor's rights and collateral

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

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

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

Cross collateralisation	All Eligible Assets and Top-Up Assets transferred from the Seller to the Guarantor from time to time and the proceeds thereof form the collateral supporting the Guarantee in respect of all Series of Covered Bonds.
Claim under the Guarantee	The Representative of the Bondholders, for and on behalf of the Bondholders, may submit a claim to the Guarantor and make a demand under the Guarantee in case of an Issuer Event of Default or Guarantor Event of Default.
Excess Assets and support for further issues	Any Eligible Assets and Top-Up Assets forming part of the Cover Pool which are in excess of the value of the Eligible Assets and Top-Up Assets required to satisfy the Tests may be (i) re-purchased by the Seller in accordance with the provisions of the Cover Pool Management Agreement and the Master Assets Purchase Agreement or (ii) retained in the Cover Pool, also to be applied to support the issue of new Series of Covered Bonds or ensure compliance with the Tests, provided that in each case any such disposal or retention shall occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310 and no disposal under item (i) above may occur if it would cause the Tests to be breached. For further details, see section entitled "<i>Description of the Programme Documents - The Cover Pool Management Agreement</i>".
Guarantor default	Where a Guarantor Event of Default occurs, the Representative of the Bondholders will serve upon the Guarantor a Guarantor Event of Default Notice, thereby accelerating the Guarantee in respect of each Series of outstanding Covered Bonds issued under the Programme. However, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default. For further details, see Condition 10.3 (<i>Guarantor Events of Default</i>).
Disposal of assets included in the Cover Pool following the delivery of an Issuer Event of Default Notice (but prior to the service of a Guarantor Event of Default Notice)	Following the service of an Issuer Event of Default Notice (other than in respect of an Issuer Event of Default consisting of an Article 74 Event whose suspension of payments is in force prior to an Extension Determination Date where the payments of the unpaid amounts due by the Guarantor in respect of a Series of Covered Bonds have been postponed to the relevant Extension Maturity Date) on the Issuer and the Guarantor, but prior to service of a Guarantor Event of Default Notice, the Guarantor (or the Servicer on behalf of

the Guarantor) shall, if necessary in order to effect timely payments under the Covered Bonds, sell Eligible Assets and Top-Up Assets comprised in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the right of pre-emption in favour of the Issuer in respect of such Eligible Assets and Top-Up Assets. Such pre-emption right of the Issuer is not applicable in case of Issuer Event of Default consisting in an Insolvency Event of the Issuer.

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

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

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

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

Actions of the Representative of the Bondholders

Each Bondholder, by purchasing any Covered Bond, shall be deemed to agree, and each of the Other Guarantor Creditors will acknowledge pursuant to the Intercreditor Agreement, that the Representative of the Bondholders shall not be bound to make any claim on the Guarantor or make a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or enforce the Guarantee if so instructed by the Bondholders or exercise any rights granted under the mandate conferred on it under the Mandate Agreement or the Intercreditor Agreement or exercise any other discretion or power unless, in each case, it has been indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

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

SALE AND DISTRIBUTION

Distribution

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

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

Purchase of Covered Bonds by the Issuer

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

RISK FACTORS

This section describes the principal risk factors associated with an investment in the Covered Bonds and includes disclosure of all material risks in respect of the Covered Bonds. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this document, including any document incorporated by reference and the considerations set out below, before making any investment decision. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below. Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Covered Bonds issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on the information currently available to them or which they may not currently be able to anticipate.

1. RISKS REGARDING THE ISSUER AND THE CREDEM GROUP

Prospective investors are invited to carefully read this chapter on the risk factors before making any investment decision, in order to understand the risks related to the CREDEM Group and obtain a better appreciation of the CREDEM Group's abilities to satisfy the obligations related to the Covered Bonds issued and described in the relevant Final Terms. The Issuer deems that the following risk factors could affect the ability of the same to satisfy its obligations arising from the Covered Bonds.

The risks below have been classified into the following categories:

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

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

Risks related to the business sector of CREDEM;

Risk related to the development of the banking sector regulation and the changes in the regulation on the solution of banking crises; and

Risks related to the entry into force of new accounting principles and the amendment of the applied accounting principles

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

Risks related to the impact of global macro-economic factors

CREDEM 's earnings and business are affected by general economic conditions, the performance of financial markets and of market participants, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for CREDEM products and services, the credit quality of its customers, debtors (including the Debtors) and counterparties, the interest rate margin between lending and borrowing costs and the value of its investment and trading portfolios and can influence the Group's balance sheet and economic results.

In addition, the results of the CREDEM Group could be affected by general economic, financial and other business conditions and, in particular, by the performance of the economy of the Republic of

Italy (determined, *inter alia*, by factors such as the expected growth perspectives of the economy and credit reliability). In particular, since the Republic of Italy is the country in which the CREDEM Group operates on a almost exclusive basis and in which respect the Group has a relevant credit exposure, the CREDEM's business is particularly sensitive to investor perception of the country reliability and solidity of its financial condition as well as prospects of its economic growth.

Global and Italian macro-economic conditions have been, and continue to be, affected by a novel strain of coronavirus (COVID-19), which has spread to numerous countries throughout the globe; the World Health Organization declared the outbreak a pandemic in March 2020. Both the outbreak and government measures taken in response (including border closings, travel restrictions, confinement measures) have had and may continue to have a significant impact, both direct and indirect, on economic activity and financial markets globally. The slowdown of the economies particularly affected (e.g. China, Italy, France, Spain and other European countries, the United Kingdom and the United States) as well as the reduction in global trade and commerce more generally have had and are likely to continue to have negative effects on global economic conditions as global production, investments, supply chains and consumer spending are affected and further restrictions are implemented. In response to the adverse economic and market consequences of the pandemic, various governments and central banks have taken or announced measures to support the economy (such as loan guarantee schemes, tax payment deferrals, expanded unemployment coverage) or to improve liquidity in the financial markets (such as increased asset purchases, funding facilities). No assurance can be given that such measures will suffice to offset the negative effects of the pandemic on the economy regionally or globally, to stave off regional or global recessions or to stabilise financial markets. The economic environment may well deteriorate further before beginning to improve.

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

In fact, the CREDEM Group's results and financial condition could be adversely affected by reduced economic activity and potentially recessions in its principal markets. The containment measures taken in Italy in the first half of 2020, where the CREDEM Group primarily operates have significantly reduced economic activity; while the principal containment measures have been lifted as of the date of this Base Prospectus, any potential future reinstatement of such measures could result in local or regional recessions. The impact of these measures could affect the CREDEM Group's results due to reduced revenues and due to deteriorated asset quality, both generally and in specific sectors that are particularly affected. The CREDEM Group's results and financial condition could be adversely affected to the extent that the counterparties to whom it has exposure could be materially and adversely affected, resulting, in particular, in an increase in the CREDEM Group's cost of risk.

Uncertainty as to the duration and extent of the pandemic makes the overall impact on the world economy unpredictable. The extent to which the pandemic and its economic consequences will affect the CREDEM Group's results and financial condition will depend on future developments, including (i) the impact of the measures taken to date or future measures that may be taken by governments and central banks, particularly the Italian government and the Bank of Italy, and (ii) the actual severity and duration of the pandemic and the nature, extent and duration of the measures taken to contain or treat its impact in Italy and the other markets where the CREDEM Group operates. In addition, while central bank and government actions and support measures taken in response to the pandemic may well help attenuate its adverse economic and market consequences, they have also issued and may issue additional restrictions or recommendations in respect of banks' actions (in particular, the recommendation issued by the European Central Bank on 27 March 2020 subsequently repealed on 27 July 2020). In particular, they may limit or seek to limit banks' flexibility in managing their business and taking action in relation to capital distribution and capital allocation.

In addition, a number of uncertainties remain in the current macroeconomic environment, namely: (a) the impact of the COVID-19 pandemic on global growth and individual countries (see the preceding

paragraphs); (b) confirmation of growth trend, or recovery and consolidation perspectives, for US and China economies, which have shown consistent progresses in recent years but have recently lost momentum; (c) the ongoing commercial dispute between the US and China, which have impacted international trade and therefore global supply chains and global production; (d) the European Central Bank's (ECB), in the Euro area, and the Federal Reserve System's, in the US, monetary policy effectiveness and their future developments, adverse future developments in the Dollar area, policies implemented by other countries aimed at promoting their currencies' competitive devaluations; (e) sovereign debt sustainability of certain countries and the related recurring tensions on the financial markets; (f) the consequences and potential lingering uncertainties caused by the "Brexit" ongoing process, especially 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; and (g) increased tensions between Iran and the US in the Middle East, as well as ongoing geopolitical tensions in other countries.

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

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

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

All of these factors could result in potential losses, an increase in the Issuer's and/or the CREDEM 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 CREDEM Group.

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

Risks relating to corporate transactions (acquisitions and disposals)

CREDEM and its subsidiaries as well as CREDEM Group companies have engaged in the past, and may engage in the future, in significant corporate transactions such as mergers, de-mergers, acquisitions and joint ventures, the success of which is difficult to predict. On the 30th of April 2020, CREDEM has entered into exclusive discussions with Cassa di Risparmio di Cento Foundation with regards to the potential acquisition of its controlling stake in Cassa di Risparmio di Cento (Caricento) (the **Acquisition**). The Acquisition is subject to a variety of regulatory and other approvals. No assurance can be given that current or future transactions (including the Acquisition) will not negatively impact on CREDEM's results and financial position in the short and/or the medium term and will not encounter obstacles of an administrative, legal, technical, industrial, operational, regulatory, financial policy nature or other difficulties, such that they may not achieve the results, objectives or benefits expected. Moreover, any delay in completing, or the failure to complete, an

acquisition, disposal, merger, joint venture or similar operation (including the Acquisition), could prejudice the full achievement or delay fully achieving, the results and the benefits expected for the CREDEM Group taken as a whole, and could have significant negative repercussions on the business prospects, results and/or financial situation of CREDEM Group taken as a whole. CREDEM is also exposed to the risk that the disposal of its investments may be affected on terms and conditions which are unsatisfactory, with consequent negative impacts on its financial position and its prospects. In particular, the completion of the Acquisition is subject to various closing conditions, some of which are beyond CREDEM's control and any of which may prevent, delay or otherwise materially adversely affect the completion of the Acquisition. Failure to complete or to complete the acquisition in a timely manner could negatively affect CREDEM's business. Since the business success of the CREDEM Group depends to a large extent on the business success of CREDEM, a potential negative impact on CREDEM's business could also affect the CREDEM Group's business activities and results.

For further information please refer to the 23 October 2020 Press Release, incorporated by reference in this 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 CREDEM Group. In addition, ratings assigned to the Issuer may be influenced by developments in the rating assigned to Italy's sovereign debt and the Italian macroeconomic conditions. Any deterioration in the Italian sovereign debt rating or in the Italian macroeconomic condition may lead to a downgrade of the Issuer's ratings, which could in turn cause adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the CREDEM 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 CREDEM Group to access the various liquidity instruments and could lead to an increase in funding costs or require the constitution of additional collateral guarantees for the purpose of accessing liquidity. This may cause adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the CREDEM Group.

Risks related to the business sector of CREDEM

Credit risk

Credit risk relates to the risk of loss arising from counterparty default (in particular, recoverability of loans) or in the broadest sense from a failure to perform contractual obligations, including on the part of any guarantors. Credit risk includes (i) counterparty risk and (ii) risks connected to the deterioration of the credit quality.

A number of factors affect a bank's credit risk in relation to individual credit exposures or for its entire loan book. These include the trend in general economic conditions or those in specific sectors, changes in the rating of individual counterparties, deterioration in the competitive position of counterparties, poor management on the part of firms or counterparties given lines of credit, and other external factors, also of a legal and regulatory nature. Following the COVID-19 pandemic, it cannot be excluded that credit quality for 2020 could be influenced with potential impacts not yet quantifiable.

The deterioration of the creditworthiness of major customers and, more generally, any defaults or repayment irregularities, the launch of bankruptcy proceedings by counterparties, the reduction of the economic value of guarantees received and/or the inability to execute the said guarantees successfully

and/or in a timely manner, as well as any errors in assessing customers' creditworthiness (which may affect the CREDEM Group's risk management methodologies, assessments and processes) could have a material negative effect on the business, financial condition and/or results of operations of the Issuer and/or the CREDEM Group.

a) Counterparty risk

In the conduct of its operations, the CREDEM Group is exposed to counterparty risk. Counterparty risk is the risk that a counterparty of a transaction (including operations in derivatives and repurchase agreements) involving particular financial instruments may default before the transaction is settled. The CREDEM 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 CREDEM Group to the risk that the counterparty defaults or becomes insolvent before settlement or expiry of the transaction, where the Issuer or other CREDEM 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 CREDEM 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 CREDEM 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 CREDEM 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 CREDEM Group.

b) Risks connected to the deterioration of credit quality

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

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

The coverage of the non-performing exposures of the CREDEM Group as at 31 December 2019 was equal to 52.09%.

The CREDEM Group's gross NPL ratio was equal to 3.75% as of 31 December 2019. On 31 December 2018, the same data corresponded to 4.41%. Even though the CREDEM Group periodically makes provisions to cover potential losses, on the basis of its experience and statistics, the CREDEM Group may have to increase these provisions further should there be a rise in bad loans or an increasing number of the CREDEM Group's debtors subject to insolvency proceedings (including

bankruptcy or creditors' composition). In addition, provisioning may have to increase on the basis of the Prudential Backstop Regulation, 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 CREDEM Group.

Competition

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

Competitive pressure may arise either from consumer demand of new services as well as technological demand, with the consequent necessity to make investments, or as a result of competitors' specific competitive actions. In the event that the CREDEM Group is not able to respond to the increasing competitive pressure by, for example, offering profitable new services and products that meet client demands, the CREDEM Group could lose market share in a number of business sectors and/or fail to increase or maintain the volumes of business and/or profit margins it has achieved in the past, with possible adverse effects on the Issuer's financial condition and results of operations.

Operational risks

The CREDEM Group, like all financial institutions, is exposed to the risk of incurring losses due to the inadequacy or inefficiency of processes, personnel and internal system, or caused by external factors. For example, these include losses due to fraud, human error, interruptions in operations, system unavailability (including IT system; see also "Risk relating to information technology systems" below), contractual breaches and natural disasters. In terms of their monetary manifestation, this definition includes legal risk, model-related risk, operating losses overlapping market risk (i.e. losses and/or additional costs related to financial transactions) and operating losses overlapping credit risk (i.e. losses generated during the placement of a product and/or within a lending process, due to an operational risk). Operational risk does not include reputational risk or strategic risk. The CREDEM Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. Any failure or weakness in these systems, could however adversely affect its financial performance and business activities.

Risks relating to information technology systems

The CREDEM Group depends on its information technology (IT) and data processing systems to operate its business, as well as on their continuous maintenance and constant updating. The CREDEM Group is exposed to the risk that data could be damaged or lost, or removed, disclosed or processed (data breach) for purposes other than those authorized by the customer, including by unauthorized parties.

The possible destruction, damage or loss of customer, employee or third party data, as well as its removal, unauthorized processing or disclosure, would have a negative impact on the CREDEM Group's business and reputation, and could subject the CREDEM Group to fines, with consequent negative effects on the CREDEM Group's business, results of operations or financial condition.

In addition, changes to relevant regulation could impose more stringent sanctions for violations, and could have a negative impact on the CREDEM Group's business insofar as they lead the CREDEM

Group to incur additional compliance costs.

There are possible risks with regard to the reliability of IT systems (disaster recovery), the quality and integrity of the data managed and the threats to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on the CREDEM Group's operations, as well as on the CREDEM Group's capital and financial situation.

Risks faced by the CREDEM Group relating to the management of IT systems include possible violations of its systems due to unauthorized access to the CREDEM Group's corporate network or IT resources, the introduction of viruses into computers or any other form of abuse committed via the Internet. Like attempted hacking, such violations have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the CREDEM Group and our customers and can have negative effects on the integrity of the CREDEM Group's IT systems, as well as on the confidence of the CREDEM Group's customers and on the CREDEM Group's reputation, with possible negative effects on the CREDEM Group's capital and financial condition.

Reduced interest rate margin

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

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

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

Market risk

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

Protracted market declines and reduced liquidity in the markets

In some of the CREDEM Group's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead

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

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 CREDEM Group's business, financial condition and results of operations.

The CREDEM Group's business is focused primarily on the Italian domestic market and therefore adverse economic conditions in Italy or a delayed recovery in the Italian market may have particularly negative effects on the CREDEM Group's financial condition and results of operations

The Issuer and its activities are affected by the macroeconomic environment of the markets in which it operates. The CREDEM Group's primary market is Italy. Therefore, its business is particularly sensitive to changes in the Italian economy and adverse macroeconomic conditions in Italy. In particular, there are considerable uncertainties around the future growth of the Italian economy.

The persistence of adverse economic conditions in Italy, or a slower recovery in Italy compared to other OECD nations could have an adverse effect on the CREDEM Group's business, operating results or financial condition. In addition, any downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur, may destabilise the markets and have an adverse effect on the CREDEM Group's ratings, operating results, capital and liquidity position, financial condition and prospects as well as on the marketability of the Covered Bonds.

Risk related to the development of the banking sector regulation and the changes in the regulation on the solution of banking crises

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

The Issuer is also subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the European Central Bank (ECB) and the European System of Central Banks. The banking laws to

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

Moreover, the Issuer is subject to the Pillar 2 requirements for banks imposed under the CRD IV Package, which will be impacted, on an on-going basis, by the Supervisory Review and Evaluation Process (**SREP**). Following the Supervisory Review and Evaluation Process (SREP) the ECB provides, on an annual basis, a final decision of the capital requirement that CREDEM must comply with a consolidated level on the basis of the consolidated situation of Credito Emiliano Holding Spa. Total SREP requirement assigned for 2021 amounts to 7.56% on CET 1 ratio. In detail, ECB reaffirmed the Pillar 2 Requirement (P2R) already assigned for 2020, at 1%. Such requirement must be considered together with the regulatory amendments introduced by the ECB in response to the COVID-19 emergency. As such, the P2 Requirement can be satisfied with CET 1 capital for 56.25%, leading total SREP requirement to be equal to 7.56% for 2021 (instead of 8%). In fact, it should be noted that, on 12 March 2020, the ECB, taking into account the economic effects of the coronavirus (COVID-19), announced certain measures aimed at ensuring that banks, under its direct supervision, are still able to provide credit support to the real economy. Considering that the European banking sector acquired a significant amount of capital reserves (with the aim of enabling banks to face with stressful situations such as the COVID-19), the ECB allows banks to operate temporarily below the capital level defined by the "Pillar 2 Guidance (P2G)" and the "capital conservation buffer (CCB)". Furthermore, the ECB expects these temporary measures to be further improved by an appropriate revision of the countercyclical capital buffer (CCyB) by the competent national authorities.

However, there can be no assurance that the total capital requirements imposed on the Issuer or the CREDEM Group from time to time may not be higher than the levels of capital available at such time. Also, there can be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Group. For additional information on the capital requirements applicable to the CREDEM Group, see "*Group Capital Requirements*" and "*Regulatory*".

In this context, a few other relevant provisions are the implementation of Directives 2014/49/EU (Deposit Guarantee Schemes Directive) of 16 April 2014 and the adoption of the (EU) Regulation no. 806/2014 of the European Parliament and the Council of 15 July 2014 (Single Resolution Mechanism Regulation, – so called **SRMR**), which may determine a significant impact on the economic and financial position of the Bank and the CREDEM Group, as such rules set the obligation to create specific funds with financial resources that shall be provided, starting from 2015, by means of contributions by the credit institutions.

Moreover, the Directive 2014/59/EU of the European Parliament and the Council (Bank Recovery and Resolution Directive, **BRRD**, as amended by Directive 879/2019/EU, **BRRD II**), which, inter alia, introduced the so called "bail-in", Regulation 2019/876/EU of the European Parliament and the Council, which amends Regulation 575/2013/EU (s.c. **CRR II**) and the Directive of the Parliament and the Council 2019/878/EU, which amends Directive 2013/36/EU (s.c. "CRD V") must be taken into consideration and put in force by CREDEM Group.

The CREDEM Group is subject to the BRRD, as amended from time to time, which is intended to enable a wide range of actions that could be taken towards institutions considered to be at risk of failing (i.e. the sale of business, the asset separation, the bail-in and the bridge bank). The execution of any action under the BRRD towards the CREDEM Group could materially affect the value of, or any repayments linked to the Covered Bonds.

Notwithstanding the above, it should be noted that pursuant to Article 44 (2) of the BRRD, as implemented in Italy 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.

On 15 October 2013, the Council of the European Union adopted the Council Regulation (EU) No. 1024/2013 granting specific tasks to the ECB as per prudential supervision policies of credit institutions (the **SSM Regulation**) in order to establish a single supervisory mechanism (the **Single Supervisory Mechanism** or **SSM**). From 4 November 2014, the SSM Regulation has given the ECB, in conjunction with the national regulatory authorities of the Eurozone and participating Member States, direct supervisory responsibility over "banks of significant importance" in the Eurozone.

In this respect, "banks of significant importance" include any Eurozone bank in relation to which that (i) the total value of its assets exceeds has assets greater than €30 billion or – unless the total value of its assets is below €5 billion – the ratio of its total assets over the national gross domestic product exceeds greater than 20% of national gross domestic product; (ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism; (iv) is considered by the ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities.

Notwithstanding the fulfilment of the relevant criteria, the ECB, on its own initiative after consulting with each national competent authority or upon request by a national competent authority, may declare an institution significant to ensure the consistent application of high-quality supervisory standards. CREDEM and the CREDEM Group have been classified, respectively, as a significant supervised entity and a significant supervised group within the meaning of Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for co-operation within the Single Supervisory Mechanism between the European Central Bank and each national competent authority and with national designated authorities (the **SSM Framework Regulation**) and, as such, are subject to direct prudential supervision by the ECB in respect of the functions granted to ECB by the SSM Regulation and the SSM Framework Regulation.

For further details, please see the "*Regulatory*" on page 182 of this Base Prospectus.

Risks related to the entry into force of new accounting principles and the amendment of the applied accounting principles

Following the entry into force and subsequent application of new accounting standards, regulatory rules and/or the amendment of existing standards and rules, CREDEM Group may have to revise the accounting and regulatory treatment of certain outstanding assets and liabilities (eg. deferred tax assets) and transactions (and the related income and expense). This may have potentially negative effects, also significant, on the estimates contained in the financial plans for future years and may cause CREDEM Group to have to restate previously published financials.

In this regard, an important change occurred with the introduction, starting from 1 January 2018, of IFRS 9 "Financial Instruments" that, following the entry into force on 19 December 2016 of Regulation (EU) 2016/2067, replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduced:

- significant changes to the rules related to the classification and measurement of financial assets that are based on the management method ("business model") and on the characteristics

of the cash flows of the financial instrument (SPPI criterion—Solely Payments of Principal and Interests) which could involve different classification and measurement methods for financial instruments compared with IAS 39;

- new impairment accounting model based on a “forward looking expected losses” impairment model rather than an incurred losses approach as in IAS 39 (calculated over a 12-month time horizon) and on the concept of a lifetime expected loss which could lead to a structural anticipation and increase of the value adjustments, particularly those on receivables;
- a “three stage impairment model” for impairment based on changes in credit risk of a financial asset since its initial recognition. These three stages then determine the amount of impairment to be recognized as expected credit losses:
 - (i) in Stage 1 are allocated financial instruments (performing) that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these instruments 12-month expected credit losses (“ECL”) are calculated;
 - (ii) Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) without objective evidence of impairment. For these financial instruments, lifetime ECL are calculated;
 - (iii) in Stage 3, financial assets with objective evidence of impairment at the reporting date are allocated. Lifetime ECL is also recognized for these instruments; and
- new rules for the designation of a hedge account and for checking its effectiveness with the aim of guaranteeing a better alignment between the accounting representation of the hedging and the underlying management logics.

Consistent with the choices made regarding IFRS 9, the CREDEM Group opted to recognise the possible impacts of the application of the standard retrospectively. The CREDEM Group’s financial statements as of 30 June 2018 were the first accounting report prepared in compliance with IFRS 9 and therefore such interim financial statements reflect the qualitative and quantitative disclosures relating to the transition to IFRS 9 with particular regard to the overall impacts defined on First Time Application (“FTA”).

Lastly, accounting standard IFRS 16 (Leases), published by the IASB on 13 January 2016 and endorsed by the European Commission on 9 November 2017, superseded accounting standard IAS 17 (Leases) on 1 January 2019.

Specifically, the new standard introduces new accounting rules for leasing contracts for the lessees (i.e. the users of the goods under a contract for lease). These rules are based on the definition of ‘lease’ as a contract in which the right to control the use of an identified asset is granted for a specified period of time, in exchange for payment.

As a result of this definition, the lessee must recognise the right-of-use of the underlying asset as an asset on the balance sheet, and that asset will subsequently be subject to depreciation; the lessee must then also recognise the present value of lease payments (to be made over the full lifetime of the contract) as a liability.

The CREDEM Group has conducted an analysis of new key elements introduced by the standard and it is now proceeding with a detailed analysis of the contracts stipulated as lessor/lessee, which may constitute a "Lease", according to the provisions of IFRS 16, followed by a subsequent design and implementation phase, to be completed by the end of the financial year 2018, in order to be compliant with the new standard starting from 1 January 2019. The quantitative impact related to the first adoption of IFRS 16 has been disclosed in each financial report published so far. Starting from 2020,

all financial figures contained in financial reports already include IFRS16 impacts.

In addition, it should be noted that the European Commission endorsed the following accounting principles and interpretations that are applicable starting from 2018 financial statements:

- Regulation (EU) No. 2017/1987 which adopts amendments to IFRS 15 “*Revenue from contracts with customers – Clarifications of IFRS 15*”;
- Regulation (EU) No. 2017/1988 which adopts amendments to IFRS 4 “*Joint application of IFRS 9 Financial Instruments*” and IFRS 4 “*Insurance Contracts*”.
- Regulation (UE) No. 2018/182 which adopts the “*Annual improvements to IFRS Standards 2014-2016 Cycle*”;
- Regulation (UE) No. 2018/289 which adopts the “*Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions*”;
- Regulation (UE) No. 2018/400 which adopts the “*Amendment to IAS 40: Transfers of Investment Property*”;
- Regulation No. 2018/519 which adopts “*IFRIC 22: Foreign Currency Transactions and Advance Consideration*”.

2. RISKS RELATED TO COVERED BONDS

The risks below have been classified into the following categories:

Risks related to Covered Bonds generally

Risks related to the Guarantor;

Risks related to the underlying; and

Risk related to the market.

Risks related to Covered Bond generally

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

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

In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

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

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

Issuer liable to make payments when due on the Covered Bonds

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations. Consequently, any claim directly against the Issuer in respect of the Covered Bonds will not benefit from any security or other preferential arrangement granted by the Issuer.

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

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

Extendible obligations under the Guarantee

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

In such case, payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid or provisioned by the Guarantor on any Guarantor Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. The Extended Maturity Date shall be the date falling 1 calendar year after the relevant Maturity Date or any following date indicated as such in the relevant Final Terms. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 6 (*Redemption and Purchase*) and the Guarantor will pay Guaranteed Amounts, constituting interest due on each Guarantor Payment Date and on the Extended Maturity Date. In these circumstances, except where the Guarantor has failed to apply money in accordance with the Post-Issuer Default Priority of Payments, failure by the Guarantor to make payment in respect of the Final Redemption Amount on the Maturity Date (subject to any applicable grace period) (or such later date within the applicable grace period) shall not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay the Guaranteed Amounts corresponding to the Final Redemption Amount on or prior to the Extended Maturity Date and/or Guaranteed Amounts constituting interest on any Guarantor Payment Date will (subject to any applicable grace periods) be a Guarantor Event of Default. To the extent that the Guarantor has received an Issuer Event of Default Notice in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Post-Issuer Default Priority of Payments and as described in Conditions 6 (*Redemption and Purchase*).

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

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

Covered Bonds subject to optional redemption by the Issuer

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

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

Fixed/Floating Rate Covered Bonds

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

Interest rate risks

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

Floating rate risks

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

Covered Bonds issued at a substantial discount or premium

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

Covered Bonds issued under the Programme

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

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

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

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

of Covered Bonds.

Bondholders are bound by Extraordinary Resolutions and Programme Resolution

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

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

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

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

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

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

Priority of Payments

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

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

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the US Bankruptcy Court has held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. However, a subsequent 2016 US Bankruptcy Court decision held that in certain circumstances flip clauses are protected under the US Bankruptcy Code and therefore enforceable in bankruptcy. The 2016 decision was affirmed on 14 March 2018 by the US District Court for the Southern District of New York, which 2018 decision was further affirmed on 11 August 2020 by the US Court of Appeals for the Second Circuit. The implications of this conflict remain unresolved.

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

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

Ratings of the Covered Bonds

There is no obligation of the Issuer to maintain any rating for itself or for the Covered Bonds. The ratings that may be assigned by Moody's to the Covered Bonds address the expected loss posed to the Bondholders. The ratings that may be assigned by Fitch incorporate both an indication of the

probability of default and of the recovery given a default of this debt instrument. Ratings do not constitute recommendations to buy, sell, or hold any security, nor do they comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of any payments of any security. Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity. Credit ratings are opinions on relative credit quality and not a predictive measure of specific default probability.

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

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

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended from time to time, including also by Regulation (EC) No. 462/2013 and Regulation (EC) No. 513/2011) (as amended, the **CRA Regulation**) from using credit ratings for regulatory purposes. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union or the UK 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 CRA Regulation) unless (1) the rating is provided by a credit rating agency not established in the EEA or the UK but endorsed by a credit rating agency established in the EEA or the UK and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA or the UK which is certified under the CRA Regulation. Certain information with respect to the credit rating agencies and ratings referred to in this Prospectus and/or the Final Terms, is set out in relevant section of this Prospectus and will be disclosed in the Final Terms.

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

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

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

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

Law 130

Law 130 was enacted in Italy in April 1999 and amended in 2005 to allow for the issuance of covered bonds. The Law 130 was further amended by law decree No. 145 of 23 December 2013, 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 Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the Decree No. 310, setting out the technical requirements of the guarantee which may be given in respect of covered bonds and (ii) the Bank of Italy Regulations concerning, *inter alia*, guidelines on the valuation of assets, the procedure for purchasing Top-Up Assets and controls required to ensure compliance with the legislation. Consequently, it is possible that the authorities indicated above or different authorities may issue further regulations relating to Law 130, the Decree No. 310 or the Bank of Italy Regulations or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

Changes of law

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

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

The London Interbank Offered Rate (**LIBOR**), 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 Bond 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 the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the **Benchmarks Regulation**).

The 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 or increasing the rate or level of the "benchmark" or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Covered Bonds, including Covered Bond Calculation Agent determination of the rate or level in its discretion.

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

For example, the sustainability of the 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".

Controls over the transaction

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

Risks related to the Guarantor

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

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

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

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

Limited resources available to the Guarantor

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

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

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

Reliance of the Guarantor on third parties

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

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

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

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

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

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

Reliance on Swap Providers

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

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

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

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

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

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

Differences in timings of obligations under the Covered Bond Swaps

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

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

No gross up on withholding tax by the Guarantor

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

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

VAT Group

Italian Law no. 232 of 11 December 2016 (the **2017 Budget Law**) has introduced new rules relating to VAT groups (articles from 70-bis to 70-duodecies of Presidential Decree no. 633 of 26 October 1972) which, if so elected by an entity, apply from 1 January 2019. Pursuant to such rules, all entities included in the relevant VAT group are jointly and severally liable to the Italian Tax Authority for any VAT payments due by all members of the VAT group.

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

CREDEM has opted into the new VAT regime introduced 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 hold harmless and indemnify on demand the Guarantor for any costs, expenses, liabilities and other charges which the Guarantor may incur as a result of its participation in the VAT group.

Change of counterparties

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

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

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

Risks related to the underlying

Limits to Integration

The integration of the Cover Pool, whether through Eligible Assets or through Top-Up Assets, shall be carried out in accordance with the methods, and subject to the limits, set out in the Bank of Italy Regulations. More specifically, integration is allowed exclusively for the purpose of (a) complying with the tests provided for under the Decree No. 310; (b) complying with any contractual over-

collateralisation requirements agreed by the parties to the relevant agreements or (c) complying with the limit of 15% in relation to certain Top-Up Asset included in the Cover Pool.

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

Limited description of the Cover Pool

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

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

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

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

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

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

On a basis intended to achieve the best price for the sale of the selected Eligible Assets and Top-Up Assets, the Guarantor, pursuant to the Cover Pool Management Agreement, shall appoint a Portfolio

Manager of recognised standing who will advise the Guarantor and provide it with the necessary instruction to proceed to the sale of such Eligible Assets and Top-Up Assets.

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

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

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

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

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

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

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

No due diligence on the Cover Pool

None of the Dealers, the Guarantor or the Representative of the Bondholders or any Other Guarantor

Creditors, with the exception of the Seller, has undertaken or will undertake any investigations, searches or other actions in respect of any of the Eligible Assets or other Mortgage Receivables. Instead, the Guarantor will rely on the Criteria and the relevant representations and warranties given by the Seller in the Warranty and Indemnity Agreement. The remedy provided for in the Warranty and Indemnity Agreement for breach of representation or warranty is for the Seller to indemnify and hold harmless the Guarantor in respect of losses arising from such breach. Such obligations are not guaranteed by nor will they be the responsibility of any person other than the Seller and neither the Guarantor nor the Representative of the Bondholders will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations. However, pursuant to the Cover Pool Management Agreement the assets which are not Eligible Assets comprised in the Cover Pool are excluded by the calculation of the Test on the Portfolio and in case of breach of the Test due to such exclusion, either the Seller or, failing the Seller to do so, the Issuer are obliged to integrate the Cover Pool.

Maintenance of the Cover Pool

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

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

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

the Conditions.

Prior to the delivery of an Issuer Event of Default Notice and subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer on or about the date of this Prospectus concerning, *inter alia*, (i) compliance with the issuing criteria set out in the MEF Decree with respect to the issuance of OBG; (ii) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (iii) arithmetical accuracy of the calculations performed by the Test Calculation Agent in respect of the Mandatory Tests; (iv) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; (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 the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of CRR.

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

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

Value of the Cover Pool

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

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

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

the Selected Assets and related Security Interests could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Guarantor to meet its obligations under the Guarantee.

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

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

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

Italian Law No. 302 of 3 August 1998, Italian law No. 80 of 14 May 2005, Italian law No. 263 of 28 December 2005 and the Italian Civil Procedure Code permit notaries, chartered accountants or lawyers duly registered with the relevant register kept and updated from time to time by the president of the relevant court (*Presidente del Tribunale*), to conduct certain stages of the enforcement procedures in place of the courts in order to reduce the length of enforcement proceedings by between two and three years.

Insurance coverage

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

Changes to the lending criteria of the Seller

Each of the Mortgage Loans originated by the Seller will have been originated in accordance with its lending criteria at the time of origination. It is expected that the Seller's lending criteria will generally consider the term of the loan, indemnity guarantee policies, status of applicants and credit history. In

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

Law no. 3 of 27 January 2012

Law no. 3 of 27 January 2012, published in the Official Gazette of the Republic of Italy no. 24 of 30 January 2012 (the **Over Indebtedness Law**) has become effective as of 29 February 2012 and introduced a new procedure, by means of which, *inter alia*, debtors who (i) are in a state of over indebtedness (*sovraindebitamento*), and (ii) cannot be subject to bankruptcy proceedings or other insolvency proceedings pursuant to the Bankruptcy Law, may request to enter into a debt restructuring agreement (*accordo di ristrutturazione*) with their respective creditors, further provided that (iii) in respect of future proceedings, the relevant debtor has not made recourse to the debt restructuring procedure enacted by the Over Indebtedness Law during the preceding 5 years.

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

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

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. Further details on certain considerations in relation to the regulation of mortgages in Italy are set out in the section headed "*Description of certain relevant legislation in Italy*" and certain specific risks are set out below:

Mortgage borrower protection: Certain legislations enacted in Italy, have given new rights and certain benefits to mortgage debtors and/or reinforced existing rights, including, *inter alia*, (i) the right of prepayment of the principal amount the mortgage loan, without incurring a penalty, (ii) the right to the substitution (*portabilità*) of a mortgage loan with another mortgage loan and (iii) the right to suspend instalment payments relating to mortgage loans. Further details are set out in the section headed "*Description of certain relevant legislation in Italy – Mortgage Borrower protection*". These legislations constitutes 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. However, as this legislation is relatively new, as at the date of this Prospectus, the Issuer is not in a position to predict its impact.

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.

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, moreover, sets forth certain rules of correctness, diligence and transparency and information undertakings applicable to the lenders and intermediaries which offer loans to the consumers and provides that the parties may agree under the loan agreements that in case of breach of the borrower's payment obligations under the agreement (i.e. non-payment of at least eighteen loan instalments due and payable by the debtor) the property of the debtor subject to security or the proceeds deriving from the sale thereof can be transferred to the creditor in discharge of the entire debt even if the value of the assets or the proceeds deriving from the sale of the assets is lower than the remaining amount due by the debtor in relation to the loan. Given the absence of any jurisprudential interpretation, the impact of such new legislation may not be predicted as at the date of this Base Prospectus. Further details are set out in the section headed "*Description of certain relevant legislation in Italy –Mortgage Credit Directive*". No assurance can be given that the implementation of the Mortgage Legislative Decree will not adversely affect the ability of the Guarantor to make payments under the Covered Bond Guarantee.

Risks related to the market

Limited secondary market

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

Exchange rate risks and exchange controls

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

an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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

Potential investors should consider the tax consequences of investing in the Covered Bonds and consult their tax adviser about their own tax situation. Notwithstanding anything to the contrary in this Prospectus, if withholding of, or deduction of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of Italy, any authority therein or thereof having power to tax, the Issuer or, as the case may be, the Guarantor will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Bondholders, as the case may be. The Issuer shall be obliged to pay an additional amounts pursuant to Condition 9 (*Taxation*) subject to customary exceptions including Decree No. 239 withholdings. Neither the Issuer nor the Guarantor shall be obliged to pay any additional amounts to the Bondholders in relation to withholdings or deductions on payments made by the Guarantor.

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the unaudited consolidated quarterly financial results of the Issuer as at 30 September 2020;
https://www.credem.it/content/dam/credem/documenti/Investor_Relations/EN_Investor_Relations/Financials/2020/ADDITIONAL%20PERIODIC%20FINANCIAL%20DISCLOSURE.pdf
- (a) the press release dated 30 November 2020 entitled “*Credem: ECB reaffirmed the lowest Pillar 2 requirement among Italian Banks*” (the **30 November 2020 Press Release**);
https://www.credem.it/content/dam/credem/documenti/Sala_Stampa/en_sala_stampa/press-releases/in-corso/2020/Credem_Press%20Release2.pdf
- (a) the press release dated 5 November 2020 entitled “*Credem, 9M2020 Consolidated Group Results: loans at €28.1 billion +10.9% vs 9M19*” (the **5 November 2020 Press Release**);
https://www.credem.it/content/dam/credem/documenti/Sala_Stampa/en_sala_stampa/press-releases/in-corso/2020/Credem%20Press%20Release_%209M2020%20Group%20Results.pdf
- (d) the press release dated 23 October 2020 entitled “*Credito Emiliano and Fondazione Cassa di Risparmio di Cento signed an agreement for the merger by incorporation of Cassa di Risparmio di Cento into Credito Emiliano*” (the **23 October 2020 Press Release**);
https://www.credem.it/content/dam/credem/documenti/Sala_Stampa/en_sala_stampa/press-releases/in-corso/2020/MoU%20of%20Credem%20and%20Caricento.pdf
- (e) the unaudited consolidated semi-annual financial results of the Issuer as at 30 June 2020 (including the auditors’ limited review report);
https://www.credem.it/content/dam/credem/documenti/Investor_Relations/EN_Investor_Relations/Financials/2020/Half%20year%20consolidated%20financial%20statements%20at%200630.pdf
- (f) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2019 and the relevant auditor’s report;
https://www.credem.it/content/dam/credem/documenti/Investor_Relations/EN_Investor_Relations/Financials/2019/2019%20Consolidated%20Financial%20Statement.pdf
- (g) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2018 and the relevant auditor's report;
https://www.credem.it/content/dam/credem/documenti/Investor_Relations/EN_Investor_Relations/Financials/2018/definitivo.pdf
- (h) the unaudited semi-annual financial results of the Guarantor as at 30 June 2020;
https://www.credem.it/content/dam/credem/documenti/Investor_Relations/covered-bonds/bilanci/Credem%20CB%20srl%2030.06.2020%20Balance%20Sheet.pdf
- (i) the audited non-consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2019;

https://www.credem.it/content/dam/credem/documenti/Investor_Relations/covered-bonds/bilanci/Credem%20CB%20srl%202019%20Balance%20Sheet.pdf

- (j) the audited annual financial statements of the Guarantor as at and for the year ended 31 December 2018;

https://www.credem.it/content/dam/credem/documenti/Investor_Relations/covered-bonds/bilanci/Credem%20CB%20srl%202018%20Balance%20Sheet.pdf

- (k) the auditor's report in respect of the audited annual financial statements of the Guarantor as at 31 December 2019; and

https://www.credem.it/content/dam/credem/documenti/Investor_Relations/covered-bonds/bilanci/Credem%20CB%20srl%20Audit%20Report%202019.pdf

- (l) the auditor's report in respect of the audited annual financial statements of the Guarantor as at 31 December 2018

https://www.credem.it/content/dam/credem/documenti/Investor_Relations/covered-bonds/bilanci/Credem%20CB%20srl%20Audit%20Report%202018.pdf

Such documents shall be incorporated by reference into, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 23 of the Prospectus Regulation modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference into this Prospectus may be obtained from the registered office of the Issuer and the Issuer's website (<https://www.credem.it/content/credem/it/gruppo-credem/investor-relations.html>). This Prospectus and the documents incorporated by reference will also be available on the Luxembourg Stock Exchange's web site (<https://www.bourse.lu/programme/Programme-CrEmiliano/13752>).

The 23 October 2020 Press Release, the 5 November 2020 Press Release, the 30 November Press Release and the financial statements referred to above, together with the audit reports thereon (where published), are available in English. The English language versions represent a direct translation from the Italian language documents.

Cross-reference List

The following table shows where the information incorporated by reference into this Base Prospectus, including the information required under Annex 7 of the Prospectus Regulation (in respect of the Issuer and the Guarantor), can be found in the above mentioned financial statements incorporated by reference into this Base Prospectus.

Unaudited consolidated semi-annual financial results of the Issuer as at 30 September 2020

Consolidated Balance Sheet	Pages 12-13
Consolidated Income Statement	Page 14
Consolidated Statement of Changes in Shareholders' Equity	Page 15

Consolidated Statement of Comprehensive Income	Page 16
Explanatory Notes	Pages 19-66
Certification, pursuant to Art. 154-bis, second paragraph, of Italian Legislative Decree no. 58 of 24 February 1998, of the Manager responsible for preparing the company's financial reports	Page 67

30 November 2020 Press Release

Credem: ECB reaffirmed the lowest Pillar 2 requirement among Italian Banks	Entire Document
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5 November 2020 Press Release

Credem, 9M2020 Consolidated Group Results: loans at €28.1 billion +10.9% vs 9M19	Entire Document
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23 October 2020 Press Release

Credito Emiliano and Fondazione Cassa di Risparmio di Cento signed an agreement for the merger by incorporation of Cassa di Risparmio di Cento into Credito Emiliano	Entire Document
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Unaudited consolidated semi-annual financial results of the Issuer as at 30 June 2020 (including the auditors' review report)

Consolidated Balance Sheet	Pages 71-72
Consolidated Income Statement	Page 73
Consolidated Statement of Comprehensive Income	Page 74
Consolidated Statement of Changes in Shareholders' Equity	Pages 75-76
Consolidated Cash Flow Statement	Pages 77-78
Explanatory Notes	Pages 82 – 280
Certification by the chairman and the manager responsible for preparing the company's financial reports	Page 292
Independent Auditor's Review Report	Page 295

Annual consolidated financial statements of the Issuer as at and for the years ended 31 December 2019 and 31 December 2018	2019	2018
Consolidated Balance Sheet	Pages 84-85	Pages 84-85
Consolidated Income Statement	Page 86	Page 86
Consolidated Statement of Comprehensive Income	Page 87	Pages 87-88
Consolidated Statement of Changes in Equity	Pages 88-89	Pages 89-90
Consolidated Cash Flow Statement	Pages 90-91	Pages 91-93
Notes to the financial statements	Pages 94 - 413	Pages 96 - 440
Certification by the chairman and the manager responsible for preparing the company's financial report	Page 432	Page 459
Independent Auditor's reports in respect of the annual consolidated financial statements of the Issuer as at and for the years ended 31 December 2019 and 31 December 2018	436 – 442	Pages 463 - 470

Unaudited semi-annual financial results of the Guarantor as at 30 June 2020

Balance sheet	Pages 2
Income Statement	Page 2

Annual financial statements of the Guarantor as at and for the year ended 31 December 2019

Balance sheet	Page 11
Income Statement	Page 11
Statement of Comprehensive Income	Page 12
Statement of Changes in Quotaholder's Equity	Page 13
Statement of Cash Flows	Page 14
Notes to the Financial Statements	Page 16
Independent Auditor's report in respect of the financial statements of the Guarantor as at and for the year ended 31 December 2019	Entire Document

Annual financial statements of the Guarantor as at and for the year ended 31 December 2018

Balance sheet	Page 11
Income Statement	Page 11
Statement of Comprehensive Income	Page 12
Statement of Changes in Quotaholder's Equity	Page 13
Statement of Cash Flows	Page 14-15
Notes to the Financial Statements	Pages 16
Independent Auditor's report in respect of the financial statements of the Guarantor as at and for the year ended 31 December 2018	Entire Document

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

SUPPLEMENTS, FINAL TERMS AND FURTHER PROSPECTUSES

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

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

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

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

CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions of the Covered Bonds (the **Conditions** and, each of them, a **Condition**). In these Conditions, references to the "holder of Covered Bonds" and to the "Bondholders" are to the ultimate owners of the Covered Bonds, dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of (i) Article 83-bis et seq. of the Financial Law and the relevant implementing regulations, and (ii) the joint regulation of CONSOB and the Bank of Italy dated 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 Registered Covered Bonds issued in the form of registered covered bonds are evidenced on the basis of due registration in the register (the **Register**) maintained by the Issuer or by any registrar appointed by the Issuer (the **Registrar**). Solely a duly registered Bondholder in the Register may claim payments under the Registered Covered Bonds.*

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

1. Introduction

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

- (d) ***Programme Agreement and Subscription Agreements:*** The Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series which may from time to time be agreed between the Issuer and the Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of a programme agreement (the **Programme Agreement**) entered into between the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s). In relation to each Series of Covered Bonds the Issuer and the relevant Dealer(s) will enter into a subscription agreement on or about the date of the relevant Final Terms (the **Subscription Agreement**). According to the terms of the Programme Agreement, the Issuer has the faculty to nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular *Series* of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.
- (e) ***Monte Titoli Mandate Agreement:*** In a mandate agreement with Monte Titoli S.p.A. (Monte Titoli) (the **Monte Titoli Mandate Agreement**), Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds issued in dematerialised form.
- (f) ***Master Definitions Agreement:*** In a master definitions agreement (the **Master Definitions Agreement**) between, *inter alios*, the Issuer, the Guarantor, the Representative of the Bondholders and the Other Guarantor Creditors (as defined below), the definitions of certain terms used in the Programme Documents have been agreed.
- (g) ***The Covered Bonds:*** Except where stated otherwise, all subsequent references in these Conditions to **Covered Bonds** are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to **each Series of Covered Bonds** are to (i) the Covered Bonds which are the subject of the relevant Final Terms and (ii) each other Series of Covered Bonds issued under the Programme which remains outstanding from time to time.
- (h) ***Rules of the Organisation of the Bondholders:*** The rules of the organisation of bondholders (the **Rules**) are attached to, and form an integral part of, these Conditions. References in these Conditions to the Rules include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.
- (i) ***Summaries:*** Certain provisions of these Conditions are summaries of the Programme Documents and are subject to their detailed provisions. Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Programme Documents applicable to them. Copies of the Programme Documents are available for inspection by Bondholders during normal business hours at the registered office of the Representative of the Bondholders from time to time and, where applicable, at the Specified Office(s) of the Principal Paying Agent.

2. Interpretation

(a) Definitions:

In these Conditions the following expressions have the following meanings:

Accounts means, collectively, the Collection Accounts, the Expenses Account, the Cash Reserve Commingling Account, the BNPP Accounts, the Credem Accounts and any other account opened in accordance with the Programme.

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

Account Bank Shift Event means any of Credem Account Bank Shift Event and BNPP Account Bank Shift Event.

Account Bank Shift Notice means the notice to be promptly delivered from the Investment Manager to the other Parties and the Rating Agencies upon occurrence of an Account Bank Shift Event.

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

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

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

Affected Loan means a Mortgage Loan in respect of which there is a breach of the representations and warranties contained in the Warranty and Indemnity Agreement.

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

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

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

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

Arranger means Barclays Bank Ireland PLC.

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

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

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

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

Asset Percentage means the lower of (i) 93.00 per cent and (ii) such other percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agencies (after procuring the required level of overcollateralization in line with target rating). Notwithstanding that, in the event the Issuer chooses not to apply such other percentage figure (item (ii) above) of the Asset Percentage, this will not result in a breach of the Nominal Value Test.

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

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

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

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

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

Back-up Servicer means Banca Finanziaria Internazionale S.p.A. or any other entity acting as such pursuant to the Back-up Servicing Agreement.

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

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

Base Interest has the meaning given to it in the Subordinated Loan Agreement.

BNPP Account Bank Shift Event means the event which occurs if, following the occurrence of a Credem Account Bank Shift Event_corresponding to the loss by

Credem of the Minimum Required Account Bank Rating, (i) the rating of Credem is at any time re-established to the Minimum Required Account Bank Rating and (ii) Credem confirms in writing to the Investment Manager that it accepts to act as Account Bank with respect to the Credem Accounts pursuant to the Cash Allocation, Management and Payments Agreement.

BNPP Account Bank Shift Notice means the notice to be promptly delivered from the Investment Manager to the other Parties and the Rating Agencies upon occurrence of a BNPP Account Bank Shift Event.

BNPP Accounts means, collectively, the BNPP Eligible Investments Account, the BNPP Reserve Account, the BNPP Securities Account, the BNPP Payments Account and the BNPP Swap Collateral Account.

BNPP Eligible Investments Account means the euro denominated account (IBAN: IT 15 K 03479 01600 000802049000) established in the name of the Guarantor with BNPP as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

BNPP Payments Account means the euro denominated account (IBAN: IT 66 M 03479 01600 000802049002) established in the name of the Guarantor with BNPP as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

BNPP Reserve Account means the euro denominated account (IBAN: IT 89 L 03479 01600 000802049001) established in the name of the Guarantor with BNPP as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

BNPP Securities Account means the account (No. 2049000) established in the name of the Guarantor with BNPP as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, *Management* and Payments Agreement.

BNPP Swap Collateral Account means any account opened or to be opened by the Guarantor with BNPP in accordance with any Swap Agreement and clause 6.7 of the Intercreditor Agreement.

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

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

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

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

Business Day means any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Luxembourg and London and on which the

Trans-European Automated Real Time Gross Transfer System (TARGET2) (or any successor thereto) is open.

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

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

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

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

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

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

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

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

Cash Reserve Commingling Account Bank means BNP Paribas Securities Services, Milan branch acting as Cash Reserve Commingling Account Bank, or any other entity acting as such pursuant to the Cash Allocation, Management and Payments Agreement.

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

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

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

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

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

Collection Period End Date means (a) prior to the delivery of a Guarantor Event of Default Notice, the date falling on the last calendar day of December, March, June

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

Collections means all amounts received or recovered by the Servicer (including any judicial recovery) in respect of the Eligible Assets.

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

Commercial Mortgage Loan means “*crediti ipotecari commerciali*” as defined under article 1, sub-paragraph 1, letter (c) of Decree No. 310 having the features set forth under article 2, sub-paragraph 1, letter (b) of Decree No. 310.

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

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

Conditions means the terms and conditions of the Covered Bonds.

CONSOB means Commissione Nazionale per le Società e la Borsa.

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

Cover Pool means the cover pool constituted by the Eligible Assets; and the Top-Up Assets.

Cover Pool Management Agreement means the agreement entered into on or about the First Issue Date between the Issuer, the Guarantor, the Representative of the Bondholders and the Test Calculation Agent (as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof), as better described in the Section headed “*Description of the Programme Documents – Cover Pool Management Agreement*” of the Prospectus.

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

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

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

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

CREDEM means Credito Emiliano S.p.A.

Credem Account Bank Shift Event means any of the following event: (i) the loss by Credem of the Minimum Required Account Bank Rating or (ii) the resignation of Credem from its appointment as Account Bank in respect of the sole Credem Accounts.

Credem Account Bank Shift Notice means the notice to be promptly delivered from the Investment Manager to the other Parties and the Rating Agencies upon occurrence of a Credem Account Bank Shift Event.

Credem Accounts means, collectively, the Credem Eligible Investments Account, the Credem Reserve Account, the Credem Securities Account, the Credem Payments Account and the Credem Swap Collateral Account.

Credem Eligible Investments Account means the euro denominated account (IBAN: IT64J0303212891010000091671) established in the name of the Guarantor with Credem as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

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

Credem Payments Account means the euro denominated account (IBAN: IT92M0303212891010000091674) established in the name of the Guarantor with Credem as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

Credem Reserve Account means the euro denominated account (IBAN: IT18L0303212891010000091673) established in the name of the Guarantor with Credem as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

Credem Securities Account means the account (No. 9168738) established in the name of the Guarantor with Credem as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, *Management* and Payments Agreement.

Credem Swap Collateral Account means any account opened or to be opened by the Guarantor with Credem in accordance with any Swap Agreement and clause 6.7 of the Intercreditor Agreement.

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

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

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

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

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

where:

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

and

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

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

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

where:

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

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

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

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

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

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period

falls;

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

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

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

Dealers means Barclays Bank Ireland PLC and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 5 (*Form of Dealer Accession Letter*) of the Programme Agreement on any other terms acceptable to the Issuer and such entity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Eligible Cover Pool means the aggregate amount of Eligible Assets and Top-up Assets (including any sum standing to the credit of the Accounts) included in the Cover Pool provided that (i) any Defaulted Mortgage Receivable and those Eligible Assets and Top-up Assets for which a breach of the representations and warranties granted under each Warranty and Indemnity Agreement has occurred and has not been remedied will not be considered for the purpose of the calculation and (ii) any Mortgage Loan in respect of which the LTV on the basis of the Latest Valuation exceed the percentage limit set forth under article 2, paragraph 1, of Decree No. 310, will be calculated up to an amount of principal which - taking into account the market value of the relevant Real Estate Asset - allows the compliance with such percentage limit.

Eligible Institution means any bank organised under the laws of any state which is a member of the European Union or of the United States (to the extent that United States are a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks – standardized approach) and enabled to carry out banking activity in Italy (i) the short-term unsecured and unsubordinated debt obligations of which are rated at least "F2" by Fitch or the long-term unsecured and unsubordinated debt obligations of which are rated at least "BBB" by Fitch; and the short-term unsecured and unsubordinated debt obligations of which are rated at least "P-3" by Moody's and the long-term unsecured and unsubordinated debt obligations of which are rated at least "Baa3" by Moody's; or (ii) whose obligations are guaranteed by an entity whose (A) short-term unsecured and unsubordinated debt obligations are rated at least "F2" by Fitch or the long-term unsecured and unsubordinated debt obligations of which are rated at least "BBB" by Fitch, and (B) short-term unsecured and unsubordinated debt obligations are rated at least "P-3" by Moody's and the long-term unsecured and unsubordinated debt obligations of which are rated at least "Baa3" by Moody's, provided that any reference to a rating by Fitch shall be deemed to be a reference to the "Issuer Default Rating" given by such Rating Agency.

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

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

Eligible Investments Account means the BNPP Eligible Investments Account, the Credem Eligible Investments Account or each of them, as the case may be.

EURIBOR means the Euro-Zone Inter-Bank offered rate for Euro deposits, as determined from time to time pursuant to the Programme Documents. **Euro**, **€** and **EUR** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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

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

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

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

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

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

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

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

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

Extraordinary Resolution has the meaning set out in the Rules.

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

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

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

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

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

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

Fitch means Fitch Ratings Ireland Limited Sede Secondaria Italiana.

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

FSMA means the Financial Services and Markets Act 2000.

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

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

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

Guarantor means CREDEM CB S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy pursuant to Law 130, having its registered office at Via Vittorio Alfieri, 1, 31015 Conegliano (TV), Italy, subject to the activity of management and coordination ("*attività di direzione e coordinamento*") of CREDEM, fiscal code and enrolment with the companies register of Treviso-Belluno No. 04326290261, belonging to the banking group known as "CREDEM", registered with the register of the banking group held by the Bank of Italy.

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

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

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

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

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

Guarantor Payment Date means (a) prior to the delivery of a Guarantor Event of Default Notice, the date falling on the 25th calendar day of January, April, July and October of each year or, if such day is not a Business Day, on the immediately following Business Day; and (b) following the delivery of a Guarantor Event of Default Notice, any day on which any payment is required to be made by the

Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Conditions and the Intercreditor Agreement.

Individual Purchase Price means:

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

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

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

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

- (i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition with creditors or insolvent reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*", "*accordi di ristrutturazione*" and (other than in respect of the Issuer) "*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, insolvent reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or
- (ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

- (iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Programme Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to Article 74 of the Consolidated Banking Act); or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2484 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up, corporate reorganization or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or
- (v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business.

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

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

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

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

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

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

- (i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Interest Collection Account in respect of the immediately preceding Collection Period;
- (ii) all recoveries in the nature of interest received by the Servicer and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (iii) all amounts of interest accrued (net of any withholding or expenses, if due) and credited into the Accounts during the immediately preceding Collection Period;
- (iv) any amounts credited to the Reserve Account as at the immediately preceding Guarantor Payment Date;

- (v) all Eligible Investment Revenues in respect of the Eligible Investments made with reference to the immediately preceding Collection Period;
- (vi) any amounts (excluding any principal payment) received or to be received under the Asset Swap Agreement(s) other than any Swap Collateral Excluded Amounts with reference to the immediately following Asset Swap Payment Date;
- (vii) any amounts (excluding any principal payment) received or to be received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts with reference to the immediately following Covered Bond Swap Payment Date;
- (viii) any swap termination payments (excluding any principal payment) received or to be received from a replacement Swap Provider under a Swap Agreement in the event of a termination of a Swap Agreement between the Guarantor and the relevant Swap Provider with reference to the immediately following Guarantor Payment Date;
- (ix) all interest amounts received from the Seller by the Guarantor pursuant to the Master Assets Purchase Agreement and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (x) any amounts to be paid as Interest Shortfall Amount out of item (First) of the Pre-Issuer Default Principal Priority of Payments on the immediately succeeding Guarantor Payment Date;
- (xi) any revenue amounts (other than the amounts already allocated under other items of the Interest Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period; and
- (xii) interest amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

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

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

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

Interest Instalment means the interest component of each Instalment.

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

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

Interest Period means, in relation to each Series of Covered Bonds, the period commencing on (and including) the relevant Interest Payment Date and ending to (and excluding) the immediately following Interest Payment Date, as specified as such in, or determined in accordance with the provisions of, the relevant Final Terms.

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

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

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

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

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

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

Issuer means Credito Emiliano S.p.A.

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

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

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

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

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

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

LIBOR means the London Inter-Bank Offered Rate.

Limit of 15% means the limit of 15% (of the aggregate outstanding principal amount of the Cover Pool) of Top-Up Assets included in the Cover Pool provided for under the Decree No. 310 and the Bank of Italy Regulation, or any other limit set out in the future in the applicable regulation.

Listing Agent means BNP Paribas Securities, Luxembourg branch.

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

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

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

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

Master Definitions Agreement means the master definitions agreement entered into on or about the First Issue Date by the parties of the Programme Documents (as from

time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereof).

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

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

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

Meeting has the meaning set out in the Rules.

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

Minimum Required Account Bank Rating means the short term and/or the long term ratings as determined to be applicable or agreed by the Rating Agencies from time to time with reference to Credito Emiliano S.p.A. (or any institution guaranteeing its obligation on the basis of a guarantee satisfying the criteria of the Rating Agencies), being, as at the date hereof, "P-3" and "Baa3" by Moody's and "F2" or "BBB" by Fitch.

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

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

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

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

Moody's means Moody's Deutschland GmbH.

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

Mortgage Loan means, collectively, the Residential Mortgage Loans and the Commercial Mortgage Loans.

Mortgage Loan Agreements means, collectively, the Residential Mortgage Loan Agreements and the Commercial Mortgage Loan Agreements and each of them a **Mortgage Loan Agreement**.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Payments Account means the BNPP Payments Account, the Credem Payments Account or each of them, as the case may be.

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

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

Payment Holiday means in respect of a Mortgage Loan, the deferral of the payment of its interest and/or principal instalments in accordance with the application of moratoria provisions from time to time granted to Debtors by any laws, agreements between Italian banking associations and national consumer associations, the Bank of Italy or other regulatory bodies regulations.

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

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

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

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

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

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

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

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

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

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

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

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

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

the Covered Bonds outstanding at any time, the aggregate of the amount in (a) in respect of all Covered Bonds outstanding.

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

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

Principal Collection Account means the euro denominated account established in the name of the Guarantor with the Account Bank, or such other substitute account as

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

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

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

Principal Instalment means the principal component of each Instalment.

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

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

Privacy Rules means, collectively, the regulation issued by the Italian Privacy Authority (*Autorità Garante per la Protezione dei Dati Personali*) on 18 January 2007, the Regulation (EU) no. 679 of 27 April 2016 and the subsequent implementing national measures.

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

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

Programme Documents means the Master Assets Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Back-up Servicing Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Guarantor Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Deed of Pledge, the Deed of Charge, the Master Definitions Agreement, the Conditions and each Final Terms and any other agreement entered into in connection with the Programme and any other agreement designated as "Programme Document" by the Issuer.

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

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

Prospectus means the Prospectus prepared in connection with the Programme.

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

Prudential Regulations means the prudential regulations for banks issued by the Bank of Italy on 17 December 2013 with Circular No. 285 (*Disposizioni di vigilanza per le Banche*), as subsequently amended and supplemented.

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

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

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

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

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

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

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

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

Put Option Notice means a notice of exercise relating to the put option contained in Condition 6, letter (f) (*Redemption at the option of the Bondholders*), substantially in the form which may, from time to time, be agreed between the Issuer and the Principal Paying Agent.

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

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

Quota Capital Account means the euro denominated account established in the name of the Guarantor with Banca Monte dei Paschi di Siena S.p.A. (IBAN: IT05K0103061622000061239541) as specified in the Cash Allocation Management and Payments Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

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

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

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

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

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

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

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

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

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

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

Regular Period means:

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

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

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

Relevant Screen Page means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as

may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

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

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

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

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

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

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

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

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

the Issuer in relation to a Series of Covered Bonds, of the interest amounts in relation to that Series of Covered Bonds which are due or expected to be borne by the Guarantor during the three-month period which starts on the immediately following Guarantor Payment Date (excluded) and ends on the second immediately following Guarantor Payment Date (included).

(II) otherwise, zero.

Reserve Account means the BNPP Reserve Account, the Credem Reserve Account or each of them, as the case may be.

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

Residential Mortgage Loan means “*crediti ipotecari residenziali*” as defined under article 1, sub-paragraph 1, letter (b) of Decree No. 310 having the features set forth under article 2, sub-paragraph 1, letter (a) of Decree No. 310.

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

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

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

Rules means the Rules of the organisation of the Bondholders.

Securities Account means the BNPP Securities Account, the Credem Securities Account or each of them, as the case may be.

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

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

Security Interest means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequent Portfolios means any portfolio (other than the Initial Portfolio), comprising Eligible Assets or Top Up Assets, which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

Subsequent Portfolio Purchase Price means the consideration which the Guarantor shall pay to the Seller for the transfer of Subsequent Portfolios and equal to the aggregate amount of the Individual Purchase Price of all the relevant Eligible Assets included in such Subsequent Portfolio as at the relevant Valuation Date.

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

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

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

Swap Collateral Account means the BNPP Swap Collateral Account, the Credem Swap Collateral Account or each of them, as the case may be.

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

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

Swap Providers means, as applicable and as the context may require, any or all of the Asset Swap Provider(s), the Covered Bond Swap Providers and any other entity

which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

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

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

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

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

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

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

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

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

Total Commitment means Euro 5,000,000,000.00 or the higher amount indicated by the Subordinated Loan Provider in accordance with the Subordinated Loan.

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

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

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

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

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

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

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

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

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

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

2. **Denomination, Form and Title**

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

The Covered Bonds issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli for the account of the Monte Titoli Account Holders until redemption or cancellation thereof and title thereto will be evidenced by book entries in accordance with the provisions of (i) Article 83-bis et seq. of the Financial Law and the relevant implementing regulations and (ii) the joint regulation of CONSOB and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, as amended and

supplemented from time to time. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form. The rights and powers of the Bondholders may only be exercised in accordance with these Conditions, the Final Terms and the Rules.

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

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

3. Status and Guarantee

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

4. Fixed Rate Provisions

- (a) **Application:** This Condition 4 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 7 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any Specified Currency other than Euro, the lowest amount of such Specified Currency that is available as legal tender in the country of such Specified Currency and, in the case of Euro, means one cent.

5. Floating Rate

- (a) **Application:** This Condition 5 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 7 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination:** Floating rates of interest will be calculated by reference to the Reference Rate. If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Principal Paying Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Principal Paying Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Principal Paying Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Principal Paying Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Principal Paying Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) **Calculation of Interest Amount:** The Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any Specified Currency other than Euro, the lowest amount of such Specified Currency that is available as legal tender in the country of such Specified Currency and, in the case of Euro, means one cent.
- (g) **Calculation of other amounts:** If the relevant Final Terms specifies that any other amount is to be calculated by the Principal Paying Agent, then the Principal Paying Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Principal Paying Agent in the manner specified in the relevant Final Terms.
- (h) **Publication:** The Principal Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Principal Paying Agent(s) and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Bondholders. The Principal Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.
- (i) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this

Condition by the Principal Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent(s), the Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6. Redemption and Purchase

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

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

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

In the circumstances outlined above, the Guarantor, on the following Guarantor Payment Dates, shall, pursuant to the Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priority of Payments) *pro rata* in payment of an amount equal to the Final Redemption Amount in respect of the Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Guarantor to pay any amounts in respect of the

balance of the Final Redemption Amount not so paid shall be deferred as described above.

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

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

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

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

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

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

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

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

bound to redeem the Covered Bonds in accordance with this Condition 6(c) (*Redemption for tax reason*).

- (d) ***Redemption at the option of the Issuer:*** If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (e) ***Partial redemption:*** If the Covered Bonds, issued in a dematerialised form, are to be redeemed in part only on any date in accordance with Condition 6(d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Bondholders referred to in Condition 6(d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) ***Redemption at the option of Bondholders:*** If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Bondholders and prior to the delivery of an Issuer Event of Default Notice, redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 6(f) (*Redemption at the option of the Bondholders*), the Bondholders must, not less than 30 nor more than 45 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the deposit in Bondholder. Once deposited in accordance with this Condition 6(f) (*Redemption at the option of the Bondholders*), no duly completed Put Option Notice may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall mail notification thereof to the Bondholders at such address as may have been

given by the Bondholders in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 6(f) (*Redemption at the option of the Bondholders*), the Bondholders and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

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

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

7. Payments

- (a) ***Payments through clearing systems:*** Payment of interest and repayment of principal in respect of the Covered Bonds issued in dematerialised form will be credited, in accordance with the instructions of Monte Titoli, by the Principal Paying Agent on behalf of the Issuer or the Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of those Covered Bonds, in

accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.

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

8. Waiver of set-off

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

9. Taxation

- (a) **Gross up by Issuer:** All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed (i) by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, or (ii) pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof or pursuant to the provisions of the intergovernmental agreement entered into by and between Italy and the United States on 10 January 2014, ratified by way of Law No. 95 on 18 June 2015 (**FATCA**) unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law (including pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA). In that event, the Issuer shall

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

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

10. Segregation Event and Events of Default

10.1 *Segregation Event*

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

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

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

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

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

10.2 *Issuer Events of Default*

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

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

breach and specifying that an Issuer Event of Default will occur in case such breach is not remedied within the applicable remedy period set out above; or

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

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

Upon the service of an Issuer Event of Default Notice:

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

provided that, in case of the Issuer Event of Default determined by a resolution issued in respect of the Issuer pursuant to article 74 of the Consolidated Banking Act (referred to under item (iv) (*Article 74 resolution*) above) (the **Article 74 Event**), the effects listed in items (a) (*No further Series of Covered Bonds*), (b) (*No payments under the Subordinated Loan*), (c) (*No Purchase price of any Eligible Assets or Top-Up Assets*) and (d) (*Guarantee*) above will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect (the **Suspension Period**) and the effect listed in item (e) (*Disposal of Assets*) will apply only if the suspension of payments pursuant

Article 74 Event is in force during the period commencing on an Extension Determination Date where the payments of the unpaid amounts due by the Guarantor in respect of a Series of Covered Bonds have been deferred to the relevant Extension Maturity Date (being understood that it will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect). Accordingly (A) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds within the immediately succeeding Interest Payment Date (and, for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer).

10.3 ***Guarantor Events of Default***

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

- (i) *Non payment*: the Guarantor fails to pay any interest and/or principal due and payable under the Guarantee and such breach is not remedied within the next following 15 Business Days, in case of amounts of interests, or 20 Business Days, in case of amounts of principal, as the case may be; or
- (ii) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; or
- (iii) *Breach of other obligations*: a breach of any obligation under the Programme Documents by the Guarantor occurs (other than payment obligations referred to in item (i) (Non-payment) above) which is not remedied within 30 days (or such longer period as the Representative of the Bondholders may permit) after the Representative of the Bondholders has given written notice thereof to the Guarantor indicating the occurred breach and specifying that a Guarantor Event of Default will occur in case such breach is not remedied within the applicable remedy period set out above; or
- (iv) *Breach of the Amortisation Test*: **provided that** an Issuer Event of Default has occurred, the Amortisation Test is breached,

then the Representative of the Bondholders shall or, in the case of the Guarantor Event of Default under item (iii) (*Breach of other obligation*) of this Condition 10.3 shall, if so directed by a Programme Resolution of the Bondholders, serve a Guarantor Event of Default Notice on the Guarantor. Notice of the occurrence of such Guarantor Event of Default shall be given also to the Swap Providers.

Upon the service of a Guarantor Event of Default Notice, unless a Programme Resolution is passed resolving otherwise:

- (a) *Acceleration of Covered Bonds*: All Series of Covered Bonds then outstanding will become immediately due and payable by the Guarantor at their Early Redemption Amount together, if appropriate, with any accrued interest and will rank *pari passu* among themselves in accordance with the Post Enforcement Priority of Payments;
- (b) *Guarantee*: subject to and in accordance with the terms of the Guarantee, the Representative of the Bondholders, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Redemption Amount, together

with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 9(a) (*Gross up by the Issuer*)) in accordance with the Post-Enforcement Priority of Payments;

- (c) *Disposal of Assets*: the Guarantor shall immediately sell all Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement; and
- (d) *Enforcement*: the Representative of the Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a Programme Resolution of the Bondholders.

10.4 *Determinations, etc.*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10.4 by the Representative of the Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor and all Bondholders and (in such absence as aforesaid) no liability to the Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

11. Limited recourse and non-petition

11.1 *Limited recourse*

The obligations of the Guarantor under the Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under Law 130, Decree No. 310 and the Bank of Italy Regulations. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

11.2 *Non petition*

Only the Representative of the Bondholders may pursue the remedies available under the general law or under the Programme Documents to obtain payment of the Guaranteed Amounts or enforce the Guarantee and/or the Security and no Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Guarantee and/or the Security. In particular:

- (a) no Bondholder (nor any person on its behalf) is entitled, otherwise than as permitted by the Programme Documents, to direct the Representative of the Bondholders to enforce the Guarantee and/or Security or take any proceedings against the Guarantor to enforce the Guarantee and/or the Security;
- (b) no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) shall have the right to take or join any person in taking any steps

against the Guarantor for the purpose of obtaining payment of any Guaranteed Amount from the Guarantor;

- (c) until the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with these Conditions and the relevant Final Terms no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and
- (d) no Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

12. Prescription

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

13. Representative of the Bondholders

- (a) **Organisation of the Bondholders:** The Organisation of the Bondholders shall be established upon, and by virtue of, the issue of the First Series of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of all the Covered Bonds of whatever Series. Pursuant to the Rules, for as long as any Covered Bonds of any Series are outstanding, there shall at all times be a Representative of the Bondholders. The appointment of the Representative of the Bondholders as legal representative of the Organisation of the Bondholders is made by the Bondholders subject to and in accordance with the Rules.
- (b) **Initial appointment:** In the Programme Agreement, the Dealers have appointed the Representative of the Bondholders to perform the activities described in the Mandate Agreement, in the Programme Agreement, in these Conditions (including the Rules), and in the other Programme Documents and the Representative of the Bondholders has accepted such appointment for the period commencing on the First Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds of whatever Series have been cancelled or redeemed in accordance with these Conditions and the applicable Final Terms.
- (c) **Acknowledgment by Bondholders:** Each Bondholder, by reason of holding Covered Bonds:
 - (i) recognises the Representative of the Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by the Programme Documents and any agreement entered into from time to time by the Representatives of the Bondholders in such capacity as if such Bondholders were a signatory thereto; and
 - (ii) acknowledges and accepts that the Dealers shall not be liable in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Bondholders as a result of the performance by the Representative of the

Bondholders of its duties or the exercise of any of its rights under the Programme Documents.

14. Agents

In connection with the Covered Bonds, the Principal Paying Agent acts solely as agent of the Issuer and, following service of an Issuer Event of Default Notice, as agent pursuant to the Cash Allocation, Management and Payments Agreement of the Guarantor, and does not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Principal Paying Agent and its initial Specified Office is set out in these Conditions. Any additional Principal Paying Agent and its Specified Office are specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer and the Guarantor shall at all times maintain a Principal Paying Agent;
- (b) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Principal Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Principal Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in the Principal Paying Agent or in its Specified Office shall promptly be given to the Bondholders.

15. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Series of Covered Bonds under the Programme in accordance with the Programme Documents, these Conditions and as regulated in the relevant Final Terms.

16. Notices

- (a) ***Notices given through Monte Titoli:*** Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.
- (b) ***Notices to the stock exchange:*** As long as the Covered Bonds are listed on the Luxembourg Stock Exchange or on any other stock exchange and the rules of such stock exchange so require, any notice to Bondholders shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or on the website of the other relevant stock exchange, as the case may be.
- (c) ***Other publication:*** The Representative of the Bondholders shall be at liberty to sanction any other method of giving notice to Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to listing, trading and/or quotation and

provided that notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Bondholders shall require.

17. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

18. Governing Law and Jurisdiction

- (a) ***Governing law:*** The Covered Bonds will be governed by Italian law or any other law set out in the relevant Final Terms. These Conditions and the related Programme Documents will be governed by Italian law, except for the Swap Agreements and the Deed of Charge, which will be governed by English law.
- (b) ***Jurisdiction:*** The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.
- (c) ***Relevant legislation:*** Anything not expressly provided for in these Conditions will be governed by the provisions of Law 130 and, if applicable, Article 58 of the Consolidated Banking Act, the Bank of Italy Regulations and Decree No. 310.

RULES OF THE ORGANISATION OF THE BONDHOLDERS

TITLE I

GENERAL PROVISIONS

1. GENERAL

- 1.1 The Organisation of the Bondholders in respect of all Covered Bonds of whatever Series issued under the Programme by Credito Emiliano S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series and is governed by these Rules of the Organisation of the Bondholders (the **Rules**).
- 1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series in accordance with the Terms and Conditions of the Covered Bonds (the **Conditions**) and the applicable Final Terms.
- 1.3 The contents of these Rules are deemed to be an integral part of the Conditions of the Covered Bonds of each Series issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Rules, the terms below shall have the following meanings:

Block Voting Instruction means, in relation to a Meeting, a document issued by the Principal Paying Agent or by a Registrar:

- (a) in case of Covered Bonds issued in a dematerialised form, certifying that specified Covered Bonds are held to the order of a Principal Paying Agent or under its control or have been blocked in an account with a clearing system or and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender to the Principal Paying Agent which issued the same not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by such Principal Paying Agent to the Issuer and the Representative of the Bondholders;
- (b) in case of Covered Bonds issued in a registered form, certifying that specified Covered Bonds have been blocked with the Registrar and will not be released until the conclusion of the Meeting;
- (c) certifying that the Holder, or the registered Holder in case of Covered Bonds issued in a registered form, of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the relevant Principal Paying Agent or Registrar that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;
- (d) listing the aggregate principal amount of such specified Blocked Covered Bonds,

distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and

- (e) authorising a named individual to vote in accordance with such instructions;

Blocked Covered Bonds means: (i) Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of a Principal Paying Agent, or (ii) in case of Covered Bonds issued in a registered form, Covered Bonds which have been blocked with the Registrar, for the purpose of obtaining from that Principal Paying Agent a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in respect of which the Block Voting Instruction or Voting Certificate is required;

Chairman means, in relation to any Meeting, the person who takes the chair in accordance with Article 8 (*Chairman of the Meeting*);

Event of Default means an Issuer Event of Default or a Guarantor Event of Default;

Extraordinary Resolution means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than 75% of the votes cast;

Fitch means Fitch Ratings Ireland Limited Sede Secondaria Italiana;

Holder or **holder** means in respect of Covered Bonds, the ultimate owner of such Covered Bonds;

Meeting means a meeting of Bondholders (whether originally convened or resumed following an adjournment);

Monte Titoli Account Holder means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) and includes any depository banks appointed by the relevant Clearing System;

Moody's means Moody's Deutschland GmbH;

Ordinary Resolution means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50% of the votes cast;

Programme Resolution means an Extraordinary Resolution passed at a single meeting of the Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules (a) to direct the Representative of the Bondholders to take any action pursuant to Condition 10.2 (ii) (*Issuer Event of Default*), Condition 10.3 (iii) (*Guarantor Event of Default*) or (b) to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (c) to extend the Test Remedy Period or (d) to take any other action stipulated in the Conditions or the Programme Documents as requiring a Programme Resolution;

Proxy means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

- (a) any person whose appointment has been revoked and in relation to whom the relevant Principal Paying Agent or the Registrar, or in the case of a proxy appointed under a Voting Certificate, the Issuer has been notified in writing of such revocation by the

time which is 48 hours before the time fixed for the relevant Meeting; and

- (b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed;

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

Relevant Financial Centre has the meaning ascribed to such term in the relevant Final Terms.

Resolutions means, collectively, the Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolutions, and **Resolution** means any of them;

Swap Rate means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in any Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if there is not exchange rate specified or if the Swap Agreements have terminated, the applicable spot rate;

Transaction Party means any person who is a party to a Programme Document;

Voter means, in relation to a Meeting, the Holder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by a Principal Paying Agent or by a Registrar or a Proxy named in a Block Voting Instruction;

Voting Certificate means, in relation to any Meeting:

- (a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time; or
- (b) a certificate issued by a Principal Paying Agent stating:
 - (i) that Blocked Covered Bonds will not be released until the earlier of:
 - (1) the conclusion of the Meeting; and
 - (2) the surrender of such certificate to such Principal Paying Agent; and
 - (ii) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

Written Resolution means a resolution in writing signed by or on behalf of one or more persons being or representing at least the relevant majority required for passing an Ordinary Resolution or Extraordinary Resolution or Programme Resolution, as the case may be, in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of the relevant Bondholders;

24 hours means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in each of the places where the Principal Paying Agent have its Specified Offices; and

48 hours means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and

expressions used in these Rules shall have the meanings and the construction ascribed to them in the Conditions to which these Rules are attached.

2.2 Interpretation

In these Rules:

- 2.2.1 any reference herein to an **Article** shall, except where expressly provided to the contrary, be a reference to an article of these Rules;
- 2.2.2 a **successor** of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Programme Document or to which, under such laws, such rights and obligations have been transferred; and
- 2.2.3 any reference to any **Transaction Party** shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 Separate Series

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 24 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Clause 2.3:

- 2.3.1 Articles 26 (Appointment, removal and remuneration) and 27 (Resignation of the Representative of the Bondholders); and
- 2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (Purpose of the Organisation) to 24 (Meetings and Separate Series) and 28 (Duties and Powers of the Representative of the Bondholders) to 36 (Powers to Act on behalf of the Guarantor),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "Covered Bonds" and "Bondholders" shall be construed accordingly.

3. PURPOSE OF THE ORGANISATION

- 3.1 Each Bondholder whatever Series of Covered Bonds he holds is a member of the Organisation of the Bondholders.
- 3.2 The purpose of the Organisation of the Bondholders is to co-ordinate the exercise of the rights of the Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Bondholders.

TITLE II

MEETINGS OF THE BONDHOLDERS

4. VOTING CERTIFICATES, BLOCK VOTING INSTRUCTIONS AND FORM OF PROXY

- 4.1 A Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue such certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time.
- 4.2 A Bondholder may also obtain a Voting Certificate from a Principal Paying Agent or require a Principal Paying Agent to issue a Block Voting Instruction by arranging for Covered Bonds to be (to the satisfaction of the Principal Paying Agent) held to its order or under its control or blocked in an account in a clearing system (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.
- 4.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.
- 4.4 So long as a Voting Certificate or Block Voting Instruction is valid, the person named therein as Holder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account Holder), the bearer thereof (in the case of a Voting Certificate issued by a Principal Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by a Principal Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.
- 4.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.
- 4.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.
- 4.7 Any registered Holder may require the Registrar and/or the Paying Agents to issue a Block Voting Instruction by arranging (to the satisfaction of the Registrar and/or the Paying Agents) for the related Bonds to be blocked with the Registrar not later than 48 hours before the time fixed for the relevant Meeting. The registered Holder may require the Registrar and/or the Paying Agents to issue a Block Voting Instruction by delivering to the Registrar and/or the Paying Agents written instructions not later than 48 hours before the time fixed for the relevant Meeting. Any registered Holder may obtain an uncompleted and unexecuted Form of Proxy from the Registrar or the Paying Agents. A Block Voting Instruction shall be valid until the release of the Blocked Bonds to which it relates. A Form of Proxy and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Bond.
- 4.8 The Issuer may fix a record date for the purposes of any Meeting or any resumption thereof following its adjournment for want of a quorum **provided that** such record date is not more than 10 days prior to the time fixed for such Meeting or (as the case may be) its resumption. The person in whose name a Bond is registered in the Register on the record date at close of business in the city in which the Registrar has its Specified Office shall be deemed to be the Holder of such Bond for the purposes of such Meeting and notwithstanding any subsequent transfer of such Bond or entries in the Register.

5. VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block

Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Bondholders so requires, a notarised (or otherwise acceptable) copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holders or Proxy named in a Voting Certificate issued by a Monte Titoli Account Holder shall be produced at the Meeting but the Representative of the Bondholders shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction.

6. CONVENING A MEETING

6.1 Convening a Meeting

The Representative of the Bondholders, the Guarantor or the Issuer may and (in relation to a meeting for the passing of a Programme Resolution) the Issuer shall upon a requisition in writing signed by the holders of not less than five per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding convene a meeting of the Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting requisitioned by the Bondholders the same may be convened by the Representative of the Bondholders or the requisitionists. The Representative of the Bondholders may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Representative of the Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

6.2 Meetings convened by Issuer

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

6.3 Time and place of Meetings

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Bondholders.

7. NOTICE

7.1 Notice of Meeting

At least 21, or 5 in case of a Meeting convened in order to resolve to extend the Test Remedy Period pursuant to Condition 10.2 (*Issuer Events of Default*), days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Bondholders, the Registrar and the Principal Paying Agent, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Bondholders, or with a copy to the Representative of the Bondholders, where the Meeting is convened by the Issuer, subject to Article 6.3.

7.2 Content of notice

7.2.1 The notice shall specify the nature, the object and the content of the proposed resolution, without necessarily including the full text, and shall state that Voting Certificates for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by

the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time and that for the purpose of obtaining Voting Certificates from a Principal Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bonds must (to the satisfaction of such Principal Paying Agent) be held to the order of or placed under the control of such Principal Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

- 7.2.2 with reference to the Registered Covered Bonds, the notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Bonds may be blocked with the Registrar for the purposes of appointing Proxies under Block Voting Instructions until 48 hours before the time fixed for the Meeting and that Bondholders may also appoint Proxies either under a Block Voting Instruction by delivering written instructions to the Registrar and the Paying Agents or by executing and delivering a Form of Proxy to the Specified Office of the Registrar and the Principal Paying Agent, in either case until 48 hours before the time fixed for the Meeting.

7.3 Validity notwithstanding lack of notice

A Meeting is valid notwithstanding that the formalities required by this Article 7 are not complied with if the Holders of the Covered Bonds constituting all the Principal Amount Outstanding of the Covered Bonds, the Holders of which are entitled to attend and vote, are represented at such Meeting and the Issuer and the Representative of the Bondholders are present.

8. CHAIRMAN OF THE MEETING

8.1 Appointment of Chairman

An individual (who may, but need not be, a Bondholder), nominated by the Representative of the Bondholders may take the chair at any Meeting, but if:

- 8.1.1 the Representative of the Bondholders fails to make a nomination; or
- 8.1.2 the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

8.2 Duties of Chairman

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

8.3 Assistance to Chairman

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Bondholders.

9. QUORUM

9.1 The quorum (*quorum constitutivo*) at any Meeting will be:

9.1.1 in the case of an Ordinary Resolution, one or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or, at an adjourned Meeting, one or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.2 in the case of an Extraordinary Resolution or a Programme Resolution, one or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or at an adjourned Meeting, one or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32.4 (*Obligation to exercise powers*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

- (a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;
- (b) alteration of the currency in which payments under the Covered Bonds are to be made;
- (c) alteration of the majority required to pass an Extraordinary Resolution;
- (d) the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and
- (e) alteration of this Article 9.1.3;

(each a **Series Reserved Matter**), the quorum shall be two or more persons being or representing holders of not less two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, two or more persons being or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding.

10. ADJOURNMENT FOR WANT OF QUORUM

10.1 If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

10.1.1 if such Meeting was requested by Bondholders, the Meeting shall be dissolved; and

10.1.2 in any other case, the Meeting (unless the Issuer and the Representative of the

Bondholders otherwise agree) shall, subject to paragraphs 11 and 12 below, be adjourned to a new date no earlier than 14 days and no later than 42 days after the original date of such Meeting, and to such place as the Chairman determines, **provided that:**

- (a) no Meeting may be adjourned more than once for want of a quorum; and
- (b) the Meeting shall be dissolved if the Issuer and the Representative of the Bondholders together so decide.

11. ADJOURNED MEETING

Except as provided in Article 10 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

12. NOTICE FOLLOWING ADJOURNMENT

12.1 Notice required

Article 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

- 12.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and
- 12.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

12.2 Notice not required

It shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 10 (*Adjournment for Want of Quorum*).

13. PARTICIPATION

The following categories of persons may attend and speak at a Meeting:

- 13.1 Voters;
- 13.2 the directors and the auditors of the Issuer and the Guarantor;
- 13.3 representatives of the Issuer, the Guarantor, the Registrar and the Representative of the Bondholders;
- 13.4 financial advisers to the Issuer, the Guarantor and the Representative of the Bondholders;
- 13.5 legal advisers to the Issuer, the Guarantor, the Registrar and the Representative of the Bondholders; and
- 13.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Bondholders.

14. VOTING BY SHOW OF HANDS

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. VOTING BY POLL

15.1 Demand for a poll

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Bondholders or one or more Voters whatever the Principal Amount Outstanding of the Covered Bonds held or represented by such Voter(s). A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

15.2 The Chairman and a poll

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. VOTES

16.1 Voting

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every Vote who is so present shall have one vote in respect of each €1,000 or such other amount as the Representative of the Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Bondholders in its absolute discretion may stipulate) in the Principal Amount Outstanding of the Covered Bonds it holds or represents.

16.2 Block Voting Instruction

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 Voting tie

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. VOTING BY PROXY

17.1 **Validity**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked **provided that** none of the Issuer, the Representative of the Bondholders or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 **Adjournment**

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

18. **RESOLUTIONS**

18.1 **Ordinary Resolutions**

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

- 18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and
- 18.1.2 to authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 **Extraordinary Resolutions**

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

- 18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Bondholders, the Bondholders or any of them;
- 18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Bondholders, the Issuer, the Guarantor, the Bondholders or any of them, whether such rights arise under the Programme Documents or otherwise, and (b) these Rules, the Conditions or of any Programme Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Guarantor, the Representative of the Bondholders and/or any other party thereto;
- 18.2.3 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Bondholders from any liability in relation to any act or omission for which the Representative of the Bondholders has or may become liable pursuant or in relation to

these Rules, the Conditions or any other Programme Document;

- 18.2.4 waive any breach or authorise any proposed breach by the Issuer, the Guarantor or (if relevant) any other Transaction Party of its obligations under or in respect of these Rules, these Conditions or any other Programme Document or any act or omission which might otherwise constitute an Event of Default;
- 18.2.5 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;
- 18.2.6 authorise and ratify the actions of the Representative of the Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Programme Document;
- 18.2.7 to appoint any persons (whether Bondholders or not) as a committee to represent the interests of the Bondholders and to confer on any such committee any powers which the Bondholders could themselves exercise by Extraordinary Resolution; and
- 18.2.8 authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

18.3 Programme Resolutions

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Bondholders to take any action pursuant to Condition 10.2 (*Issuer Events of Default*) and Condition 10.3 (*Guarantor Event of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) or to extend the Test Remedy Period or to take any other action required by the Conditions or any Programme Document to be taken by Programme Resolution.

18.4 Other Series of Covered Bonds

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

19. EFFECT OF RESOLUTIONS

19.1 Binding nature

Subject to Article 18.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Bondholders duly convened and held in accordance with these Rules shall be binding upon all Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

19.2 Notice of voting results

Notice of the results of every vote on a resolution duly considered by Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Registrar and the Principal Paying Agent (with a copy to the Issuer, the Guarantor and the Representative of the Bondholders within 14 days of the conclusion of each Meeting).

20. CHALLENGE TO RESOLUTIONS

Any absent or dissenting Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. MINUTES

Minutes shall be made of all resolutions and proceedings of each Meeting. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution or a Programme Resolution, or in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. INDIVIDUAL ACTIONS AND REMEDIES

Each Bondholder has accepted and is bound by the provisions of Condition 11 (*Limited Recourse and Non Petition*) accordingly, if any Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Guarantee (hereinafter, a **Claiming Bondholder**), then such Claiming Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Bondholders of his/her intention. The Representative of the Bondholders shall inform the other Bondholders of such prospective individual actions and remedies and invite them to raise, in writing, any objection that they may have by a specific date not more than 30 days after the date of the Representative of the Bondholders notification and not less than 15 days after such notification. If Bondholders representing 5% or more of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding object to such prospective individual actions and remedies, then the Claiming Bondholder will be prevented from taking any individual action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted to the Representative of the Bondholders pursuant to the terms of this Article).

24. MEETINGS AND SEPARATE SERIES

24.1 Choice of Meeting

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

24.1.1 a Resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

24.1.2 a Resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;

- 24.1.3 a Resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;
- 24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Bondholders of all Series; and
- 24.1.5 to all such meetings all the preceding provisions of these Rules shall *mutatis mutandis* apply as though references therein to Covered Bonds and Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

24.2 Denominations other than euro

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of a meeting or any adjourned such meeting or any poll resulting therefrom or any such request or Written Resolution) the Principal Amount Outstanding of such Covered Bonds shall be the equivalent in euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each €1.00 (or such other euro amount as the Representative of the Bondholders may in its absolute discretion stipulate) of the Principal Amount Outstanding of the Covered Bonds (converted as above) which he holds or represents.

25. FURTHER REGULATIONS

Subject to all other provisions contained in these Rules, the Representative of the Bondholders and the Issuer may agree such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Bondholders and the Issuer in their discretion may decide.

TITLE III

THE REPRESENTATIVE OF THE BONDHOLDERS

26. APPOINTMENT, REMOVAL AND REMUNERATION

26.1 Appointment

The appointment of the Representative of the Bondholders takes place by Programme Resolution in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Bondholders which will be BNP Paribas Securities Services, Milan branch.

26.2 Identity of Representative of the Bondholders

The Representative of the Bondholders shall be:

- 26.2.1 a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or
- 26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy

pursuant to Article 107 of Italian Legislative Decree No. 385 of 1993; or

- 26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Bondholders and, if appointed as such, they shall be automatically removed.

26.3 **Duration of appointment**

Unless the Representative of the Bondholders is removed by a Programme Resolution of the Bondholders or resigns pursuant to Article 27 (*Resignation of the Representative of the Bondholders*), it shall remain in office until full repayment or cancellation of all the Covered Bonds.

26.4 **After termination**

In the event of a termination of the appointment of the Representative of the Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 **Remuneration**

The Guarantor shall pay to the Representative of the Bondholders an annual fee for its services as Representative of the Bondholders from the First Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions and the relevant Final Terms.

27. **RESIGNATION OF THE REPRESENTATIVE OF THE BONDHOLDERS**

The Representative of the Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Bondholders shall not become effective until a new Representative of the Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Bondholders has accepted its appointment. **provided that** if Bondholders fail to select a new Representative of the Bondholders within three months of written notice of resignation delivered by the Representative of the Bondholders, the Representative of the Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Bondholders*).

28. **DUTIES AND POWERS OF THE REPRESENTATIVE OF THE BONDHOLDERS**

28.1 **Representative of the Bondholders as legal representative**

The Representative of the Bondholders is the legal representative of the Bondholders and has

the power to exercise the rights conferred on it by the Programme Documents in order to protect the interests of the Bondholders.

28.2 Meetings and resolutions

Unless any Resolution provides to the contrary, the Representative of the Bondholders is responsible for implementing all Resolutions of the Bondholders. The Representative of the Bondholders has the right to convene and attend Meetings (together with its adviser) to propose any course of action which it considers from time to time necessary or desirable.

28.3 Delegation

The Representative of the Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Programme Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Bondholders, whether by power of attorney or otherwise, delegate to any person some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Articles 28.3.1 and 28.3.2 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Bondholders may think fit in the interest of the Bondholders. The Representative of the Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 Judicial proceedings

The Representative of the Bondholders is authorised to represent the Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 Consents given by Representative of Bondholders

Any consent or approval given by the Representative of the Bondholders under these Rules and any other Programme Document may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders deems appropriate and, notwithstanding anything to the contrary contained in these Rules or in the Programme Documents, such consent or approval may be given retrospectively.

The Representative of the Bondholders may give any consent or approval, exercise any power, authority or discretion or take any similar action if it is satisfied that the interests of Bondholders will not be materially prejudiced thereby.

28.6 Discretions

Save as expressly otherwise provided herein, the Representative of the Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Bondholders by these Rules or by operation of law.

28.7 Obtaining instructions

In connection with matters in respect of which the Representative of the Bondholders is entitled to exercise its discretion hereunder (including but not limited to forming any opinion in connection with the exercise or non-exercise of any discretion), the Representative of the Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Bondholders shall be entitled to request that the Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

28.8 Remedy

The Representative of the Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Conditions or any other Programme Documents may be remedied, and if the Representative of the Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Bondholders, the other creditors of the Guarantor and any other party to the Programme Documents.

29. EXONERATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

29.1 Limited obligations

The Representative of the Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Programme Documents.

29.2 Specific limitations

Without limiting the generality of the Article 29.1, the Representative of the Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Bondholders hereunder or under any other Programme Document, has occurred and, until the Representative of the Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Programme Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Programme Documents are duly observing and performing all their respective obligations;

29.2.3 except as expressly required in these Rules or any Programme Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Programme Document;

29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Programme Document, or of any other document or any obligation or right created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the

generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

- (i) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;
- (ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection with the Programme;
- (iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;
- (iv) the failure by the Issuer to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and
- (v) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Servicer and the Principal Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;

29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Bondholders contained herein or in any Programme Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Programme Document;

29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Mortgage Receivables contained in the Cover Pool or any part thereof;

29.2.11 shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;

29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Programme Document;

29.2.14 shall not be under any obligation to insure the Cover Pool or any part thereof;

29.2.15 shall, when in these Rules or any Programme Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Bondholders, have regard to the overall interests of the Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;

29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Bondholders by Extraordinary Resolution or by a Written Resolution;

29.2.17 shall, as regards at the powers, trusts, authorities and discretions vested in it by the Programme Documents, except where expressly provided therein, have regard to the interests of both the Bondholders and the other creditors of the Issuer or the Guarantor but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interest of the Bondholders;

29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Programme Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all costs, charges, damages, expenses and liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Programme Documents shall require the Representative of the Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and

29.2.19 shall not have any liability for any loss, liability, damages claim or expense directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Bondholder, any Other Guarantor Creditor or any other person (except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Bondholders) as a result of (a) the delivery by the Representative of the Bondholders of the certificate of incapability of remedy relating any material default of obligations pursuant to Condition 10.2 (*Issuer Events of Default*) and Condition 10.3 (*Guarantor Events of Default*) on the basis of an opinion formed by it in good faith; or (b) any determination, any act, matter or thing that will not be materially prejudicial to the interests of the Bondholders as a whole or the interests of the Bondholders of any Series.

29.3 Illegality

No provision of these Rules shall require the Representative of the Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend

moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or liability which it may incur as a consequence of such action. The Representative of the Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. RELIANCE ON INFORMATION

30.1 Advice

The Representative of the Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic.

30.2 Certificates of Issuer and/or Guarantor

The Representative of the Bondholders may require, and shall be at liberty to accept as sufficient evidence:

30.2.1 as to any fact or matter *prima facie* within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

30.2.1 to the effect that any particular dealing, transaction, step or thing is expedient, a certificate (stating that such is the case) of a director of the Issuer or (as the case may be) the Guarantor,

and the Representative of the Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 Resolution or direction of Bondholders

The Representative of the Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Bondholders.

30.4 Certificates of Monte Titoli Account Holders

The Representative of the Bondholders, in order to ascertain ownership of the Covered

Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 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 Agencies

The Representative of the Bondholders in evaluating, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the Bondholders of any Series or of all Series for the time being outstanding, may consider, *inter alia*, the circumstance that the then current rating of the Covered Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise. If the Representative of the Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agencies as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Bondholders or the Representative of the Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.7 Certificates of Parties to Programme Document

The Representative of the Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Programme Document,

30.7.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Programme Document;

30.7.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.7.3 as to such party's opinion with respect to any issue

and the Representative of the Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any loss, liability, cost, damage, expense, or charge incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.8 Auditors

The Representative of the Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. AMENDMENTS AND MODIFICATIONS

31.1 **Modifications**

The Representative of the Bondholders may at any time and from time to time and without the consent or sanction of the Bondholders of any Series concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

- 31.1.1 to these Rules, the Conditions and/or the other Programme Documents which, in the opinion of the Representative of the Bondholders, it may be expedient to make **provided that** the Representative of the Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Bondholders of any Series; and
- 31.1.2 to these Rules, the Conditions and/or the other Programme Documents which is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law; and
- 31.1.3 to these Rules, the Conditions and/or the other Programme Documents which, in the opinion of the Representative of the Bondholders (which may be based on the advice of, or information obtained from, any lawyer, accountant, banker, tax advisor, or other expert or confirmation of rating) is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Bondholders.

31.2 **Binding Nature**

Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding upon the Bondholders and, unless the Representative of the Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Bondholders in accordance with Condition 16 (*Notices*) and the Other Guarantor Creditors as soon as practicable thereafter.

31.3 **Establishing an error**

In evaluating whether an error is established as such, the Representative of the Bondholders may have regard to any evidence on which the Representative of the Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to any of the following:

- 31.3.1 a certificate from the Arranger:
 - (i) stating the intention of the parties to the relevant Programme Document;
 - (ii) confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention; and
 - (iii) stating the modification to the relevant Programme Document that is required to reflect such intention.
- 31.3.2 may consider, *inter alia*, the circumstance that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

31.3 **Obligation to act**

The Representative of the Bondholders shall be bound to concur with the Issuer and the

Guarantor and any other party in making any modifications to these Rules, the Conditions and/or the other Programme Documents if it is so directed by an Extraordinary Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32. WAIVER

32.1 Waiver of Breach

The Representative of the Bondholders may at any time and from time to time without the consent or sanction of the Bondholders of any Series and, without prejudice to its rights in respect of any subsequent breach, condition or event but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds of any Series then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive any proposed breach or breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Guarantee, these Rules, the Conditions or the other Programme Documents; or

32.1.2 determine that any Event of Default shall not be treated as such for the purposes of the Programme Documents,

without any consent or sanction of the Bondholders.

32.2 Binding Nature

Any such authorisation or waiver or determination may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding on all Bondholders and, if the Representative of the Bondholders so requires, shall be notified to the Bondholders in accordance with Condition 16 (*Notices*) and the Other Guarantor Creditors by the Issuer or the Guarantor, as soon as practicable after it has been given or made in accordance with the provisions of the conditions relating to Notices and the relevant Programme Documents.

32.3 Restriction on powers

The Representative of the Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution, but so that no such direction shall affect any authorisation, waiver or determination previously given or made.

32.4 Obligation to act

The Representative of the Bondholders shall be bound to waive or authorise any breach or proposed breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Guarantee, these Rules or any of the other Programme Documents or determine that any Event of Default shall not be treated as such if it is so directed by an Extraordinary Resolution or a Programme Resolution, as the case may be, and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

33. INDEMNITY

Pursuant to the Programme Agreement, the Guarantor has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already

reimbursed, paid or discharged by the Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands properly incurred by or made against the Representative of the Bondholders or any entity to which the Representative of the Bondholders has delegated any power, authority or discretion in relation to the exercise or purported exercise of its powers, authorities and discretions and the performance of its duties under and otherwise in relation to these Rules and the Programme Documents (including but not limited to legal and travelling expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Bondholders pursuant to the Programme Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Programme Documents) except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Bondholders.

34. LIABILITY

Notwithstanding any other provision of these Rules and save as provided in the Programme Documents, the Representative of the Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Programme Documents, the Covered Bonds or these Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

35. SECURITY DOCUMENTS

35.1 The Deed of Pledge

The Representative of the Bondholders shall have the right to exercise all the rights granted by the Guarantor to the Bondholders pursuant to the Deed of Pledge. The beneficiaries of the Deed of Pledge are referred to in this Article 35 as the **Secured Bondholders**.

35.2 Rights of the Representative of the Bondholders

35.2.1 The Representative of the Bondholders, acting on behalf of the Secured Bondholders, shall be entitled to appoint and entrust the Guarantor to collect, in the Secured Bondholders' interest and on their behalf, any amounts deriving from the pledged claims and rights, and shall be entitled to give instructions, jointly with the Guarantor, to the respective debtors of the pledged claims to make the payments related to such claims to the Payments Account or to any other account opened in the name of the Guarantor and appropriate for such purpose;

35.2.2 the Secured Bondholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the pledged claims or credited to the Payments Account or to any other account opened in the name of the Guarantor and appropriate of such purpose which is not in accordance with the provisions of this Article 35. The Representative of the Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the pledged claims under the Deed of Pledge except in accordance with the provisions of this Article 35 and the Intercreditor Agreement.

TITLE IV

THE ORGANISATION OF THE BONDHOLDERS AFTER SERVICE OF AN NOTICE

36. POWERS TO ACT ON BEHALF OF THE GUARANTOR

It is hereby acknowledged that, upon service of a Guarantor Event of Default Notice or, prior to service of a Guarantor Event of Default Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Mandate Agreement the Representative of the Bondholders, in its capacity as legal representative of the Bondholders, shall be entitled (also in the interests of the Other Guarantor Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Bondholders, in its capacity as legal representative of the Bondholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's rights under certain Programme Documents, including the right to give directions and instructions to the relevant parties to the relevant Programme Documents.

TITLE V

GOVERNING LAW AND JURISDICTION

37. GOVERNING LAW

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

38. JURISDICTION

The Courts of Milan will have jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Series of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS] - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA) or in the United Kingdom (UK). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (**MiFID II**); or (ii) a customer within the meaning of Directive (UE) 2016/97 (as amended, the **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 or in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]

[MiFID II Product Governance / Professional investors and ECPs only target market] – Solely for the purposes of each of the 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 [●]

Credito Emiliano S.p.A.

Legal Entity Identifier (LEI): [●]

Issue of [*Aggregate Nominal Amount of Series*] [*Title of Covered Bonds*] **Covered Bonds due**
[*Maturity*]

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

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

CREDEM CB S.r.l.

Legal Entity Identifier (LEI): [●]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the **Conditions**) set forth in the prospectus dated 18 December 2020 [and the supplement[s] to the prospectus dated [●]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the Regulation (EU) 2017/1129 (as amended from time to time, the **Prospectus Regulation**). This document constitutes the Final Terms of the Covered Bonds described

herein for the purposes of Article 8 of the Prospectus Regulation. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms [and the Base Prospectus as so supplemented]. [The Base Prospectus [, including the supplement[s]] [is/are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.]

1.
 - (i) Series Number: [●]
 - (ii) Tranche Number: [●]

 [(To be fungible from the date on which the Covered Bonds are issued with the [●] Series [●] Tranche [●] Covered Bonds due [●] issued on [●])]
 - (iii) Date on which the Covered Bonds will become fungible: [Not Applicable] / [The Covered Bonds will be consolidated, form a single Series and be interchangeable for trading purposes with [(insert Number of the Series and ISIN Code)] on [the Issue Date/ (insert date)]]
2. Specified Currency or Currencies: [●] [Euro/UK Sterling/Swiss Franc/Japanese Yen/ US Dollar/Other]
3. Aggregate Nominal Amount
 - (i) Series: [●]
 - (ii) Tranche: [●]
4. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]

5. (i) Specified Denominations: [●] [plus integral multiples of [●]] (*Include the wording in square brackets where the Specified Denomination is €100,000 or equivalent plus multiples of a lower principal amount.*)
- (ii) Specified Form: The Covered Bonds will be issued in [dematerialised/ registered] form.
- (iii) Calculation Amount: [●]
6. (i) Issue Date [●]
- (ii) Interest Commencement Date [Specify/Issue Date/Not Applicable]
7. Maturity Date: [Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year.]
8. Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Guarantee: [Not applicable / Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]
9. Interest Basis: [[●] per cent. Fixed Rate][[EURIBOR/LIBOR/[other]] +/- [Margin] per cent. Floating Rate]
- (further particulars specified below)
10. Put/Call Options: [Not Applicable]
- [Investor Put] (*as referred in Condition 6(f)*)
- [Issuer Call] (*as referred in Condition 6(d)*)
- [(further particulars specified below)]

11. [Date of [Board] approval for issuance of [●] [and [●], respectively]
Covered Bonds [and Guarantee]
[respectively]] obtained:

(N.B. Only relevant where Board (or similar) authorisation is required for the particular series of Covered Bonds or related Guarantee)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12. **Fixed Rate Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Rate(s) of Interest: [●] per cent per annum payable in arrears on each Interest Payment Date
- (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] [●]/[Not applicable]
- (v) Day Count Fraction: [Actual/Actual (ICMA)
Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/360
30/360
30E/360
Eurobond Basis
30E/360 (ISDA)]

13. **Floating Rate Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Interest Period(s): [●]

(ii) Specified Period: [●]

(Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")

(iii) Interest Payment Dates: [●]

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")

(iv) First Interest Payment Date: [●]

(v) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention/Preceding Business Day Convention/FRN Convention/Floating Rate Convention/Eurodollar Convention/No Adjustment]

(vi) Additional Business Centre(s): [●]/[Not Applicable]

(vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]

(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[Name, address(es)] shall be the Calculation Agent]

(ix) Screen Rate Determination:

(A) Reference Rate: [●] month [LIBOR/EURIBOR]

(B) Reference Banks: [[●]/Not Applicable]

- (C) Interest Determination [●]
Date(s):
- (D) Relevant Screen Page: [●](For example, Reuters LIBOR 01/
EURIBOR 01)
- (E) Relevant Time: [●](For example, 11.00 a.m. Luxembourg
time/Brussels time)
- (F) Relevant Financial Centre: [●](For example, Luxembourg/Euro-zone
(where Euro-zone means the region comprised
of the countries whose lawful currency is the
euro))
- (x) ISDA Determination:
- (A) Floating Rate Option: [●]
- (B) Designated Maturity: [●]
- (C) Reset Date: [●]
- (xi) Margin(s): [+/-][●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ICMA)
Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/360
30/360
30E/360
Eurobond Basis
30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

14. Call Option

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-
paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): ☐
- (ii) Optional Redemption Amount(s) of ☐ per Calculation Amount Covered Bonds:
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: ☐ per Calculation Amount
 - (b) Maximum Redemption Amount: ☐ per Calculation Amount
- (iv) Notice period: ☐

15. **Put Option**

☐ [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): ☐
- (ii) Optional Redemption Amount(s) of ☐ per Calculation Amount each Covered Bonds:
- (iii) Notice period: ☐

16. **Final Redemption Amount of Covered Bonds** ☐ per Calculation Amount

- (i) Minimum Final Redemption Amount: ☐ per Calculation Amount
- (ii) Maximum Final Redemption Amount: ☐ per Calculation Amount

17. **Early Redemption Amount**

Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Guarantor Event of Default: ☐ [Not Applicable / ☐ per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

18. Additional Financial Centre(s):

[Not Applicable/[●]]

[Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 14(ii) and 15(vi)]

[THIRD PARTY INFORMATION]

(Relevant third party information) has been extracted from *(specify source)*. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by *(specify source)*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Credito Emiliano S.p.A.

By:

Duly authorised

Signed on behalf of CREDEM CB S.r.l.

By:

Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Listing [Official list of the Luxembourg Stock Exchange/(*specify other*)/ None]

(ii) Admission to trading [Application has been made by the Issuer (or on its behalf) [for the Covered Bonds to be admitted to trading on] [the regulated market of the Luxembourg Stock Exchange/*specify other regulated market*] with effect from [●]]/[Not Applicable.]

(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)

2. RATINGS

[Applicable/Not Applicable]

Ratings:

[The Covered Bonds to be issued [have been rated]/[are expected to be rated]/[The following ratings assigned to the Covered Bonds of this type issued under the Programme generally:]] [Not applicable]

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)

[The credit ratings included or referred to in

these Final Terms [have been issued by Moody's and Fitch, each of which is established in the European Union and registered under Regulation (EC) No 1060/2009 as amended from time to time, including also by Regulation (EU) No. 513 of 2011 and Regulation (EU) No. 462 of 2013 (the **CRA Regulation**)] [As such Moody's and Fitch are included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation as of the date of these Final Terms.

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its] affiliates in the ordinary course of business” [*Amend as appropriate if there are other interests*]

(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)

4. **REASONS FOR THE OFFER, NET AMOUNT OF PROCEEDS AND TOTAL EXPENSES**

[(i) Use of proceeds: ☒

[(ii) Estimated net amount of proceeds ☒

[(iii) Estimated expenses in relation to the admission to trading ☒

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**

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:

[●]] (*if available*)

CFI

[[●]/Not Applicable] as published on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN. [●].

FISN

[[●]/Not Applicable] as published on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

Any Relevant Clearing System(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable/*give name(s), address(es) and number(s)*]

Delivery:	Delivery [against/free of] payment
Names and Specified Offices of additional Principal Paying Agent(s) (if any):	<i>[Not Applicable/give name(s), address(es) and number(s)]</i>
Intended to be held in a manner which would allow Eurosystem eligibility:	<i>[Yes][No][Not Applicable](Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be held in a form which would allow Eurosystem eligibility (i.e. issued in dematerialised form (emesse in forma dematerializzata) and wholly and exclusively deposited with Monte Titoli in accordance with 83-bis of Italian legislative decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in article 83-quater of such legislative decree) and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.)</i>

8. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names and business addresses of Managers	<i>[Not Applicable/give names and business address]</i>
(iii)	Name(s) and business addresse(s) of Stabilising Manager(s) (if any):	<i>[Not Applicable/give names and business address]</i>
(iv)	If non-syndicated, name and business addressee of Dealer:	<i>[Not Applicable/give names and business address]</i>
(v)	U.S. Selling Restrictions:	[Reg. S Compliance Category]

- (vi) Prohibition of Sales to EEA and UK Retail Investors:

[Applicable/Not Applicable]

(If the offer of the Covered Bonds is concluded prior to 1 January 2018, or, on and after that date, 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.)

PRO FORMA REGISTERED COVERED BONDS

The following is the form of Registered Covered Bonds (the pro forma certificate with the relevant Conditions attached as Schedule 1 and the relevant Final Terms attached as Schedule 2)

FORM OF REGISTERED COVERED BONDS

REGISTERED COVERED BONDS

THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

CREDITO EMILIANO S.P.A.

SERIES [●] REGISTERED COVERED BONDS

[Insert currency and principal amount]

[Insert currency and principal amount in words]

Issue Date: *[insert date]*

Maturity Date: *[insert date]*

[if the Registered Covered Bonds has an Extended Maturity Date, insert: Extended Maturity Date: [insert date]]

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

CREDEM CB S.R.L.

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

This certificate evidences the Series [●] registered Covered Bonds (the **Registered Covered Bonds**) of Credito Emiliano S.p.A. with its registered office in Reggio Emilia, Via Emilia San Pietro, 4, Italy, (the **Issuer**) described, and having the provisions specified, in the Conditions attached as Schedule 1 hereto (the **Registered Covered Bonds Conditions**) which forms an integral part thereof and in the Final Terms attached under Schedule 2 (the **Registered Covered Bonds Final Terms**). Words and expressions defined or set out in the Registered Covered Bonds Conditions and in the Registered Covered Bonds Final Terms shall have the same meaning when used in this certificate.

The Issuer shall pay to the registered holder of this Registered Covered Bonds the amounts payable in respect thereof pursuant to the Registered Covered Bonds Conditions and the Registered Covered Bonds Final Terms.

The rights and claims arising out of the Registered Covered Bonds as well as the title to this certificate will be transferred solely on the basis of due registration in the Register held by [●] as Registrar. Solely the duly registered holder of Registered Covered Bonds in the Register may claim payments under the Registered Covered Bonds.

The Issuer hereby certifies that at the date hereof ***[insert name and complete address of Bondholder]*** has been entered in the Register as the holder of this Registered Covered Bonds in the aforesaid principal amount.

This Registered Covered Bonds shall not be valid unless authenticated by the Registrar.

This Certificate is written in the English language [and provided with a [●] language translation.] The English text shall be prevailing and binding. [The [●] language translation is provided for convenience only.]

[*insert issue date*]

CREDITO EMILIANO S.P.A.

SIGNED by [*insert name of individual*]

As an authorises signatory

For **CREDITO EMILIANO S.P.A.**

**Authenticated without recourse,
warranty or liability by**

[●] as Registrar

By:

* * * * *

SCHEDULE 1

REGISTERED COVERED BONDS CONDITIONS

[TO BE COPIED IN FROM SECTION "CONDITIONS OF THE COVERED BONDS" OF THE PROSPECTUS UPON EXECUTION OF THIS PRO-FORMA REGISTERED COVERED BOND]

* * * * *

SCHEDULE 2

REGISTERED COVERED BOND FINAL TERMS

[FINAL TERMS TO BE ATTACHED UPON THEIR EXECUTION]

USE OF PROCEEDS

The net proceeds of the sale of the Covered Bonds will be used by the Issuer for general funding purposes of Credito Emiliano S.p.A..

THE ISSUER

*The Issuer's interim unaudited consolidated financial statements as at 30 June 2020 (the **2020 Interim Financial Statements**), the Issuer's annual audited consolidated financial statements as at and for the year ended 31 December 2019 (the **2019 Annual Financial Statements**) and its annual audited consolidated financial statements as at and for the year ended 31 December 2018 (the **2018 Annual Financial Statements**) have been prepared in compliance with the accounting principles (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission as provided for by Regulation (EC) No. 1606/2002 of 19 July 2002 ("IFRS").*

The 2020 Interim Financial Statements, 2019 Annual Financial Statements and 2018 Annual Financial Statements are incorporated by reference into this Prospectus.

The 2019 Annual Financial Statements include comparative figures showing, inter alia, income statement and balance sheet items as at and for the year ended 31 December 2018.

The 2019 Annual Financial Statements and 2018 Annual Financial Statements have been audited by EY S.p.A. The audit reports issued by EY S.p.A. are incorporated by reference into this Prospectus (see "Documents Incorporated by Reference").

Introduction and History

Credito Emiliano S.p.A. (the **Issuer** or the **Bank**) was incorporated in Italy as a joint stock company (*società per azioni*) under the provisions of the Italian Civil Code on 12 July 1973 (with the name Interfinanziaria S.p.A.) and is registered in the company register of Reggio Emilia under number 01806740153 (Article 4 of the Issuer's By-laws provides for the duration of the Issuer until 31 December 2050). Its corporate objects, as set out in Article 3 of the By-laws, are deposit-taking and carrying on of all lending as well as providing banking and financial services, including financings and other specially regulated activities. Its registered office is at Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy, and its investor relations telephone number is +39 0522 582580. The Issuer operates subject to the Consolidated Banking Act.

The Issuer is one of the leading Italian private banks. The Issuer and its subsidiaries (together, the **CREDEM Group**) form a medium-sized, multi-regional banking group, headquartered in Reggio Emilia in northern Italy. Having operated originally as a retail bank, the CREDEM Group now provides a full range of commercial and asset management services. An expansion plan commenced in the 1970s has given the Issuer a national presence based on its local origins: it is now active throughout the whole of Italy whilst maintaining a strong presence in Emilia Romagna. As at 30 June 2018, the CREDEM Group comprised 13 companies (known as the "Banking Group" perimeter. Credemvita (as defined below), as a life insurance company, despite being fully owned by the Issuer and being consolidated line-by-line, is not included in the "Banking Group" perimeter) operating in a wide range of financial activities.

The Issuer was established in 1910 under the name of Banca Agricola Commerciale di Reggio Emilia, as a local private bank in the northern region of Emilia Romagna. The current denomination of Credito Emiliano S.p.A. has been used since 1983 following the acquisition by the Issuer of Banca Belinzaghi di Milano, the first step taken by the Issuer towards expansion on a national level.

During the 1990s, the CREDEM Group implemented an active acquisition campaign, taking over almost thirty small Italian banks, mainly located in the southern part of Italy. In 1994, the Credem Group acquired Euromobiliare S.p.A. (**Euromobiliare**), a banking group active in investment banking and asset management sectors, from HSBC. Euromobiliare was merged with the Issuer in 1997 and since October of the same year, the Issuer has been listed on the Italian Stock Exchange.

As at 30 June 2020, the CREDEM Group had 512 branches operating across 19 regions and 91 provinces of Italy.

Website

The website of the Issuer is <https://www.credem.it/content/credem/it/privati-e-famiglie.html>.

The information on the website does not form part of this Base Prospectus unless information contained therein is incorporated by reference into this Base Prospectus.

Ratings

The credit ratings assigned to the Issuer are the following:

- Fitch Italia Società Italiana per il Rating S.p.A. : BBB-/F3/Stable
- Moody's France SAS:
 - Baseline Credit Assessment: Baa3
 - LT Counterparty Risk Rating: Baa1
 - ST Counterparty Risk Rating: Prime-2
 - LT Bank Deposits: Baa3 (negative)

LEI

The legal entity identifier (LEI) of the Issuer is 8156004B244AA70DE787.

Principal Markets

The core business of CREDEM Group is focused on commercial banking and wealth management. Commercial banking relates to the distribution of financial products and provision of services to the CREDEM Group's retail and corporate customers, with the wealth management focusing on management of mutual investment funds, SICAV investment funds, asset management as well as private equity. The Issuer is active in all areas of domestic retail and commercial banking and also operates, through its subsidiaries, in mutual fund management, leasing, factoring and insurance.

Business Overview

At 30 June 2020, Operating Income was € 576.4 million.

The Issuer's principal activities are: commercial banking and wealth management.

Commercial Banking

Commercial banking activities are conducted by the Issuer and some other subsidiaries within the CREDEM Group: Credemleasing S.p.A. (**Credemleasing**), Credemfactor S.p.A. (**Credemfactor**), Avvera S.r.l. (**Avvera**), Banca Euromobiliare S.p.A. (**Banca Euromobiliare**). As at 30 June 2020, the Issuer contributed € 32.5 million (or 41.7%) to the CREDEM Group's net profit, compared to €47.0 million as at 30 June 2019 (46.3%).

Wealth Management

Asset management activities of the CREDEM Group are organised through Euromobiliare Asset Management SGR S.p.A. (**Euromobiliare Asset Management**), Credem Private Equity SGR S.p.A. (**Credem Private Equity**), Euromobiliare Advisory SIM (Investment Firm) and Credemvita S.p.A. (**Credemvita**). As at 30 June 2020, the CREDEM Group had €34.4 billion in customer assets under management and insurance reserves, of which €7.3 billion in insurance reserves, managed through Credemvita.

Financial Highlights of the CREDEM Group

The following table shows selected financial information (consolidated) as at 30 June 2020 and 2019:

<i>€ millions</i>	30 June	
	<i>(unaudited)</i>	
	2020	2019
Total assets	53,067.8	44,990.1
Total liabilities	50,140.4	42,264.8
Group shareholders' Equity	2,927.4	2,725.3
Profit (loss) attributable to the Parent Company	77.9	101.5

Ownership and Capital Structure of the Issuer

As of June 2020, the authorised share capital of the Issuer was €332,392,107 and the issued share capital was €332,392,107, divided into 332,392,107 ordinary shares with a nominal value of €1.00 each. As at the same date, the share capital was fully paid-up, no convertible debt existed and the Issuer owns 1,677,374 treasury shares, corresponding to 0.50 per cent. of the share capital.

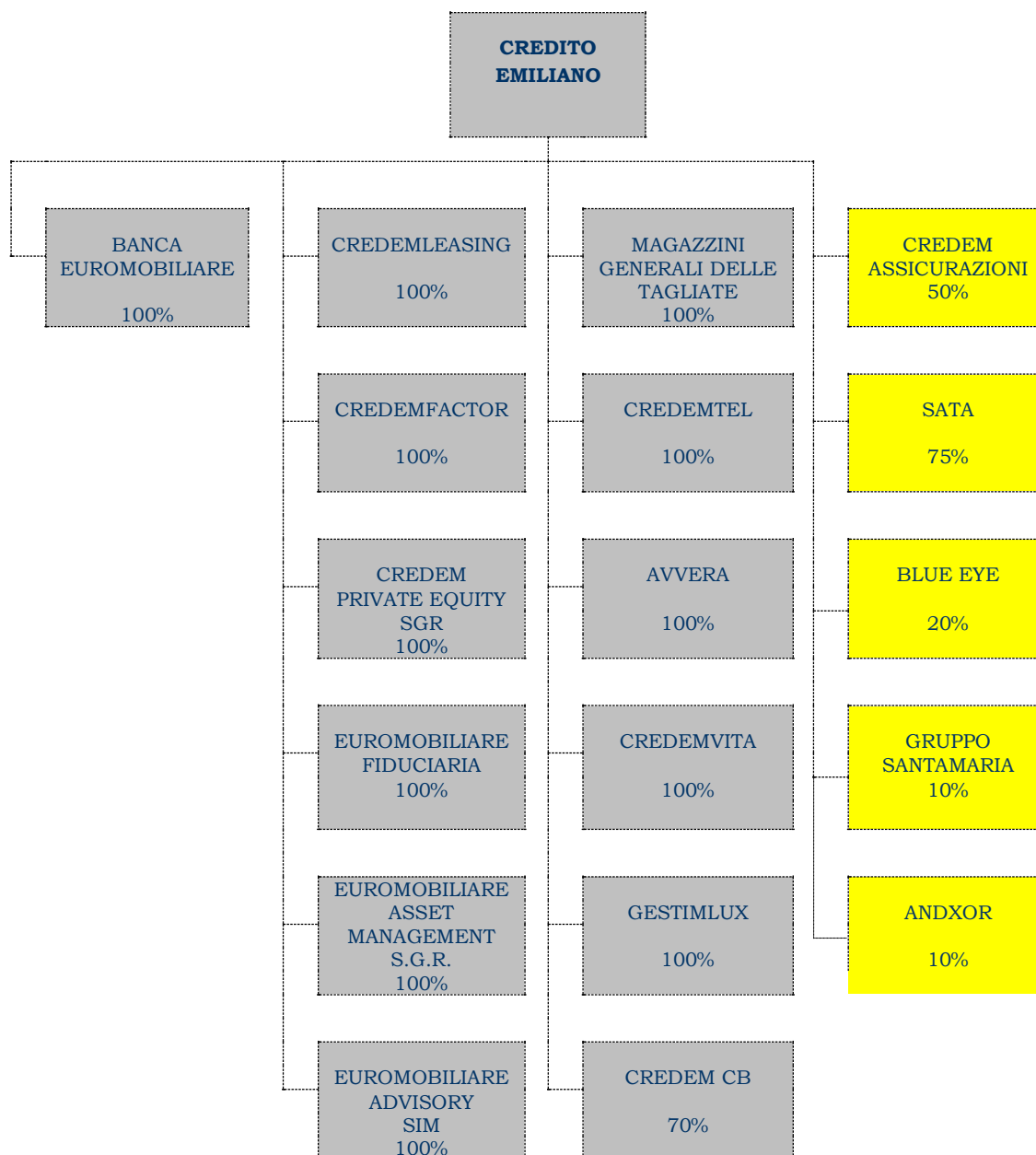
The Issuer is controlled by Credito Emiliano Holding S.p.A. (CredemHolding). As at December 31, 2019, the major shareholders of CredemHolding were Cofimar S.r.l. (24.58 per cent.)(*), Società Anonima Finanziaria Emiliana S.r.l. (8.62 per cent.), P. European Investment S.a.r.l. (5.00 per cent.), Unity R.E. SpA (4.85 per cent.)(*), Fincorrad S.r.l. (3.73 per cent.) and Eredi Savioli S.r.l. (3.50 per cent.). This group, together with various local families most of whom were amongst the original founders of the bank at the beginning of the century, entered into a shareholders' agreement controlling 76.35 per cent. of the shares in CredemHolding. The remaining 23.65 per cent. of the shares in CredemHolding are owned by approximately 2,800 other shareholders.

(*) to the value of shares with voting rights

As at the date of this Prospectus, CredemHolding holds 78.24 per cent. of the Issuer's share capital. The remaining 21.76 per cent. of the shares in the Issuer are listed on the Italian Stock Exchange and are widely held.

Organisational structure of the CREDEM Group

The following diagram shows the organisation of the CREDEM Group as at the date of the Prospectus.



Notes:

- percentages refer to directly or indirectly exercisable voting rights.
- The highlighted in yellow equity investment is valued under the equity method.

The following table provides certain information relating to the significant consolidated subsidiaries of the Issuer as at the date of the Prospectus.

Company	Registered office	Type of Relationship (**)	Shareholding Relationship	
			Shareholder	Share %
Consolidated line-by-line:				
Credemleasing S.p.A.	Reggio Emilia	1	Credito Emiliano S.p.A.	99.90
			Magazzini Generali delle Tagliate S.p.A.	0.10
Credemfactor S.p.A.	Reggio Emilia	1	Credito Emiliano S.p.A.	99.00
			Credemleasing S.p.A.	1.00
Credem Private Equity SGR S.p.A.	Reggio Emilia	1	Credito Emiliano S.p.A.	87.50
			Banca Euromobiliare S.p.A.	12.50
Euromobiliare Asset Management SGR S.p.A.	Milan	1	Credito Emiliano S.p.A.	100.00
Credemtel S.p.A.	Reggio Emilia	1	Credito Emiliano S.p.A.	100.00
Avvera S.r.l.	Reggio Emilia	1	Credito Emiliano S.p.A.	100.00
Magazzini Generali delle Tagliate S.p.A.	Reggio Emilia	1	Credito Emiliano S.p.A.	100.00
Banca Euromobiliare S.p.A.	Milan	1	Credito Emiliano S.p.A.	100.00
Euromobiliare Fiduciaria S.p.A.	Milan	1	Credito Emiliano S.p.A.	100.00
Credemvita S.p.A.	Reggio Emilia	1	Credito Emiliano S.p.A.	100.00
Gestimlux sarl	Luxembourg	1	Credito Emiliano S.p.A.	100.00
Credem CB S.r.l.	Conegliano	1	Credito Emiliano S.p.A.	70.00
Euromobiliare Advisory SIM S.p.A.	Milan	1	Credito Emiliano S.p.A.	100.00
Sata S.r.l.	Modena	1	Credemtel S.p.A.	75.00

Consolidated using the equity method:

Company	Registered office	Type of Relationship (**)	Shareholding Relationship	
			Shareholder	Share %
Credemassicurazioni S.p.A.	Reggio Emilia	2	Credito Emiliano S.p.A.	50.00
Andxor S.r.l.	Cinisello Balsamo	3	Credemtel S.p.A.	20.00
Blue Eye Solutions S.r.l.	Montechiarugolo	3	Credemtel S.p.A.	20.00
Gruppo Santamaria S.p.A.	Catania	3	Avvera S.r.l.	10.00

(**) Type of relationship:

1 = majority of the voting rights of ordinary Shareholders' Meeting

2 = joint control

3 = associated companies

Strategy of the CREDEM Group

The CREDEM Group's strategy focusses on value creation, and has been developed over time through different phases, beginning in 1990, as demonstrated further below.

- *1990–1999: External growth* - through the acquisition of more than 30 small banks and Euromobiliare Group from Midland Bank.
- *2000–2003: Internal growth* - through divisionalisation, the opening of new branches and the creation of corporate centres, achieving sizeable market share increases.
- *2004–2006: Focus on profitability* - by capitalising on the recent expansion of the Credem Group and continuing to develop market shares.
- *2006–2008: Focus on profitability* - strengthening the role of the core businesses and maintaining volume increases above market average.
- *2009–2012: Facing the global crisis* – lowering the CREDEM Group's risk profile both in term of market and credit risks while increasing the CREDEM Group's focus on commercial banking business, capital ratios soundness and organisation efficiency.
- *2013 - ongoing: Taking advantage from a restructuring banking system while facing regulatory changes* – achieving a sizeable market shares increase both on lending and on direct and indirect deposits, investing in new technologies and commercial network while banking system has still to face the consequences of a multi-years economic recession. In the meanwhile, the CREDEM Group has implemented strategies, processes and mechanisms necessary to address the changing regulatory framework and increasing capital requirements, and to benefit from a wealth of external endorsements, opinions and provisions that further improved the CREDEM Group's reputation in terms of security, reliability and solidity as regards its customers, the market and other stakeholders.

DISTRIBUTION CHANNELS AND RESOURCES

As at 30 June 2020, the CREDEM Group's distribution network consisted of 446 branches, 37 corporate centres, 57 Small Business centres and 71 financial outlets, with 839 financial advisors, 209 agents of Avvera and 224 agents with Credem exclusive mandate for "salary backed loans" (*agente cessione quinto*). The following table shows the distribution network of the CREDEM Group as at the dates indicated.

Distribution Structure	30 June 2020	30 June 2019
Credembanca	427	477
Banca Euromobiliare	19	19
Branches	446	496
Corporate Centres	37	37
Small Business Centres	57	57
Financial Outlets	71	73

Branch Network

The following table shows the geographical distribution of the CREDEM Group branch network as at 30 June 2020.

Region	Number	%
Trentino Alto Adige	4	0.9
Piemonte	14	3.1
Liguria	7	1.6
Lombardia	59	13.2
Veneto	25	5.6
Friuli-Venezia Giulia	4	0.9
Emilia Romagna	100	22.4
Marche	8	1.8
Abruzzo	3	0.7
Toscana	27	6.1
Umbria	4	0.8
Lazio	22	4.9
Molise	1	0.2
Campania	38	8.5
Puglia	41	9.2
Basilicata	1	0.2
Calabria	29	6.5
Sicilia	55	12.3
Sardegna	6	1.3

Region	Number	%
Total	446	100.0

Employees

The CREDEM Group had 6,237 employees as at 30 June 2020, compared to 6,201 employees as at 31 December 2019.

COMMERCIAL BANKING

Funding Activities

The CREDEM Group's total funding activities amounted to €43,526.4 million as at 30 June 2020.

The table below sets forth the composition of the consolidated funding activities of the CREDEM Group as at 30 June 2020 and 2019:

<i>€ millions</i>	30 June	
	<i>(unaudited)</i>	
	2020	2019
Deposits from banks	8,999	5,540
Due to customers	28,320	24,290
Debt securities issued	2,830	2,593
Financial liabilities held for trading	58	171
Financial liabilities valued at fair value	3,320	3,276
Total funding activities	43,526	35,869

Interbank Deposits

As at 30 June 2020, 20.7 per cent. of the CREDEM Group's funding activities was represented by deposits from Italian and foreign banks. Total interbank deposits totalled €8,998,712 thousand as at 30 June 2020.

A breakdown of interbank deposits as at 30 June 2020 and 2019 is provided in the table below:

<i>€ thousands</i>	30 June	
	<i>(unaudited)</i>	
	2020	2019
Deposits from central banks	7,278,605	2,967,871
Deposits from banks	1,720,108	2,571,765

	30 June	
	<i>(unaudited)</i>	
<i>€ thousands</i>	2020	2019
- current accounts and demand deposits	144,742	86,607
- time deposits	8,184	6,730
- loans	1,567,038	2,415,166
- other liabilities	144	63,262
Total	8,998,713	5,539,636

Customer Deposits

The CREDEM Group offers its retail and corporate customers a wide range of deposit products, including savings accounts, current accounts, bonds and time deposits. As at 30 June 2020, banking direct deposits (including repurchase agreements) amounted to €30,861 million. Customer deposits are collected through the CREDEM Group's branch network " and through relationship management with corporate clients. See "*Distribution Channels and Resources*" for further information.

A breakdown of customer deposits as at 30 June 2020 and 2019 is provided in the table below:

	30 June	
	<i>(unaudited)</i>	
<i>€ millions</i>	2020	2019
Deposits	27,981	24,113
Bonds and subordinated debt	2,880	2,643
Direct deposits excluding repurchase agreements	30,861	26,757
Repurchase agreements ^(*)	-	-
Banking direct deposits^(**)	30,861	26,757
Insurance reserves^(**)	7,344	7,134
Indirect deposits at countervalue	46,983	46,570
Total Deposits	85,188	80,461

(*) the item does not include loans stipulated in the form of repurchase agreements with the clearing house and guarantee fund.

(**) "banking direct deposits" include the contribution of the companies belonging to the CREDEM Group, while "insurance reserves" include Credemvita insurance reserves and financial liabilities designated at fair value.

A breakdown of indirect deposits as at 30 June 2020 and 2019 is provided in the table below:

	30 June	
<i>€ millions</i>	2020	2019
Indirect deposits at countervalue	46,983	46,570

- of which assets under management	27,450	26,939
- of which assets under custody	19,533	10,036

Subordinated Notes

As at 30 June 2020, subordinated notes of the CREDEM Group totalled € 226,811 thousands (a 44 per cent. decrease compared to €408,056 thousands as at 30 June 2019), as set out in the table below:

	30 June	
	<i>(unaudited)</i>	
€ thousands	2020	2019
Subordinated Notes	226,811	408,056

Bonds and Securities Portfolio

As at 30 June 2020 the value of the Issuer's bond and securities portfolio was € 18,698,733 thousands, compared to € 15,832,558 thousands as at 30 June 2019.

The following table provides a breakdown of the Issuer's bond and securities portfolio by book value as at the dates indicated:

	30 June	
	<i>(unaudited)</i>	
€ thousands	2020	2019
Debt securities	14,708,579	11,540,002
Equities securities	147,048	140,766
Units of UCITS	3,473,177	3,719,490
Derivatives instruments	369,930	432,300
Total bond and securities portfolio	18,698,733	15,832,558

As at 30 June 2020, the composition of the CREDEM Group's securities portfolio was as follows (as compared with the CREDEM Group's portfolio composition as at 30 June 2019).

€ thousands	30 June 2020	30 June 2019
	<i>(unaudited)</i>	<i>(unaudited)</i>
Debt securities	14,708,579	11,540,002
• Level 1	14,651,876	11,440,415
• Level 2	41,441	81,327
• Level 3	15,262	18,260
Equity securities	147,047	140,766

<i>€ thousands</i>	30 June 2020	30 June 2019
	<i>(unaudited)</i>	<i>(unaudited)</i>
• Level 1	124,408	119,234
• Level 2	6,047	5,326
• Level 3	16,592	16,206
Units of UCITS	3,473,177	3,719,490
• Level 1	3,267,867	3,541,347
• Level 2	105,598	131,364
• Level 3	99,712	46,779
Derivatives instruments	369,930	432,300
• Level 1	15	209
• Level 2	369,629	432,069
• Level 3	286	22
Total bond and securities portfolio*	18,698,733	15,832,558

IFRS 7 requires financial instruments to be measured at fair value. The fair value hierarchy introduces 3 levels of inputs based on the lowest level of input significant to the overall fair value, in particular:

- Level 1: the fair value of financial instruments is calculated on the basis of listed prices observable on active markets (not adjusted) that may be accessed on the valuation date;
- Level 2: the fair value of financial instruments is calculated on the basis of inputs other than the listed prices included in Level 1 directly or indirectly observable for the asset or liability, also using valuation techniques;
- Level 3: the fair value of financial instruments is calculated on the basis of non-observable inputs for the asset or liability, also using valuation techniques that cannot be observed in the market.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the main market (or more advantageous) at the measurement date under current market conditions (namely an exit price), regardless of the fact that said price can be directly observed or that it is estimated using a different valuation technique.

* Figures include loans measured at fair value as per mandatory requirements (that as of 30 June 2020 equalled €15,262) and loans to bank and loans to customers pertaining to insurance companies measured at amortized cost pursuant to IAS 39 (that as of 30 June 2020 equalled €16,003 and €3,231, respectively). Debt securities at amortized cost and financial assets pertaining to insurance companies measured at amortized cost pursuant to IAS 39 have all been included in the Level 1 without considering their fair value (that as of 30 June 2019 equalled to €5,623,340 and €1,244,644 respectively).

Lending Activities

The CREDEM Group, through the Issuer and its banking subsidiaries, conducts activities in the corporate and retail lending sectors in Italy. As at 30 June 2020, consolidated total loans amounted to € 27,720 million, of which € 27,421 million represented net loans to customers net of repurchase agreements.

The following table sets out the consolidated value of loans to non-bank customers for the periods indicated:

<i>€ millions</i>	30 June	
	<i>(unaudited)</i>	
	2020	2019
Loans to customers net of repurchase agreements	27,421.0	25,453.4
Repurchase agreements(*)	299.7	206.1
Total	27,720.7	25,659.5

(*) the item does not include loans stipulated in the form of repurchase agreements with the clearing house and guarantee fund.

The most significant customer segments for the CREDEM Group was lending to households and small businesses. A breakdown of loans to customers by type of borrower (according to the Bank of Italy classifications) as at 30 June 2020 and 2019 is provided below:

	30 June			
	<i>(unaudited)</i>			
	2020		2019	
	<i>€ millions</i>	<i>%</i>	<i>€ millions</i>	<i>%</i>
Governments and other public entities	314.1	1.1	290.1	1.1
Financial companies	966.9	3.5	477.2	1.9
Non financial companies	14,124.7	51.0	13,385.7	52.2
Others	12,314.9	44.4	11,506.5	44.8
Total	27,720.7	100.0	25,659.5	100.0

A breakdown of customer loans by instrument, as at 30 June 2020 and 2019 is set out below:

	30 June			
	<i>(unaudited)</i>			
	2020		2019	
	<i>€ millions</i>	<i>%</i>	<i>€ millions</i>	<i>%</i>
Current accounts	1,600	5.8%	2,227	8.7%
Repurchase agreements (*)	300	1.1%	206	0.8%
Mortgages	14,724	53.1%	12,231	47.7%
Credit cards and personal loans (incl. salary-backed	1,728	6.2%	1,639	6.4%

	30 June			
	<i>(unaudited)</i>			
	2020		2019	
	€ millions	%	€ millions	%
loans)				
Financial leasing	2,448	8.8%	2,328	9.1%
Factoring	803	2.9%	797	3.1%
Other loans	5,621	20.3%	5,690	22.2%
Debt securities	-	-	-	-
Impaired assets	497	1.8%	541	2.1%
Total	27,721	100.0%	25,659	100.0%

(*) the item does not include loans stipulated in the form of repurchase agreements with the clearing house and guarantee fund.

Non Performing Loans

The following table sets out a breakdown of loans to customers and provisions as at and for the period ended 30 June 2020:

<i>€/millions</i>	Gross exposure	Specific value adjustments	Net exposure
Non Performing loans:			
Bad loans	532.3	371.0	161.3
Unlikely to pay loans	406.1	126.2	279.9
Past-due loans	67.0	11.4	55.6
Total Non Performing loans	1,005.4	508.6	496.8

Bad loans represent exposure towards customers in a state of insolvency, where legal or other actions have been taken with the aim to recover the amounts outstanding. Unlikely to pay are loans due from the customers facing temporary difficulties. Past-due loans include the loans on which the payment of interest is overdue by more than 90 days.

The relative trend of impaired loans relating to the CREDEM Group is illustrated in the following table:

	30 June	
	<i>(unaudited)</i>	
<i>€ millions (except percentages)</i>	2020	2019
Net Bad loans/net loans to customers (%)		
Credem Group	0.6	0.9
Industry ^(*)	1.7	1.8

	30 June	
	<i>(unaudited)</i>	
Provisions for losses (Bad Loans coverage)		
(%)		
Credem Group	2020	2019
	69.7	67.8
Gross exposures		
Bad loans	532.3	693.3
Unlikely to pay loans	406.1	408.6
Past-due loans	67.0	34.3
Total Non Performing loans	1,005.4	1,136.2
Specific write-downs	508.6	594.7
Net exposures		
Bad loans	161.3	223.1
Unlikely to pay loans	279.9	293.0
Past-due loans	55.6	25.4
Total net exposures	496.8	541.5

(*) Industry figures are taken from the monthly publication “Banche e moneta: serie nazionali” of the Bank of Italy, figures are as at June 2020 and June 2019 respectively.

Loans to banks

Loans to banks totalled € 4,686.1 million as at 30 June 2020, compared to € 1,427.7 million as at 30 June 2019, broken down by facility type as set out in the table below:

	30 June	
	<i>(unaudited)</i>	
<i>€ thousands</i>	2020	2019
Loans to central banks	4,035,655	833,110
Time deposits	411	411
Compulsory reserves	4,035,244	832,699

	30 June	
	<i>(unaudited)</i>	
<i>€ thousands</i>	2020	2019
Repurchase agreements	0	0
Others	0	0
Loans to banks	650,417	594,543
Current accounts and demand deposits	110,973	158,030
Time deposits	-	114,802
Others	322,140	321,711
Debt securities	217,304	0
Impaired Assets	0	0
Total	4,686,072	1,427,653

LEASING AND FACTORING

Credemleasing has been operating in the leasing market since 1980. The company operates through branches located in Emilia Romagna, Lombardia, Veneto, Piemonte, Toscana, Lazio, Campania, Puglia, Calabria and Sicilia, and has set-up a series of sub-branches in certain offices of the Issuer and the other banks in the CREDEM Group throughout other regions of Italy. It is active in all areas of financial leasing: vehicles, plant and machinery, real estate and shipping. As at the date of this Prospectus, Credemleasing is among the leading leasing companies operating in Italy (*Source: ASSILEA- Associazione Italiana Leasing*, of which Credemleasing is one of the founding partners).

As at 30 June 2020, Credemleasing signed 1,418 contracts with customers (compared to 2,285 as at 30 June 2019) for a total value of € 320.4 million, of which € 109.5 million were represented by real estate leasing (compared to € 163.6 million as at 30 June 2019). Total leasing receivables as at 30 June 2020 amounted to € 2,711million, compared to € 2,594 million as at 30 June 2019 .

Factoring activities within the CREDEM Group are performed through Credemfactor. Credemfactor was established in 1986 and is based in Reggio Emilia, with branches in Milano, Brescia, Lecco, Padova, Torino, Bologna, Modena, Prato, Pisa, Roma, Latina, Napoli, Barletta, Catania, and trading points at offices of other banks of the CREDEM Group throughout Italy. As at 30 June 2020, the company's net profit amounted to € 2,429 million, compared to € 2,603 million as at and for the period ended 30 June 2019.

WEALTH MANAGEMENT

As at 30 June 2020, total asset under management amounted to € 27,450 million of which mutual funds and SICAVs amounted to € 12,492 million.

The business is operated through Euromobiliare Asset Management, Credem Private Equity, Euromobiliare Advisory SIM and Credemvita.

OTHER SERVICES

Credemtel S.p.A. offers technical support to the interbank corporate banking services division.

Magazzini Generali delle Tagliate S.p.A. is based in Reggio Emilia and offers warehousing and maturing services for cheeses. Net profit as at 30 June 2020 amounted to € 291 thousand, compared to € 316 thousand as at and for the period ended 30 June 2019.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

The CREDEM Group has always considered high quality risk management to be a fundamental element and a strategic objective, in order to ensure the safeguarding of its assets, maximum effectiveness and efficiency of the value creation process, integrate decision making and operational management of different business areas with a multidimensional risk-earnings assessment and to ensure consistency of operational processes with strategies, policies and internal regulations of the CREDEM Group.

Risk management for the CREDEM Group is performed by means of an integrated department which processes information regarding customers and the market. The Issuer's risk management policy is based on a stringent control of financial risks. Risk management procedures are developed and monitored by a department which is external to the Finance Area. The rules relating to the CREDEM Group's financial risks require regular reporting and supply of other information to the Issuer's senior management, committees and board of directors. Risk management and monitoring activity is undertaken by screen-based and electronic systems, which allow a real-time updating of the CREDEM Group's positions. The risk management system is based on gap analysis, sensitivities to the key's risk factors and VaR measures. An asset and liability committee, which meets on a quarterly basis, monitors the CREDEM Group's overall trend and exposure to financial risks. Derivative products are used principally for hedging purposes, or for trading with the customer base.

In relation to the control of market risks, the CREDEM Group's risk management policy focusses principally on the Issuer, that contributes to most of the exposure to market risks. The table below sets out overall average risk (banking book and trading book), calculated using Value At Risk (VAR) methodology (using confidence intervals of 99 per cent., 10-day intervals and multiplying coefficient equal to 3 in accordance with the Bank of Italy's most recent requirements) as at the dates indicated:

<i>€ millions</i>	30 June 2020		31 December 2019		31 December 2018	
	Avg.	Max.	Avg.	Max.	Avg.	Max.
CREDEM	81.9	165.7	53.4	112.3	23.4	52.1

The main objectives of the Issuer's credit policy are to increase customer loans whilst maintaining a high credit quality and avoiding impaired loans.

The Issuer targets small-to-medium-sized companies, offering itself as a strategic, and not merely a financial, partner. The main basis for granting credit lines is the borrowing companies' ability to generate income and cash flow.

The Issuer's credit risk management remains centralised, and is based on a separation of the roles of the credit proposer/customer relations officer and that of the credit approval officer.

A Central Credit Analysis Department, created to ensure separation of roles, approves the majority of the Issuer's loans. Thus the branches to whom the role of proposing and managing the loans is delegated decide only on a limited portion of the Issuer's loans.

The customer relationship officer is responsible for gathering all necessary information regarding the customer to enable an analysis of its current and prospective credit-worthiness. The responsibility of the deliberating officer or body is to evaluate customer's credit-worthiness and thus to establish the

appropriateness of the proposal. Particular care is taken in the analysis of credit requests relating to the construction and property sector and aimed at financing companies in general, as well as medium-long-term financing and participations in syndicated loans.

The decision making process is as follows:

- (a) information gathering;
- (b) analysis of the information (balance sheet, budget, statistic data and sector analysis);
- (c) granting of an internal rating (this is a synthetic indicator of the client's risk level); and
- (d) definition of the amount and of the structure of credit lines and securities.

Credits are regularly reviewed in a six to 24 months period.

The number of officers involved in the credit decision process depends on the size of the credit being extended, according to an internal procedure that appoints increasing powers of approval to officers at different levels of management.

Maximum potential credit limits for each customer are defined by the Bank of Italy regulations.

On 2 October 2015, the Bank of Italy authorised the Issuer to use (as of 30 September 2015) the IRB (Internal Ratings-Based Approach) Advanced method (PD, LGD, EAD) for the quantification of the capital requirements against customer credit risk under the corporate and retail portfolios of the Issuer and Credemleasing. The authorisation marks the completion of a roll-out plan the implementation of which started in June 2008 with the authorisation to use the IRB Foundation method for the corporate customers of the Issuer.

As part of its credit policy the Issuer accepts both personal guarantees and pledged assets as collateral.

CAPITAL ADEQUACY

The Bank of Italy has adopted risk-based capital ratios (**Capital Ratios**) pursuant to European Community (EC) capital adequacy directives. Italy's current capital requirements are, in many respects, similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices. The Capital Ratios, revised after numerous innovations introduced by new Basel III regulations in force from 1 January 2014, compare capital requirements to face bank's assets and certain off-balance sheet items, weighted according to risks (Risk-Weighted Assets).

The Issuer calculates and reports its Capital Ratios on a consolidated basis. In December 2016, the Issuer received notification of the ECB's final decision concerning the capital requirement it has to meet on a consolidated basis as of 1 January 2017. On 6 October 2017 CREDEM Group was identified "financial conglomerate" by ECB under Directive 2002/87/EC. Subsequently, on March 1, 2018 ECB authorized Credem not to deduct its 100% stake in Credemvita S.p.A. from the calculation of the CREDEM Group's Capital ratios, pursuant to article 49 of EU Regulation No. 575/2013 ("CRR"). Such authorization was applied starting from the FY17 capital ratios.

The overall 2020 capital requirement the Issuer has to meet in terms of Common Equity Tier 1 is 7.0%, in terms of Tier 1 Ratio is 8.5% and in terms of Total Capital Ratio is 10.5%. Those thresholds do not include the additional requirement set by the Supervisory Authority for the CREDEM Group, equal to 1% (the lowest among the Italian banking groups directly supervised by the ECB) without considering "capital relief" measures. The table below set forth the own funds and capital adequacy

ratios of the Credemholding (prudential perimeter) as at 30 June 2020 and 31 December 2019, in accordance with the relevant regulations.

Group Capital Requirements

	June 30, 2020	Dec. 31, 2019
Total own funds	2,306	2,340
- of which Common Equity Tier 1	2,110	2,039
- of which Tier 1 Capital	2,159	2,089
Capital absorption relative to the following risks:		
- credit and counterparty risk	1,061	1,048
- market risk	23	27
- operational risk	131	131
Total Capital Requirement	1,059	1,083
(%)		
CET capital ratio ^(***)	13.0	13.3
Tier 1 capital ratio	13.3	13.6
Total capital ratio	15.2	15.5
Minimum supervisory requirements^(****)	SREP 2020	
CET 1 capital ratio	7.0	
Tier 1 capital ratio	8.5	
Total capital ratio	10.5	

(*) regulations in force “fully phased”

(**) regulations in force “fully phased”

(***) if CET1<TIER1; CET1=T1

(****) including the “capital conservation buffer”, without 1% of Pillar 2 requirement (without considering “capital relief” measures)

ALTERNATIVE PERFORMANCE MEASURES

This Prospectus contains, or incorporates by reference, certain financial measures and alternative performance indicators that the Issuer considers to constitute alternative performance measures (APMs) for the purposes of the ESMA (European Securities Markets Authority) Guidelines on Alternative Performance Measures (the **APM Guidelines**). These APMs are used in order to help the assessment of the quality and sustainability of the net result of the CREDEM Group in the various business segments and territorial areas. Investors should view the APMs as complementary to, and not a substitute for, the figures determined according to IFRS.

The Issuer considers the following financial measures to constitute APMs:

<i>APM</i>	<i>Page number on half-yearly financial statements</i>	<i>Definition</i>	<i>Reconciliation</i>
Asset Under Management	34	The total market value of assets that an investment company or financial institution manages on behalf of Groups' clientele and which generate asset management fees based on a percentage of the assets' market value. AUM reflects assets that are generally managed for institutional, high net-worth and retail clients and are distributed through various investment products including mutual funds, other commingled vehicles and separate accounts. This APM and its components relate to the performance of the past reporting period.	The value of Asset Under Management as at the end of June 2020 was €27,450 million calculated as the sum of the amount pertaining to the following products as on page 33 of the Credem Half-Year 2020 Financial Statements: portfolio management (€5,699 million), mutual investment funds (€7,695 million), SICAV (€4,797 million) and other third party products (€9,260 million). The value of Asset Under Management as at the end of June 2019 was €26,939 million calculated as the sum of the amount pertaining to the following products as on page 29 of the Credem Half-Year 2019 Financial Statements: portfolio management (€5,728 million), mutual investment funds (€7,308 million), SICAV (€5,000 million) and other third party products (€8,903 million).
Asset Under Custody	34	Custodial financial assets administered for Group's customers excluding brokerage assets. This APM and its components relate to the performance of the past reporting period.	The value of Asset Under Custody as at the end of June 2020 was €19,533 million calculated as the difference between the "Indirect Deposit at Countervalue" as from page 31 of the Credem Half-Year 2020 Financial Statements (€46,983 million) and the value of

			Asset Under Management, as from page 33 of the Credem Half-Year 2020 Financial Statements (€27,450 million). The value of Asset Under Custody as at the end of June 2019 was €19,631 million calculated as the difference between the “Consolidated indirect deposits” as from page 29 of the Credem Half-Year 2019 Financial Statements (€46,570 million) and the value of Asset Under Management, as from page 29 of the Credem Half-Year 2019 Financial Statements (€26,939 million).
ROE	56	Calculated as Profit for the period on average “shareholders’ equity” in the period. The ratio is a proxy of the profit (return) that the bank can generate leveraging on the shareholders’ equity This APM and its components relate to the performance of the past reporting period.	The level of ROE as at the end of June 2020 was 2.7% calculated as profit for the period (€77.9 million as at the page 73 of Credem Half-Year 2020 Financial Statements (item 350 of the “Consolidated Income Statement”)) on average “shareholders’ equity” value (equal to €2,896 million and calculated as the average between the “shareholders’ equity” as at the end of December 2019, €2,884 million, and the “shareholders’ equity” as at the end of June 2020, €2,909 million). The “shareholders’ equity” as at the end of June 2020 is the sum of items 120 Valuation Reserves, 125 Valuation Reserves pertaining to insurance companies pursuant to IAS39, 150 Reserves, 160 Share Premium Reserve, 170 Share Capital, 180 Treasury Shares (-), as from page 72, plus the capitalization of the half-year result (€59.5 million) as on page 62 of the Credem Half-Year 2020 Financial Statements. The “shareholders’ equity” as at the end of December 2019 is the sum of items 120 Valuation Reserves, 125 Valuation Reserves pertaining to insurance companies pursuant to IAS39, 150 Reserves, 160 Share

			Premium Reserve, 170 Share Capital, 180 Treasury Shares (-) as from page 72 of the Credem Half-Year 2020 Financial Statements, plus the capitalization of the 2019 year result (€201.3 million, item 200 Profit for the period) as on page 72 of the Credem Half-Year 2020 Financial Statements. The level of ROE as at the end of June 2019 was 3,9% calculated as profit for the period (€101.5 million as at the page 70 of Credem Half-Year 2019 Financial Statements (item 350 of the “Consolidated Income Statement”)) on average “shareholders’ equity” value (equal to €2,598 million and calculated as the average between the “shareholders’ equity” as at the end of December 2018, €2,507 million, and the “shareholders’ equity” as at the end of June 2019, €2,688 million). The “shareholders’ equity” as at the end of June 2019 is the sum of items 120 Valuation Reserves, 125 Valuation Reserves pertaining to insurance companies pursuant to IAS39, 150 Reserves, 160 Share Premium Reserve, 170 Share Capital, 180 Treasury Shares (-) as from page 69, plus the capitalization of the half-year result (€64.7 million) as on page 56 of the Credem Half-Year 2019 Financial Statements. The “shareholders’ equity” as at the end of December 2018 is the sum of items 120 Valuation Reserves, 125 Valuation Reserves pertaining to insurance companies pursuant to IAS39, 150 Reserves, 160 Share Premium Reserve, 170 Share Capital, 180 Treasury Shares (-) as from page 69 of the Credem Half-Year 2019 Financial Statements, plus the capitalization of the 2018 year result (€120.3 million) as on page 68 of the Credem 2018 Annual Financial Statements.
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non-interest margin / operating income	56	According to bank's P&L reclassification is the ratio between revenues related to fees and commissions, as well as trading activities and insurance products, on bank's total income. It's the portion of total income less directly impacted by the evolution of interest rates This APM and its components relate to the performance of the past reporting period.	The level of the ratio as at the end of June 2020 was 60.4% (as on page 56 of the Credem Half-Year 2020 Financial Statements) calculated as "non-interest margin" on "net interest and other banking income" (€348.3 million / €576.5 million; both numbers are presented and explained on page 54-55 of the Credem Half-Year 2020 Financial Statements). The level of the ratio as at the end of June 2019 was 57,0% (as on page 51 of the Credem Half-Year 2019 Financial Statements) calculated as "non-interest margin" on "net interest and other banking income" (€336.0 million / €589.2 million; both numbers are presented and explained on page 49-50 of the Credem Half-Year 2019 Financial Statements). Those data are before IFRS-16 implementation.
operating costs / operating income	52	According to bank's P&L reclassification is the ratio between total costs, excluding "amortisation/depreciation", and bank's total income. It's a measurement of the efficiency of the bank in managing its own business: the less is the ratio the higher is the efficiency of the bank. This APM and its components relate to the performance of the past reporting period.	The level of the ratio as at the end of June 2020 was 60.3% (as on page 56 of the Credem Half-Year 2020 Financial Statements) calculated as "operating expenses" on "net interest and other banking income" (€347.8 million / €576.5 million; both numbers are presented and explained on pages 54-55 of the Credem Half-Year 2020 Financial Statements). The level of the ratio as at the end of June 2019 was 64,3% (as on page 51 of the Credem Half-Year 2019 Financial Statements) calculated as "operating expenses" on "net interest and other banking income" (€378.9 million / €589.2 million; both numbers are presented and explained on pages 49-50 of the Credem Half-Year 2019 Financial Statements). Those data are before IFRS-16 implementation.

ROA	52	Calculated as Profit for the period on total assets. The ratio is a proxy of the profitability generated by bank's assets This APM and its components relate to the performance of the past reporting period.	The level of the ratio as at the end of June 2020 was 0.15% (as on page 56 of the Credem Half-Year 2020 Financial Statements) calculated as "Parent company's profit (loss) for the period" (€77.9 million: item 350 as on page 73 of the Credem Half-Year 2020 Financial Statements) on "Total Assets" (€53,068 million as from page 71 of the Credem Half-Year 2020 Financial Statements). The level of the ratio as at the end of June 2019 was 0.23% (as on page 51 of the Credem Half-Year 2019 Financial Statements) calculated as "Parent company's net profit (loss)" (€101.5 million: item 350 as on page 70 of the Credem Half-Year 2019 Financial Statements) on "Total Assets" (€44,990 million as from page 68 of the Credem Half-Year 2019 Financial Statements).
"Cost of credit" or "Cost of risk"	19	Calculated as "Net impairment (losses)/reversals on loans" on average "Loans to Customers". A low level of the ratio could be a driver of the quality of the bank's loans book and support bank's profitability. This APM and its components relate to the performance of the past reporting period.	The level of Cost of Risk as at the end of June 2020 was 37,9 bps calculated as "Net value adjustments/recoveries for credit risk" item 130 (€51.2 million, as on page 73 of the Credem Half-Year 2020 Financial Statements) on the average value of "Loans To Customers" (average between €27,421 million and €26,684 million: both numbers are presented on page 26 of the Credem Half-Year 2020 Financial Statements). The figure has to be annualized in a linear way, meaning that for a half-yearly "cost of risk" it has to be multiplied by 2. The level of Cost of Risk as at the end of June 2019 was 13.3 bps calculated as "net losses/recoveries for credit risk" (€17.0 million, as on page 70 of the Credem Half-Year 2019 Financial Statements) on the average value of "Loans To

			Customers - net of repurchase agreements” (average between €25,453 million and €25,497 million: both numbers are presented on page 20 of the Credem Half-Year 2019 Financial Statements). The figure has to be annualized in a linear way, meaning that for a half-yearly “cost of risk” it has to be multiplied by 2.
% level of coverage	25	Incidence of specific write-downs (allowances) on credit gross impaired loans (non-performing loans plus unlikely to pay and past due loans). The higher is the ratio, the lower is the value that the bank expects to recover from the impaired exposure. This APM and its components relate to the performance of the past reporting period.	The level of coverage ratio as at the end of June 2020 was 50.6% calculated as “Expected losses” on “Non Performing Loans – Nominal values” (€509 million / €1,005 million; both numbers are presented on page 29 of the Credem Half-Year 2020 Financial Statements). The level of coverage ratio as at the end of June 2019 was 52.3% calculated as “specific write-downs” on “Non Performing Loans – Nominal value” (€594.7 million / €1,136.2 million; both numbers are presented on page 24 of the Credem Half-Year 2019 Financial Statements).
% net bad loans/ net loans to customers	25	Incidence of bad loans on “Loans to customers”. It’s a ratio that could be considered as a proxy of the quality of the bank’s lending process: the lower is the ratio, the higher is the quality of the bank’s loans book This APM and its components relate to the performance of the past reporting period.	The level of the ratio as at the end of June 2020 was 0,6% (as on page 29 of the Credem Half-Year 2020 Financial Statements), calculated as “estimated recoveries (on bad loans)” (€161 million as from page 29 of the Credem Half-Year 2020 Financial Statements) on €27,421 million (loans to customers as from page 26 of the Credem Half-Year 2020 Financial Statements). The level of the ratio as at the end of June 2019 was 0,9% (as on page 24 of the Credem Half-Year 2019 Financial Statements), calculated as “estimated recoveries on bad loans” (€223.1 million as from page 24 of the Credem Half-Year 2019 Financial Statements) on €25,453 million (loans to

			customers net of repurchase agreements as from page 20 of the Credem Half-Year 2019 Financial Statements).
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The Issuer believes that such measures provide useful information to investors regarding the financial position, cash flow and financial performance and in particular allow for comparison with similar measures published by other banks as well as average industry standard, and better illustrate specific aspects and trends of the Issuer's business activities.

RECENT DEVELOPMENTS

On January 10, 2019, Credem successfully issued a €750 million Covered Bond, under the Obbligazioni Bancarie Garantite ("OBG") programme. The issue was rated "Aa3" by Moody's and "AA" by Fitch, had a 5-year maturity and has a coupon of 1.125%, equivalent to 95 basis point above the mid-swap rate for the same maturity.

On September 5, 2019, following the authorization of the competent authority, Credem formalized the request of cross-border merger by incorporation of CredemLux in Credito Emiliano S.p.A.

On October 18, 2019, Credem issued a €500 million Senior Non-Preferred, which was the first Senior Non-Preferred of Credito Emiliano S.p.A. The issue was rated "Ba1" by Moody's and "BBB" by Fitch, has a 6 years maturity, callable after 5 years, and has a coupon of 1.50%, equivalent to 180 basis point above the 5 year mid-swap rate.

On January 31, 2020 Credem announced an early redemption of its €200 million Tier 2 note, which was due March 2025.

In the first half of 2020, continuing its strategy of investing in technology and innovation, Credemtel increased its equity investment in SATA S.r.l, a company specialised in the development of advanced software solutions for businesses, such as electronic invoicing and data extraction from documents. An additional 55% of the share capital was purchased that, combined with the 20% already owned, brought the equity investment to 75%. This transaction will allow the company to assume an increasingly important role in designing and developing advanced applications for CREDEM Group, and in particular in developing the Supply Chain Finance, as well as continuing to provide cloud services to its direct and indirect customers

On September 9, 2020, Credemholding (Holding Company of Credito Emiliano) issued €200 million Tier 2, due in December 2030 and early redeemable by Credemholding between September 2025 and December 2025. Consequently Credito Emiliano (Credem) issued €200 million Tier 2, entirely subscribed by Credemholding, which details are equal to those of Credemholding issue.

Since ECB set Credemholding as parent company of the prudential perimeter (therefore, the SREP requirement, as well as all prudential ratios, are placed and must be met at Credemholding level) and the SRB identified Credem as Point of Entry in case of resolution (therefore MREL target is placed and must be met at Credem level), such structure allows:

- Credemholding (prudential perimeter) to further strengthen its capital ratios,
- Credem to increase its own funds to meet the MREL target.

MANAGEMENT

Board of Directors

The Board of Directors of the Issuer is responsible for the administration of its affairs. It oversees the overall performance of the CREDEM Group and approves significant transactions carried out by the Issuer and its subsidiaries.

The current Board of Directors of the Issuer, and the respective positions of the individual Directors, is set out below:

Name	Position	Principal activities performed by the Directors outside the Issuer
Lucio Iginio Zanon di Valgiurata	Chairman of the Board of Directors	1) Credito Emiliano Holding S.p.A. (VC). 2) Banca Euromobiliare S.p.A. (C). 3) Credem Private Equity S.g.r. S.p.A. (VC). 4) Euromobiliare Advisory Sim S.p.A. (C). 5) Credemassicurazioni S.p.A. (C). Other positions held in “Fenera Group”.
Luigi Maramotti *	Vice Chairman	Other positions held in “Max Mara Group”.
Enrico Corradi *	Vice Chairman	1) Credito Emiliano Holding S.p.A. (D). 2) Banca Euromobiliare S.p.A. (D). 3) Credem Private Equity S.g.r. S.p.A. (C). 4) Euromobiliare Fiduciaria S.p.A. (C). Other positions held in “Max Mara Group”.
Claudia Alfieri	Director	1) Credito Emiliano Holding S.p.A. (C). Other positions held in “Padana Tubi”
Riccardo Bruno **	Director	Other positions held in “Evinrude Due Srl”, “Atlantia SpA”, “Capital Insight Partners Srl”, “Shedir Pharma Group SpA”, “BizPlace Holding SpA”, “Eurofiere SpA”, “NeoDecortech SpA”.
Giorgio Ferrari *	Director	1) Credemleasing S.p.A. (C). 2) Credito Emiliano Holding S.p.A. (C). Other positions held in “Max

Name	Position	Principal activities performed by the Directors outside the Issuer
		Mara Group”.
Giorgia Fontanesi *	Director	1) Credemvita S.p.A. (D). Other positions held in Agenzia Fontanesi s.n.c.
Alessandro Merli **	Director	1) Banca Euromobiliare S.p.A. (D).
Ernestina Morstofolini **	Director	1) Credemvita S.p.A. (D).
Benedetto Renda	Director	1) Credemholding S.p.A. (D). Other positions held in Carlo Pellegrino & C. S.p.A.
Paola Schwizer **	Director	Other positions held in “Cellularline SpA”, “Hera SpA”, “Hera Trading Srl”.
Giovanni Viani	Director	Other positions held in “Group Pictet

* Members of the Executive Committee

** Independent board members pursuant to Article 148, paragraph 3, of Legislative Decree No. 58 of 24 February 1998, as amended

C: Chairman of the Board of Directors

VC: Vice Chairman

D: Director

Pursuant to the Issuer’s By-laws, the Board of Directors must at all times be composed of between 9 and 15 members, such number to be determined by the Shareholders’ General Meeting. According to the By-laws, a *voto di lista* system is applied to elect the Board of Directors. In accordance with the By-laws, the Board of Directors is invested with complete powers of ordinary and extraordinary administration other than those reserved by applicable law or by the By-laws to the meeting of the shareholders. Pursuant to the By-laws, the Board of Directors is entitled to appoint and define the powers of an Executive Committee. Pursuant to applicable Italian law, directors may be elected for a term of up to three financial years and may be re-elected. The current Board of Directors was elected for a three-year term commencing on 27 April 2018 and will therefore expire on the date of the shareholders’ meeting that will approve the annual financial statements for the fiscal year as at and for the year ended on 31 December 2020.

The business address of the Directors is Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy.

There are no conflicts of interest between any of the Board of Directors' duties to the Issuer and their private interests or other duties.

Board of Statutory Auditors

Pursuant to Italian law, in addition to electing the Board of Directors, the Issuer's shareholders also elect a *Collegio Sindacale* (Board of Statutory Auditors) composed of three independent experts in accounting matters, plus two alternate auditors to replace statutory auditors who resign or are otherwise unable to serve. According to the By-laws, a *voto di lista* system is applied to elect the statutory auditors. The current Board of Statutory Auditors was appointed for a term expiring on approval of the financial statements for the year ending 31 December 2021.

As at the date of this Prospectus, the Board of Statutory Auditors is made up of the following members.

Name	Position	Principal activities
Anna Maria Allievi	Chairman	Other positions held in "Cernusco Verde Srl", "IGD SIIQ SpA", "Aemme Linea Ambiente Srl", "ASM Srl", "SERAM SpA", "CEM SpA", "Le Sfere Srl", "Confservizi CISPES Lombardia", "Interpump SpA".
Giulio Morandi	Auditor	1) Credemleasing S.p.A. (A). 2) Credito Emiliano S.p.A. (A). 3) Credemvita S.p.A. (A). 4) Euromobiliare Advisory Sim S.p.A. (A). 5) Banca Euromobiliare S.p.A. (CA). 6) Credemassicurazioni S.p.A. (A). 7) Magazzini Generali delle Tagliate S.p.A. (CA). Other positions held in "Fidiprof Nord Società Cooperativa", "Antichi Pellettieri S.p.A.", "Capo Nord Snc", "Montefalcone Srl", "APT Servizi".
Maria Paglia	Auditor	1) Euromobiliare Asset Management Sgr S.p.A. (A). 2) Credemleasing S.p.A. (A). 3) Euromobiliare Fiduciaria S.p.A. 4) Avvera S.p.A. (A). Other positions held in "VND SpA", "Distribuzione Italiana Soc. Coop.

Name	Position	Principal activities
Riccardo Losi	Alternate Auditor	-
Maurizio Bergomi	Alternate Auditor	Credito Emiliano Holding S.p.A. (A). Banca Euromobiliare S.p.A. (A). Avvera S.p.A. (CA). Credemfactor S.p.A. (CA). Euromobiliare Asset Management Sgr S.p.A. (A). Euromobiliare Advisory SIM S.p.A. (CA). Euromobiliare Fiduciaria S.p.A. (CA).

CA: Chairman Auditor

A: Auditor

The business address of the Statutory Auditors is Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy.

There are no conflicts of interest between any of the Statutory Auditors' duties to the Issuer and their private interests or other duties.

REGULATORY

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

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

Capital and Liquidity Requirements

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

The Basel III framework has been implemented in the EU through new banking regulations requirements: Directive 2013/36/EU of the European Parliament and of the Council of the European Union of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the **CRD IV**) and Regulation (EU) No 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013 on prudential requirements for credit institutions and investment firms (the **CRR** and together with the CRD IV, **CRD IV Package**).

Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements are largely fully effective since 2019 and some minor transitional provisions provide for phase-in until 2024). It is possible that Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package.

National options and discretions that were exercised by national competent authorities are now exercised by the SSM (as defined below) in a largely harmonised manner throughout the European banking union. In this respect, on 14 March 2016 the ECB adopted Regulation (EU) 2016/445 of 14 March 2016 on the exercise of options and discretions available under European Union law, published on 24 March 2016 and the ECB guide on options and discretions available under European Union law (the **ECB Guide**). This regulation specifies certain of the options and discretions conferred on competent authorities under European 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 / discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional / lower capital requirements may result. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide which addresses eight options and discretions and complements the existing ECB Guide and Regulation (EU) 2016/445 published on 24 March 2016.

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

In Italy, the Government approved the Legislative Decree No. 72 of 12 May 2015, implementing the CRD IV, that entered into force on 27 June 2015. This decree impacted, *inter alia*, on:

- (i) proposed acquirers of credit institutions' holdings, shareholders and Members of the management body requirements (Articles 22, 23 and 91 of the CRD IV);
- (ii) supervisory measures and competent authorities' powers (Articles 64, 65, 102 and 104 of the CRD IV);
- (iii) reporting of potential or actual breaches of national provisions (so called whistleblowing, (Article 71 of the CRD IV);
- (iv) administrative penalties and measures (Article 65 of the CRD IV).

The Bank of Italy published the supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013, as subsequently amended from time to time by the Bank of Italy - the **Circular No. 285**) which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules. Circular No. 285 has been constantly updated after its first issue, the last update being the 34th update published on 22 September 2020.

According to Article 92 of the CRR, institutions shall at all times satisfy the following own funds requirements: (i) a Common Equity Tier 1 (CET1) Capital ratio of 4.5 per cent.; (ii) a Tier I Capital ratio of 6 per cent.; and (iii) a Total Capital ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer*: 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**);
- *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 fourth quarter of 2020 was set by the Bank of Italy at 0%;
- *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 Credem Group; and
- *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.

In addition to the above listed capital buffers, under Article 133 of the CRD IV each Member State

may introduce a systemic risk buffer in order to prevent and mitigate long term non-cyclical systemic or macro-prudential risks not covered by the CRD IV Package. The Italian authorities have not introduced such a measure to date. Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV and Part I, Title II, Chapter I, Section V of Circular No. 285).

In addition, the ECB has amended its SREP 2019 decision allowing banks to partially use AT1 or Tier 2 instruments in order to comply with the Pillar 2 Requirements (P2R) instead of Common Equity Tier 1 capital. This advances a measure that was initially planned to enter into force in January 2021, following the latest revision of the Capital Requirements Directive (CRD V).

Liquidity Cover Ratio and Net Stable Funding Ratio

Further, the Basel III agreements provided for (i) the introduction of a Liquidity Coverage Ratio or (**LCR**), which expresses the ratio between the amount of available assets readily monetizable, in order to establish and maintain a liquidity buffer which will permit the bank to survive for 30 days in the event of serious stress (as of 1 January 2018, the indicator is subject to a minimum regulatory requirement of 100 per cent) and (ii) a Net Stable Funding Ratio (**NSFR**), with a time period of more than one year, introduced to ensure that the assets and liabilities have a sustainable expiry structure. The Commission Delegated Regulation (EU) No. 2015/61, adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015, specifies the calculation rules of the LCR, while the relevant provisions concerning NSFR are included in the amendments to the CRR comprised in the EU Banking Reform referred to below. With reference to the LCR, on 12 March 2020, the ECB, taking into account the economic effects of the COVID-19 pandemic, announced that banks will be allowed to operate temporarily below the minimum LCR.

The EU Banking Reform – Revision to the CRD IV Package

On 23 November 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks and investment firms (the **EU Banking Reform Package**). The EU Banking Reform Package amends many existing provisions set out in the CRD IV Package, the BRRD and the SRM Regulation (as such terms are defined below). These proposals were agreed by the European Parliament, the European Council and the European Commission and were published in the Official Journal of the EU on 7 June 2019, entering into force 20 days after, even though most of the provisions will apply as of 2 years from the entry into force, i.e. after the 28 June 2021, allowing for a smooth implementation of the new provisions.

The EU Banking Reform Package includes:

- (a) revisions to the standardised approach for counterparty credit risk;
- (b) changes to the market risk rules which include the introduction first of a reporting requirement, pending the implementation in the EU of the latest changes to the of the FRTB (as defined below) published in January 2019 by the BCBS, and then the application of own funds requirements as of 1 January 2023 ;
- (c) a binding leverage ratio (and related improved disclosure requirements) introduced as a backstop to risk-weighted capital requirements and set at 3% of an institution's Tier 1 capital; and
- (d) a binding 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). This means that the amount of available stable funding will be calculated by multiplying an institution's liabilities and regulatory capital by appropriate factors that reflect their degree of reliability over a year. The NSFR will be expressed as a percentage and set at a minimum level of 100%, indicating that an

institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions. The NSFR will apply at a level of 100% at individual and a consolidated level, unless competent authorities waive the application of the NSFR on an individual basis as of two years after the date of entry into force of the EU Banking Reform Package

- (e) changes to the large exposures limits, now calculated as the 25% of Tier 1; and
- (f) improved own funds calculation adjustments for exposures to SMEs and infrastructure projects.

In particular, on 7 June 2019, the legal acts of the “EU Banking Reform Package” regarding the banking sector have been published on the EU Official Journal. Such measures include, together with the amendments to the BRRD and to SRMR, (i) CRR II amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and (ii) CRD V amending the CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures. The amendments proposed better align the current regulatory framework to international developments in order to promote consistency and comparability among jurisdictions.

Such measures entered into force on 27 June 2019, while a) the CRR II will be applicable from 28 June 2021, excluding some provisions with a different date of application (early or subsequent), b) the CRD V and BRRD 2 shall be implemented into national law by 28 December 2020 excluding some provisions which will be applicable subsequently (please see below).

Moreover, it is worth mentioning that the Basel Committee on Banking Supervision (**BCBS**) concluded the review process of the standardised models (for credit risk, counterparty risk, operational risk and market risk) for the calculation of minimum capital requirements, including constraints on the use of internal models and introducing the so-called "output floor" (setting a minimum level of capital requirements calculated on the basis of internal models equal, when fully implemented, to 72.5% of those calculated on the basis of the standardised methods). The main purpose is to enhance consistency and comparability among banks. The new framework was finalised for market risk in 2016 and finally revised in January 2019. The new framework for credit risk and operational risk was completed in December 2017. Prior to becoming binding on the European banking system, the European Commission, which conducted a public consultation (closed on 3 January 2020) is assessing the potential impacts on the European economy. It is expected that the future legislative proposal (**CRR III**), which should incorporate these new standards into EU legislation, will be published in the first half of 2021. Once agreed on the final text between the various stakeholders involved in the legislative process (European Commission, European Parliament and Council of the EU) and once implemented in the Union, these regulatory changes will impact the entire banking system and consequently could determine changes in the capital calculation and increase capital requirements. The analysis carried out by the European Banking Authority (EBA), published in December 2019 upon request of the European Commission, shows that the adoption of the new Basel III criteria would require banks to increase minimum capital requirements (**MCR**) by 23.6%, resulting in a current capital deficit of €124 billion. On 21 August 2020, the EBA has been requested by the European Commission to update further its figured and a new impact analysis is expected to be published by mid-December 2020.

On 4 May 2020, EBA published its final draft technical standards on specific reporting requirements for market risk, in accordance with the mandate set out in the provisions of the CRR II.

In particular, the implementing technical standards (**ITS**) introduced uniform reporting templates, the template related instructions, the frequency and the dates of the reporting, the definitions and the IT solutions for the specific reporting for market risk. These ITS introduce the first elements of the

Fundamental Review of the Trading Book (FRTB) into the EU prudential framework by means of a reporting requirement. The ITS are expected to apply from September 2021.

Revisions to the Basel III framework

In December 2017, the Basel Committee published its final set of amendments to its Basel III framework (known informally as **Basel IV**). Basel IV is expected to introduce a range of measures, including:

- (i) changes to the standardised approach for the calculation of credit risk;
- (ii) limitations to the use of IRB approaches, mainly banks will be allowed to use the F-IRB approach and the SA, only for specialised lending the A-IRB will be still used;
- (iii) a new framework for determining an institution's operational risk charge, which will be calculated only by using a new standardised approach;
- (iv) an amended set of rules in relation to credit valuation adjustment; and
- (v) an aggregate output capital floor that ensures that an institution's total risk weighted assets (**RWA**) generated by IRB models are no lower than 72.5% of those generated by the standardised approach.

According to the Basel Committee, Basel IV should be introduced as a global standard from January 2022, with the output capital floor being phased-in (starting at 50% from 1 January 2022 and reaching 72.5% as of 1 January 2025). In this occasion, the Basel Committee postponed the suggested implementation date for the Fundamental Review of the Trading Book (**FRTB**) to January 2022 to allow it to finalise the remaining elements of the framework and align the implementation date with the other Basel IV reforms.

Additional reforms to the banking and financial services sector

In addition to the substantial changes in capital and liquidity requirements introduced by Basel IV and the EU Banking Reform Package there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and have the potential to impact the CREDEM Group's business and operations. These initiatives include, amongst others, a revised EU securitisation framework. On 12 December 2017, the European Parliament adopted the Regulation (EU) 2017/2402 (the **Securitisation Regulation**) which it entered into force in January 2019, while a number of underlying regulatory and implementing technical standards delivered by the EBA and European Securities and Markets Authority are being adopted. The Securitisation Regulation introduced changes to the existing securitisation framework in relation to the nature of the risk retention obligation and due diligence requirements, the introduction of an adverse selection test for certain assets and a new framework for so-called "simple transparent and standardised securitisations" which will receive preferential capital treatment subject to a number of conditions.

On 9 November 2015 the Financial Stability Board (**FSB**) published its final Total Loss-Absorbing Capacity (**TLAC**) Principles and Term Sheet, proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to liabilities excluded from TLAC, such as guaranteed insured deposits, derivatives, etc. and which forms a new standard for G-SIBs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The TLAC Principles and Term Sheet require a minimum TLAC requirement for each G-SIB at the greater of (a) 16% of RWA (as of 1 January 2019) and 18% of RWA (as of 1 January 2022), and (b) 6% of the Basel III Tier 1 leverage ratio requirement (as of 1 January 2019), and 6.75 % (as of 1 January 2022). Liabilities that are eligible for TLAC include capital instruments and instruments that are contractually, statutorily or structurally subordinated to certain "excluded liabilities" (including insured deposits and liabilities

that cannot be effectively written down or converted into equity by relevant authorities) in a manner that does not give rise to a material risk of compensation claims or successful legal challenges.

With a view to ensuring full implementation of the TLAC standard in the EU, the EU Banking Reform Package and the BRRD2 (as defined below) introduces minimum requirements for own funds and eligible liabilities (**MREL**) applicable to G-SIIs (global systematically important institutions) with the TLAC standard and to allow resolution authorities, on the basis of bank-specific assessments, to require that G-SIIs comply with a supplementary MREL requirement strictly linked to the resolvability analysis of a given G-SII.

The BRRD2 includes important changes as it introduces a new category of banks, so called top-tier banks, being banks which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed EUR 100 billion (please see below). At the same time, the BRRD2 introduces a minimum harmonised MREL requirement (also referred to as a **Pillar 1 MREL requirement**) which applies to G-SIIs and also top-tier banks. In addition, resolution authorities will be able, on the basis of bank-specific assessments, to require that G-SIIs and top-tier banks comply with a supplementary MREL requirement (a **Pillar 2 MREL requirement**). A subordination requirement is also generally required for MREL eligible liabilities under BRRD2, but exceptions apply.

In order to ensure compliance with MREL requirements, and in line with the FSB standard on TLAC, the BRRD2 provides that in case a bank does not have sufficient eligible liabilities to comply with its MREL requirements, the resultant shortfall is automatically filled up with CET1 Capital that would otherwise be counted towards meeting the combined capital buffer requirement. However, under certain circumstances, BRRD2 envisages a nine-month grace period before restrictions to discretionary payments to the holders of regulatory capital instruments, senior management of the bank and employees take effect due to a breach of the combined capital buffer requirement.

On 12 March 2018, the European Commission published a proposal for a directive on covered bonds (the **CB Directive Proposal**) laying down the conditions that these bonds have to respect in order to be recognised under EU law and a proposal for amendments to art. 129 of the CRR, concerning the prudential treatment of covered bonds. The CB Directive Proposal together with amendments to art 129 of the CRR have been approved and published in the Official Journal on 18 december 2019. Member States have 18 months to implement the directive. For further details, please see “*Covered Bond Legislative Package*” below.

At national level, on 14 June 2018, the Bank of Italy issued for consultation a revision of the Circular No. 285 to anticipate, in part, the provisions of the CB Directive Proposal. On 1 October 2018, the amendment no. 23 of 25 September 2018 to the Circular no. 285 entered into force, which revises the rules regarding covered bonds in order to allow smaller banking institutions to issue them.

ECB Single Supervisory Mechanism

On 15 October 2013, the Council of the European Union adopted Regulation (EU) No. 1024/2013 establishing a single supervisory mechanism (the **ECB Single Supervisory Mechanism** or **SSM**) for all banks in the Banking Union (euro area banks and banks of any EU member state that joins the Banking Union), which have, beginning in November 2014, given the ECB, in conjunction with the national competent authorities of the Eurozone states, direct supervisory responsibility over “*significant credit institutions*” established in the Banking Union. The SSM framework regulation (Regulation (EU) No. 468/2014 of the ECB) setting out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by the ECB include any Eurozone bank in relation to which (i) the total value of its assets exceeds €30 billion or – unless the total value of its assets is below €5 billion – the ratio of its total assets over the national gross domestic product exceeds 20%; (ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism; (iv) is considered by the

ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities.

Notwithstanding the fulfilment of these criteria, the SSM may declare an institution significant to ensure the consistent application of high-quality supervisory standards.

The ECB is also exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, *inter alia*, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Eurozone; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities.

The ECB has also the right to, *inter alia*, impose pecuniary sanctions. National competent authorities will continue to be responsible for supervisory matters not conferred on the ECB, such as consumer protection, money laundering, payment services, and branches of third country banks, besides supporting ECB in day-to-day supervision. In order to foster consistency and efficiency of supervisory practices across the Eurozone, the EBA is developing a single supervisory handbook applicable to EU Member States.

EU Recovery and Resolution Directive

On 2 July 2014, the Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the **Banks Recovery and Resolution Directive** or **BRRD**) entered into force. The Banks Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of the Covered Bonds.

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

The BRRD applied by Member States as from 1 January 2015, except for the General Bail-In Tool (as defined below) which applied as from 1 January 2016.

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

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

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilization 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 requirements of the EU state aid framework and the BRRD. In particular, a single resolution fund financed by bank contributions at 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 as failing or likely to fail when: (a) it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; (b) its assets are, or are likely in the near future to be, less than its liabilities; (c) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (d) 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 shares or other instruments of ownership at the point of non-viability and before any other resolution action is taken (**BRRD Non-Viability Loss Absorption**). Any shares or other instruments of ownership issued upon any such conversion into shares or other instruments of ownership may in turn be subject to the application of the General Bail-in Tool.

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

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

Article 44, paragraph 2 of the BRRD excludes secured liabilities (including covered bonds and liabilities in the form of financial instruments used for hedging purposes which form an integral part of the cover pool and which, according to national law, are secured in a way similar to covered bonds) from the application of the General Bail-in Tool.

However, although the bail-in powers are not intended to apply to secured debt (such as the rights of Bondholders in respect of the Guarantee), the determination that securities issued by the CREDEM Group will be subject to write-down, conversion or bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the CREDEM Group's control. This determination will also be made by the relevant resolution authority and there may be many factors, including factors not directly related to the bank or the CREDEM Group, which could result in such a determination.

Moreover, considering that (i) Article 44(2) of the BRRD, as already mentioned, excludes certain liabilities from the application of the general bail-in tool and (ii) Article 44(3) of the BRRD provides 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.

On 1 June 2016, the Commission Delegated Regulation (EU) 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 bail-in tool is applied. The Delegated Regulation (EU) 2016/860 entered into force on 21 June 2016.

On 31 July 2015, the “European Delegation Law 2014” – Law No. 114 of 9 July 2015 – was published on the Italian Official Gazette containing, inter alia, principles and criteria for the implementation by the Government of the BRRD in Italy. Subsequently, on 16 November 2015, the Italian Government issued Legislative Decrees No. 180 and 181 implementing the BRRD in Italy (the **BRRD Implementing Decrees**). The BRRD Implementing Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the bail-in tool applies from 1 January 2016; and (ii) a “depositor preference” granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME’s will apply from 1 January 2019.

With respect to the BRRD Implementing Decrees, Legislative Decree No. 180 of 16 November 2015 (**Decree No. 180**) sets forth provisions concerning 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 regulating the national resolution fund. On the other hand, Legislative Decree No. 181 of 16 November 2015 (**Decree No. 181**) introduces certain amendments to the Consolidated Banking Act and the Financial Law Consolidation Act concerning recovery plans, intra-group financial support, early intervention measures and changes to creditor hierarchy. Decree No. 181 also amends certain provisions regulating proceedings for extraordinary administration (“*amministrazione straordinaria*”) and compulsory administrative liquidation (“*liquidazione coatta amministrativa*”) in order to render the relevant proceedings compliant with the BRRD.

It is important to note that, pursuant to article 49 of Decree No. 180, resolution authorities may 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.

Decree No. 181 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary.

Furthermore, 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. Decree No. 181 has amended the creditor

hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank *pari passu* with any unsecured liability owed to the Bondholders, will rank higher than such unsecured liabilities in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down/converted into shares or other instruments of ownership only after Covered Bonds (for the portion, if any, that could be subject to bail-in in accordance with the above). Therefore, the safeguard set out in Article 75 of the BRRD would not provide any protection since, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

In addition to the above, to the extent that claims in relation to the relevant Covered Bonds are not met out of the assets of the Cover Pool or the proceeds arising from it (such that the unsecured claim due under the Covered Bonds rank *pari passu* with senior debt), the Covered Bonds may be subject to write-down or conversion into equity on any application of the general bail-in tool.

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree no. 30 of 15 February 2016 – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree came into force on 9 March 2016, except for Article 1 comma 3, let. A), which came into force on 1 July 2018. Amongst other things, the Decree amends Consolidated Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is EUR 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

The BRRD also requires institutions to meet at all times a sufficient aggregate amount of own funds and “eligible liabilities”, expressed as a percentage of the total liabilities and own funds of the institution (i.e. “*Minimum Requirement for Own Funds and Eligible Liabilities*” - **MREL**), with a view to facilitating effective resolution of institutions and minimising to the greatest extent possible the need for interventions by taxpayers. “Eligible liabilities” (or bail-inable liabilities) are those liabilities and other instruments that are not excluded by the BRRD from the scope of the bail-in tool. The resolution authority of an institution, after consultation with the relevant competent authority, will set the MREL for the institution based on the criteria to be identified by the EBA in its regulatory technical standards. In particular, the resolution authority may determine that a part of the MREL is to be met through “contractual bail-in instruments”. The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Single Resolution Board (the **SRB**) for banks being part of the Banking Union. In 2018 the SRB move forward with setting binding MREL targets at consolidated level for all major banking groups in the remit of the SRB. Data collection for the determination of the MREL commenced in February 2016. MREL decisions for subsidiaries will be made in a second stage, based on, among other things, their individual characteristics and the consolidated level which has been set for the relevant group.

On 23 May 2016, the Commission published a delegated regulation on MREL according to Article 45, par. 18 of the BRRD, which entered into force on 23 September 2016 (Commission Delegated Regulation (EU) 2016/1450).

Furthermore, given that the TLAC and the MREL aim to achieve similar objectives, the EU

Commission intends to avoid the overlapping of requirements, in particular for G-SIBs, by elaborating an integrated standard harmonising TLAC and MREL in the EU which is likely to be applied, to some extent, also to O-SIIs.

The Supervisory Review and Evaluation Process

The Issuer is subject to the Pillar 2 requirements for banks imposed under the CRD IV Package, which will be impacted, on an on-going basis, by the Supervisory Review and Evaluation Process (**SREP**). The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system. On 22 April 2020, the EBA published a statement on additional supervisory measures in the light of the COVID-19. The EBA states that it recognises the need for a pragmatic and effective SREP, specific for the 2020 exercise. In light of the above, on 23 July 2020 the EBA issued the Final Report of the Guidelines “*on the pragmatic 2020 supervisory review and evaluation process in light of the COVID-19 crisis*”, aimed at making available to competent authorities a special procedure for the supervisory review and evaluation process (SREP) for the year 2020. In particular, they identify how flexibility and pragmatism could be exercised in relation to the SREP framework in the context of the COVID-19 pandemic.

Revisions to the BRRD framework

The EU Banking Reform Package includes Directive (EU) 2019/879, which provides for a number of significant revisions to the BRRD (known as **BRRD2**). BRRD2 provides that Member States are required to ensure implementation into local law by 28 December 2020 with certain requirements relating to the implementation of the TLAC standard applying from January 2022 while the transitional period for full compliance with MREL requirements is foreseen until 1 January 2024, with interim targets for a linear build-up of MREL set at 1 January 2022. The EU Banking Reform Package includes, amongst other things:

- (a) full implementation of the FSB’s TLAC standard in the EU and revisions to the existing MREL regime. Additional changes to the MREL framework include changes to the calculation methodology for MREL, criteria for the eligible liabilities which can be considered as MREL, the introduction of internal MREL and additional reporting and disclosure requirements on institutions;
- (b) introduction of a new category of “top-tier” banks, being banks which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed EUR 100 billion;
- (c) the introduction of a new moratorium power for resolution authorities and requirements on the contractual stays in resolution; and
- (d) amendments to the article 55 regime in respect of the contractual recognition of bail-in.

Changes to the BRRD under BRRD2 will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

Single Resolution Mechanism

After having reached an agreement with the Council, in April 2014, the European Parliament adopted, Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the **SRM**). The SRM became fully operational on 1 January 2016. However, certain provisions, including those concerning the preparation of resolution plans and provisions relating to the cooperation of the SRB with national resolution authorities entered into force on 1 January 2015. On 23 November 2016, the European

Commission published a proposal to amend certain provisions of the SRM as part of the EU Banking Reform (see further “*The Issuer's businesses are subject to substantial regulation and regulatory oversight. Any significant regulatory developments could have an effect on how the Issuer conducts its businesses and on the results of operations*” above). In particular, the main objective of such proposal is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules by avoiding duplication by applying two parallel requirements.

The SRM, which complements the ECB Single Supervisory Mechanism, applies to all banks supervised by the ECB Single Supervisory Mechanism. It mainly consists of the SRB and a Single Resolution Fund (the **Fund**).

Decision-making is centralised with the SRB and involves the European Commission and the Council (which will have the possibility to object to the SRB’s decisions) as well as the ECB and national resolution authorities.

The Fund, which backs resolution decisions mainly taken by the SRB, will be divided into national compartments during an eight year transition period. Banks, starting from 2015, were required to start paying contributions (additional to the contributions to the national deposit guarantee schemes) to national resolution funds that gradually started mutualising into the Fund starting from 2016.

The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the ECB Single Supervisory Mechanism.

The participating banks are required to finance the Fund. The Issuer is therefore required to pay contributions to the SRM in addition to contributions to the national deposit guarantee scheme.

ECB guidance on NPL provisioning

The ECB published on 20 March 2017 its final guidance on non-performing loans (**NPLs**). It outlines measures, processes and best practices which banks should incorporate when tackling NPLs. The ECB expects banks to fully adhere to the guidance in line with the severity and scale of NPLs in their portfolios. On 15 March 2018, the ECB published an addendum to the guidance mentioned above which sets out the ECB’s supervisory expectations for prudent levels of provisions for new NPL’s.

In this context, on 26 April 2019, the EU Regulation no. 2019/630 (the **Prudential Backstop Regulation**), which introduces common minimum loss coverage levels for newly originated loans that become non-performing, entered into force. According to this regulation, where the minimum coverage requirement is not met, the difference between the actual coverage level and the requirement should be deducted from a bank's own funds (CET1). The minimum coverage levels thus act as a 'statutory prudential backstop'. The required coverage increases gradually depending on how long an exposure has been classified as non-performing, being lower during the first years. This architecture would ensure that the risks associated with NPL losses that are not sufficiently covered are reflected in institutions' CET1 capital ratios. In order to facilitate a smooth transition towards the new prudential backstop, the new rules should not be applied in relation to exposures originated prior to 26 April 2019 and are modified by the institution in a way that increases the institution’s exposure to the obligor.

On 22 August 2019, the ECB has decided to revise its supervisory expectations for prudential provisioning of new non-performing exposures. The decision was made after taking into account the adoption of Regulation (EU) 2019/630 amending the CRR (Regulation (EU) No 575/2013) as regards minimum loss coverage for non-performing exposures was published in the Official Journal of the EU on 25 April 2019, known as the “Pillar 1 backstop Regulation”, that introduce Pillar 1 provisioning requirements, following principles similar to those already guiding the finalisation of the ECB Addendum.

Measures to counter the impact of the "COVID-19" virus

In recent months, European and national authorities have undertaken several measures to support the banking and financial market to counter the economic effects of COVID-19.

On 10 March 2020, through an addendum to the 2019 credit agreement between ABI and the Business Associations, the possibility of requesting suspension or extension was extended to loans granted until 31 January 2020. The moratorium refers to loans to micro, small and medium-sized companies affected by COVID-19 outbreak. The capital portion of loan repayment instalments may be requested to be suspended for up to one year. The suspension is applicable to medium/long-term loans (mortgages), including those concluded through the issue of agricultural loans, and to property or business assets leasing transactions. In the latter case, the suspension concerns the implicit capital instalments of the leasing. On 21 April 2020, through an agreement entered into with the consumer associations, the moratorium was extended to credit to households, including the suspension of the principal portion of mortgage-backed loans and unsecured loans repayable in instalments.

On 11 March 2020, ESMA, considering the spread of COVID-19 and its impact on the EU financial markets, issued 4 recommendations on the following areas: (1) business continuity planning, (2) market disclosure, (3) financial reporting and (4) fund management.

- **Business Continuity Planning:** ESMA has recommended all financial market participants to be ready to apply their contingency plans to ensure operational continuity in line with regulatory obligations.
- **Market disclosure:** issuers should disclose as soon as possible any relevant significant information concerning the impacts of COVID-19 on their fundamentals, prospects or financial situation in accordance with their transparency obligations under the Regulation (EU) No. 596/2014 (MAR), as a disclosure obligation contained in Article 17, paragraph 1 of the MAR, pursuant to which issuers are required to disclose to the public without delay any inside information directly concerning them.
- **Financial reporting:** ESMA has recommended issuers to provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance in their 2019 year-end financial report if these have not yet been finalised or otherwise in their interim financial reporting disclosures.
- **Fund Management:** ESMA has encouraged fund managers to continue to apply the requirements on risk management and to react accordingly.

The European Central Bank (ECB), at its monetary policy meeting held on 12 March 2020, decided to adopt a comprehensive set of monetary policy measures, consisting of three key elements: first, safeguarding liquidity conditions in the banking system through a series of favourably-priced longer-term refinancing operations (LTROs); second, protecting the continued flow of credit to the real economy through a fundamental recalibration of targeted longer-term refinancing operations (TLTROs); and, third, preventing financing conditions for the economy tightening in a pro-cyclical way via an increase in the asset purchase programme (APP).

On 12 March 2020, the ECB Banking Supervision leg, the Single Supervisory Mechanism (SSM), published the first supervisory response to provide banks with a temporary capital and operational relief. According to the ECB statements: i) banks are allowed to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the liquidity coverage ratio (LCR) to release resources for financing households and undertakings; ii)

the ECB encourages also national macroprudential authorities to relax the countercyclical capital buffer (CCyB); iii) banks are allowed to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital to meet the Pillar 2 Requirements (P2R), for example Additional Tier 1 (AT1) or Tier 2 instruments; iv) banks will discuss with the ECB further individual measures, such as modified timetables, processes and deadlines (e.g. for on-site inspections or remedial actions); v) flexibility will be granted for the application of the ECB Guidance to banks on non-performing loans to adjust to bank's specific situation due to Covid-19.

Among the various measures adopted by the Italian government to address the epidemiological emergency due to COVID-19 outbreak, on 17 March 2020 Law Decree No. 18 (*Cura Italia Decree*) has been adopted. The Cura Italia Decree has introduced special measures derogating from the ordinary proceeding of the Guarantee Fund for SMEs in order to simplify the requirements for access to the guarantee and strengthen the intervention of the Guarantee Fund for SMEs itself, as well as the possibility of transforming the DTA relating to losses that can be carried forward but not yet deducted and to the amount of the ACE notional return exceeding the total net income, to the extent of 20% of the impaired loans sold by 31 December 2020.

On 20 March 2020, the ECB announced additional measures (in addition to those already undertaken on 12 March 2020 on temporary capital and operational relief for banks) to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations amid the coronavirus-related economic shock to the global economy. The ECB published also a detailed FAQ on the measures adopted with the aim of updating it as needed. In particular, the ECB recommends to:

- give banks further flexibility in prudential treatment of loans backed by public guarantees, by extending to them the preferential treatment foreseen in its Guidance for NPLs for loans guaranteed or insured;
- encourage banks to avoid excessive procyclical effects when applying the IFRS 9 international accounting standard;
- activate capital and operational relief measures announced on 12 March 2020.

On 25 March 2020, the EBA and ESMA published detailed statements to address IFRS 9 accounting issues due to the Covid-19 outbreak and linked to the exceptional measures taken by banks and Governments to address the situation, which affected compliance with the EBA Guidelines on the definition of default (DoD) and forbearance/past-due classifications of loans.

The EBA statement of 25 March 2020 explained the functioning of the prudential framework in relation to the exposures in default, the identification of forborne exposures and impaired exposures in accordance with IFRS 9. In particular, EBA has clarified some additional aspects of the operation of the prudential framework concerning:

- i. the classification of exposures in default;
- ii. the identification of forborne exposures;
- iii. the accounting treatment of the aforesaid exposures-

Specifically, the EBA repeated the concept of flexibility in the application of the prudential framework, clarifying that an exposure should not be automatically reclassified as (i) exposure in default, (ii) forborne exposure, or (iii) impaired exposure under International Financial Reporting

Standard - IFRS9, in case of adoption of credit tolerance measures (such as debt moratorium) by national governments.

The ESMA statement of 25 March 2020 provided guidance on the application of IFRS 9 (Financial Instruments) addressed to issuers and auditors with regard to the calculation of expected losses and related disclosure requirements, in particular, as regards, the suspension (or deferral) of payments established for credit agreements (e.g. moratorium on debt) that impact the calculation of Expected Credit Loss (ECL) under the principles set forth in IFRS 9. On 20 May 2020, ESMA published a Public Statement addressing the implications of the COVID-19 pandemic on the half-yearly financial reports of listed issuers. The Public Statement provided recommendations on areas of focus identified by ESMA and highlighted: i) the importance of providing relevant and reliable information, which may require issuers to make use of the time allowed by national law to publish half-yearly financial reports while not unduly delaying the timing of publication; ii) the importance of updating the information included in the latest annual accounts to adequately inform stakeholders of the impacts of COVID-19, in particular in relation to significant uncertainties and risks, going concern, impairment of non-financial assets and presentation in the statement of profit or loss; and iii) the need for entity-specific information on the past and expected future impact of COVID-19 on the strategic orientation and targets, operations, performance of issuers as well as any mitigating actions put in place to address the effects of the pandemic. The Public Statement was conceived to be applicable also to financial statements in other interim periods when IAS 34 Interim Financial Reporting is applied. It called on the management, administrative and supervisory bodies, including audit committees, of issuers and, where applicable, their auditors, to take due consideration of the recommendations included within the statement.

On 27 March 2020, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (**GHOS**), has deferred Basel III implementation to increase operational capacity of banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the Covid19 on the global banking system.

The measures endorsed by the GHOS comprise the following changes to the implementation timeline of the outstanding Basel III standards:

- the implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028.
- the implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023.
- the implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.

On 27 March 2020, the European Central Bank published a recommendation addressed to significant banks to refrain from paying dividends and from share buy-backs aimed at remunerating shareholders for the duration of the economic shock related to COVID-19. ECB has decided to extend the recommendation on dividends until 1 January 2021 with the New recommendation BCE/2020/35 that repeals Recommendation ECB 2020/19 of March 27.

On 1 April 2020, the ECB provided banks with further clarifications on the use of forecasts for the Expected Credit Loss (ECL) calculations under IFRS 9, after having invited banks to opt, if not done before, for applying the IFRS 9 five-year transitional arrangements included in the CRR to mitigate the First Time Application (FTA) capital impact of the new accounting principle.

On 2 April 2020, the EBA published more detailed guidance on the criteria to be fulfilled by legislative and non-legislative moratoria applied before 30 June 2020. The Guidelines

acknowledged that Member States have implemented a broad range of support measures in order to minimise the medium- and long-term economic impacts of the efforts taken to contain the COVID-19 pandemic. In light of this, the EBA Guidelines clarify several aspects of payment moratoria, such as that they do not automatically trigger the classification as forborne or distressed restructuring if the measures taken are based on the applicable national law or on an industry or sector-wide private initiative agreed and applied broadly by the relevant credit institutions. In June 2020, the EBA further extended the application date of its Guidelines by three months, from until 30 September 2020, and on the 21 September, communicated its phasing-out. However, on 2 December 2020 the Guidelines were reactivated until 31 March 2021.

In continuity with the Cura Italia Decree, Law Decree no. 23 of 8 April 2020 (*Liquidity Decree*) was issued, a further measure deemed necessary to support Italian entrepreneurship. The Liquidity Decree, in addition to providing an additional guarantee managed by SACE Simest (SACE), a company of the Cassa Depositi e Prestiti group, aims to further strengthen the Guarantee Fund for SMEs by redrawing its rules for accessing, by including also companies with no more than 499 employees and professionals, as well as increasing the guarantee coverage percentages already provided by Article 49 of the Cura Italia Decree (provision that is repealed). In the wake of the latter provision, the Liquidity Decree makes further exceptions to the ordinary rules of the Guarantee Fund for SMEs, which will be applicable until 31 December 2020.

On 28 April 2020, the European Commission published a legislative proposal for amending the CRR to ease banking activity during the Covid-19 emergency and ensure the flow of loans to households and businesses.

The Commission proposed exceptional temporary measures to mitigate the immediate impact of coronavirus-related developments, which imply:

- a revision of transitional arrangements for the application of IFRS 9, adopted in the CRR II to mitigate its impact on banks' capital (IFRS9);
- preferential treatment for NPLs secured by public guarantees issued as a measure to address the COVID-19 crisis, for the purpose of the application of the prudential provisioning in line with the Regulation (EC) 630/2109;
- the postponement of the date of application of the additional reserve requirement for the leverage ratio of systemic banks ("G-SIB buffer");
- a change in the way of excluding certain exposures from the calculation of the leverage ratio, as of June 2021.

The Commission also proposed to advance by one year (as of 28 June 2020) the date of application of certain measures agreed in CRR II, i.e. the SMEs (Art. 501) and Infrastructure supporting factors (art.501a), as well as the preferential treatment of loans backed by pensions or salaries (Art. 123).

The Regulation (EU) 2020/873 was definitely adopted on 24 June and published on the Official Journal of the EU on 26 June 2020 and entered into force the day after. During the interinstitutional negotiation process additional measures were introduced by the co-legislators (i.e. the European Parliament and the Council of the EU), such as the reintroduction of the prudential filter for unrealised gain/losses from sovereign exposures valued at FVOCI; the exclusion of overshootings from the calculation of the back-testing; credit risk and large exposure transitional treatment of euro-denominated public debt issued by non-euro Member States.

On 24 July 2020 the European Commission also adopted a Capital Markets Recovery Package regarding the Securitisation Framework, MIFID II and the Prospectus Regulation. The underlying

rationale of these proposals is to help financial markets support Europe's economic recovery from the COVID-19 crisis. The package is currently being under discussion among EU co-legislators and is expected to be approved before end 2020.

Covered Bond Legislative Package

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

On 18 December 2019, the Covered Bond Legislative Package was published in the Official Gazette of the European Union and the official entry into force of the Covered Bond Legislative Package occurred on 7 January 2020 – twenty days after the relevant publication. The Member States have now 18 months (after the entry into force) to transpose the directive into national law (indicatively, within July 2021), and the transposed law and the regulation will be applied throughout the European Union within the following 12 months.

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

On 29 October 2020, the Italian Senate approved the draft European Delegated Law 2019-2020, which is aimed – once formally adopted – to delegate the Italian Government to implement – inter alia – Directive (EU) 2019/2162. According to the draft European Delegated Law 2019:

- the Bank of Italy will be the competent authority for the supervision on covered bonds;
- the implementing provisions shall provide for the exercise of the option granted by Article 17 of Directive (EU) 2019/2162, allowing for the issue of covered bonds with extendable maturity structures; and
- the implementing provisions shall grant the Bank of Italy with the power to exercise the option to set for covered bonds a minimum level of overcollateralization lower than the thresholds set out under Article 1 of Regulation (EU) 2019/2162 (i.e. 2% or 5% depending on the assets included in the cover pool).

THE GUARANTOR

Introduction

The Guarantor was incorporated in the Republic of Italy on 22 September 2009 pursuant to Law 130 as a limited liability company (*società a responsabilità limitata*) under the name "Caracalla Finance S.r.l." and changed its name to "CREDEM CB S.r.l." by a resolution of the meeting of the Quotaholder held on 27 October 2010. The Guarantor is registered at the Companies' Registry of Treviso - Belluno under registration number 04326290261. The registered office of the Guarantor is at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy, and its telephone number is +39 0438 360900. The Guarantor has no employees and no subsidiaries. The Guarantor's by-laws provides for the termination of the same in 31 December 2100 subject to one or more extensions to be resolved, in accordance with the by-laws, by the Quotaholders' resolution. The Guarantor is subject to the activity of management and coordination ("*attività di direzione e coordinamento*") of CREDEM S.p.A. The Guarantor operates subject to the Italian law.

The legal entity identifier (LEI) of the Guarantor is 8156001D7B5DEA4FC994.

Principal Activities

The sole purpose of the Guarantor under the objects clause in its by-laws is the ownership of the Cover Pool, the acquisition of subordinated loans for the purchase of the Cover Pool and the granting to Bondholders of the Guarantee. From the date of its incorporation the Guarantor has not carried out any business activities nor has incurred in any financial indebtedness other than those incurred in the context of the Programme.

Quota Capital

The outstanding capital of the Guarantor is €10,000 divided into quotas as described below. The quotaholders of the Guarantor are as follows:

Quotaholders	Quota
Credito Emiliano	70%
SVM Securitisation Vehicles Management S.r.l.	30%

The Guarantor has not declared or paid any dividends or, save as otherwise described in this Prospectus, incurred any indebtedness.

Management

Board of Directors

The following table sets out certain information regarding the current members of the Board of Directors of the Guarantor.

Name	Position	Principal activities performed outside the Guarantor
Nausica Pinese	Chairman of the Boards of Directors	Chief Operating Officer of the securitisation services department of Banca Finanziaria Internazionale
Rossella Manfredi	Director	Head of Finance of Credito Emiliano S.p.A.
Gabriele Minotti	Director	Head of Financial Market Area of Credito Emiliano S.p.A.

The business address of the Board of Directors of the Guarantor is Via V. Alfieri, 1 31015 Conegliano (TV) Italy.

Board of Statutory Auditors

Under the Quotaholders' Agreement the Quotaholders have undertaken that, if, at any time, a Board of Statutory Auditors shall be appointed, it shall be composed of three members which shall appointed as follows: one by SVM Securitisation Vehicles Management S.r.l. and two by Credito Emiliano. No Board of Statutory Auditors has been appointed as of the date of this Prospectus.

Conflict of Interest

There are no potential conflicts of interest between any of the Board of Directors' duties to the Guarantor and their private interests or other duties.

The Quotaholders' Agreement

Pursuant to the term of the Quotaholders' Agreement entered into on or about the date of this Prospectus, between Credito Emiliano S.p.A., SVM Securitisation Vehicles Management S.r.l., the Guarantor and the Representative of the Bondholders, the Quotaholders have agreed, *inter alia*, not to amend the by-laws (*statuto*) of the Guarantor and not to pledge, charge or dispose of the quotas of the Guarantor without the prior written consent of the Representative of the Bondholders. The Quotaholders' Agreement is governed by, and will be construed in accordance with, Italian law.

Financial Statements

The financial year of the Guarantor ends on 31 December of each calendar year. The first Financial Statement ended 31 December 2009.

The Guarantor has not, from the date of its incorporation, carried out any business activities nor has incurred in any financial indebtedness (other than those incurred in the context of the Programme).

The statutory Financial Statements of the Guarantor as at and for the years ended 31 December 2018 and 31 December 2019, prepared in accordance with International Accounting Standards, are incorporated by reference into this Base Prospectus. See section headed "Documents incorporated by reference". Copies of the Financial Statements of the Guarantor for each financial year may be inspected and obtained free of charge during usual business hours at the specified offices of the Principal Paying Agent and of the Representative of the Bondholders.

EY S.p.A. has been appointed to perform the audit of the Financial Statements of the Guarantor for the year ended on 31 December 2018 and 31 December 2019.

The English translation of the audit reports provided by EY S.p.A. are incorporated by reference into this Prospectus. See section headed "Documents incorporated by reference".

The following is an overview of the audited Financial Statements of CREDEM CB S.r.l. as at, and for the years ended on 31 December 2019 and 31 December 2018:

Balance Sheet (in €)

	31 December 2019	31 December 2018
Assets		
Receivables	34,555	5,228
Tax assets:	964	1,690
Current	964	1,690
Other assets	19,543	28,604
Total Assets	55,062	35,522
Liabilities and Quotaholders' Equity	2019	2018
Tax Liabilities:	1,608	958
current	1,608	958
Other liabilities	41,322	22,432
Share capital	10,000	10,000
Share premium reserve	2,000	2,000
Reserves	132	132
Profit (loss) for the period	0	0
Total Liabilities and Quotaholders' Equity	55,062	35,522

Income Statement (in €)

	31 December 2019	31 December 2018
Costs and revenues		
Interest income and similar revenues	0	0
Interest Margin	0	0
Fee and Commission expenses	(373)	(380)
Net Fee and Commission	(373)	(380)
Incomes		
Operating Income	(373)	(380)
Administrative costs:	(95,913)	(83,502)
<i>personnel costs</i>	(22,334)	(22,225)
<i>other administrative costs</i>	(73,579)	(61,277)
Other operating income/charges	97,894	84,847
Operating Profit (Loss)	1,608	965
Profit (Loss) before tax from continuing operations	1,608	965

Taxes on income from continuing operations	(1,608)	(965)
Profit (Loss) after tax from continuing operations	0	0
Profit (Loss) for the period	0	0

DESCRIPTION OF THE PROGRAMME DOCUMENTS

GUARANTEE

On or about the First Issue Date, the Issuer, the Guarantor and the Representative of the Bondholders entered into the Guarantee pursuant to which the Guarantor issued, for the benefit of the Bondholders, a first demand, unconditional, irrevocable and independent guarantee to support payments of interest and principal under the Covered Bonds issued by CREDEM under the Programme. Under the Guarantee the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Guarantee constitute direct and (following the occurrence of an Issuer Event of Default and the service of an Issuer Event of Default Notice on the Issuer and the Guarantor) unconditional, unsubordinated and limited recourse obligations of the Guarantor, backed by the Cover Pool as provided under Law 130, Decree No. 310 and the Bank of Italy Regulations. Pursuant to the terms of the Guarantee, the recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments.

Under the Guarantee the parties thereof have agreed that as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer, the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall exercise, on an exclusive basis and in compliance with the provisions of article 4 of the Decree No. 310, the rights of the Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds.

Upon enforcement of the Guarantee following the service of an Issuer Event of Default Notice (but prior to the service of a Guarantor Event of Default Notice), the Guarantor shall procure the payment of the Guaranteed Amounts when they are Due for Payment in accordance with the Conditions, the Final Terms applicable to each Series of Covered Bonds and the Post-Issuer Default Priority of Payments, **provided that**, in case the service of the Issuer Event of Default Notice is a consequence of an Issuer Event of Default consisting of an Article 74 Event, the Guarantee will be applied in the payment of the Guaranteed Amounts as long as the Representative of the Bondholders has not delivered an Article 74 Event Cure Notice.

Following the service of a Guarantor Event of Default Notice, the right of the Bondholders to receive payment of the Guaranteed Amounts will be accelerated and the Representative of the Bondholders will therefore demand the immediate satisfaction of the Guaranteed Obligations in accordance with Post-Enforcement Priority of Payments.

All payments of Guaranteed Amounts by or on behalf of the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor shall pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Guarantor shall not be obliged to pay any amount to any Bondholder in respect of the amount of such withholding or deduction.

To the extent that the Guarantor makes, or there is made on its behalf, a payment of any amount under the Guarantee, the Guarantor will be fully and automatically subrogated to the Bondholders' rights against the Issuer for the payment of an amount corresponding to the payments made by the Guarantor with respect to the relevant Series of Covered Bonds under the Guarantee, to the fullest extent permitted by applicable law.

Governing law

The Guarantee and any non-contractual obligations arising out or connected with it is governed by Italian law.

SUBORDINATED LOAN AGREEMENT

On 29 October 2010, CREDEM and the Guarantor entered into the Subordinated Loan Agreement, as further amended, pursuant to article 7-*bis* of Law 130 under which CREDEM agrees to make available to the Guarantor, during the Availability Period, amounts in aggregate equal to the Total Commitment to be advanced from time to time in different drawdowns. The Subordinated Loan will be utilised for the purposes of funding the payments as described below. Any drawdown under the Subordinated Loan will be repaid on each Guarantor Payment Date prior to the occurrence of a Segregation Event and the delivery of an Issuer Event of Default Notice according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, **provided that** such repayment does not result in a breach of any of the Tests. Unless previously repaid in full in accordance with Clause 6.2 (*Rimborso Anticipato*) the Subordinated Loan shall be due for repayment on the Maturity Date or, if applicable, the Extended Maturity Date, of the last maturing Series of Covered Bonds issued under the Programme except in case of occurrence of an Issuer Event of Default, where the Subordinated Loan is due for final repayment on the date falling at least 6 months after the Maturity Date (or, as applicable, Extended Maturity Date). Amounts owed to the Seller by the Guarantor under the Subordinated Loan Agreement will be subordinated to amounts owed by the Guarantor under the Guarantee.

Following the service of an Issuer Event of Default Notice, the repayment of the Subordinated Loan shall be subject to repayment in full (or, prior to service of a Guarantor Event of Default Notice, the accumulation of funds sufficient for the purpose of such repayment) of all Covered Bonds, in any case within the limits of the Guarantor Available Funds. Any amounts that have been repaid pursuant to the terms of the Subordinated Loan Agreement will be available for redrawing during the Availability Period within the limits of the Total Commitment and the terms of the Subordinated Loan Agreement.

The Guarantor will use the proceeds of any Drawdown under the Subordinated Loan Agreement (a) to fund the payment of the purchase price of the Eligible Assets included in the Initial Cover Pool and/or (b) to purchase Top-Up Assets and/or additional Eligible Assets and/or (c) to fund any amounts necessary for the adjustment of the Purchase Price, in each case in accordance with the terms of the Master Assets Purchase Agreement and the Cover Pool Management Agreement.

Governing law

The Subordinated Loan Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

MASTER ASSETS PURCHASE AGREEMENT

On 29 October 2010, CREDEM and the Guarantor entered into the Master Assets Purchase Agreement, as further amended, in accordance with the combined provisions of articles 4 and 7-*bis* of Law 130, pursuant to which CREDEM assigned and transferred from time to time, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), the Eligible Assets comprised in the Initial Portfolio.

The Master Assets Purchase Agreement also provides that CREDEM shall transfer, upon satisfaction of certain conditions set out therein, Subsequent Portfolios to the Guarantor (i) in order to supplement the Cover Pool in connection with the issuance by CREDEM of further Series of Covered Bonds under the Programme; and (ii) in order to ensure the compliance of the Cover Pool with the Tests and with the Limit of 15%.

In any case Subsequent Portfolios may only be offered or purchased if the following conditions are satisfied:

- (a) the First Series of Covered Bonds has been issued and fully subscribed; and
- (b) a Guarantor Event of Default Notice has not been served on the Guarantor.

The Master Assets Purchase Agreement also specifies that the assignment of Subsequent Portfolios and the related issuance by CREDEM of further Series of Covered Bonds pursuant to paragraph (i) above may not occur if an Issuer Event of Default Notice or a Breach of Test Notice has been served to the Issuer and **provided that** the assignment of Subsequent Portfolios pursuant to paragraph (ii) above may not occur if an Issuer Event of Default Notice, as a result of an Insolvency Event of the Issuer, has been served to the Issuer.

The Parties further undertook that Subsequent Portfolios may also be offered if the Guarantor has sufficient Principal Available Funds to pay the relevant Purchase Price, **provided that** no Breach of Test Notice (unless it is cured using Guarantor Available Funds), no Issuer Event of Default Notice and no Guarantor Event of Default Notice has been served.

Mortgage Receivables and Public Assets comprised in any Subsequent Portfolio to be transferred under the Master Assets Purchase Agreement shall meet, in addition to the Common Criteria (described in detail in the section headed "*Description of the Cover Pool*"), the relevant Specific Criteria for the Subsequent Portfolios and (if necessary) any Further Criteria (both as defined below).

As consideration for the transfer of any Subsequent Portfolios, pursuant to the Master Assets Purchase Agreement, the Guarantor will pay to CREDEM an amount equal to the aggregate of the Purchase Price of all the relevant Mortgage Receivables comprising the relevant Subsequent Portfolio as at the relevant Valuation Date. The Purchase Price for each Receivable included in each Subsequent Portfolio will be equal to the aggregate of the Individual Purchase Price of all the Mortgage Receivables included in the relevant Subsequent Portfolio, **provided that** the Seller and the Guarantor may agree to use different criteria for the calculation of the purchase price of any Subsequent Portfolio in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

Pursuant to the Master Assets Purchase Agreement, prior to the service of an Issuer Event of Default Notice, CREDEM will have the right to repurchase Mortgage Receivables, in accordance with articles 1260 and following of the Civil Code or in accordance with article 58 of the Consolidated Banking Act, as the case may be, transferred to the Guarantor under the Master Assets Purchase Agreement if so directed by the relevant board of directors of CREDEM.

The Guarantor has granted a pre-emption right in favour of the Issuer for the purchase of the Selected Assets which it may be required to sell, following the service of an Issuer Event of Default Notice consisting of a breach of the Tests (but prior to service of a Guarantor Event of Default Notice) in order to effect timely payments under the Covered Bonds.

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

Governing law

The Master Assets Purchase Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

WARRANTY AND INDEMNITY AGREEMENT

On 29 October 2010, CREDEM and the Guarantor entered into the Warranty and Indemnity Agreement, as further amended, pursuant to which CREDEM has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself, the Mortgage Receivables, the Real Estate Assets and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the Mortgage Receivables.

The Warranty and Indemnity Agreement contains representations and warranties given by CREDEM as to matters of law and fact affecting CREDEM including, without limitation, that CREDEM validly exists as a legal entity, has the corporate authority and power to enter into the Programme Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

Pursuant to the Warranty and Indemnity Agreement, CREDEM has agreed to indemnify and hold harmless the Guarantor against any and all damages, losses, claims, costs and expenses awarded against, or incurred by it and / or any of its permitted assigns which arise out of or result from, *inter alia*, any representation and warranty given by CREDEM under or pursuant to the relevant Warranty and Indemnity Agreement being false, incomplete or incorrect.

Governing law

The Warranty and Indemnity Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

SERVICING AGREEMENT

On 29 October 2010, CREDEM and the Guarantor entered into the Servicing Agreement, as further amended, pursuant to which the Guarantor has appointed CREDEM as Servicer of the Cover Pool. The receipt of the Collections is the responsibility of the Servicer acting as agent (*mandatario*) of the Guarantor. The Servicer will also act as the *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento* pursuant to Law 130. In such capacity, the Servicer shall also be responsible for ensuring that such operations comply with the provisions of articles 2.3, letter (c), 2.6 and 2.6-bis of Law 130.

The Servicer will also be responsible for carrying out, on behalf of the Guarantor, in accordance with the Servicing Agreement and the Credit and Collection Policy, any activities related to the management, enforcement and recovery of the Defaulted Mortgage Receivables. The Servicer may sub-delegate to one or more persons the management, administration, collection and recovery of the Mortgage Receivables, subject to the limitations set out in the supervisory regulations and with the prior written notice of the Representative of the Bondholders and the Rating Agencies, **provided that** such sub-delegation does not prejudice the compliance by the Servicer with its obligations under the Servicing Agreement. The Servicer shall remain fully liable *vis-à-vis* the Guarantor for the performance of any activity so delegated.

The Servicer has been authorised to renegotiate the terms of the Mortgage Loan Agreements by reaching with the Debtors, *inter alia*, settlement agreements, payment extensions, moratorium or similar arrangements (including any renegotiation in relation to the margin), in accordance with the provisions of the Credit and Collection Policy, however, following breach of any of the Tests (and as long as such breach is continuing), service of a Breach of Test Notice and/or service of an Issuer Event of Default Notice, the Servicer will not be authorised, with respect to any of the Mortgage Receivables, to reach with any Debtors thereof any of the renegotiations, other than expressly authorised under the applicable legislation.

The Guarantor, in its capacity as autonomous holder (*titolare autonomo del trattamento dei dati personali*) in relation to its servicing activities pursuant to the Servicing Agreement, has confirmed its

willingness to appoint the Servicer as responsible (*responsabile del trattamento dei dati personali*), for the processing of personal data in relation to the Mortgage Receivables, in accordance with the Privacy Rules.

The Servicer has represented to the Guarantor that it has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Servicing Agreement.

The Servicer has undertaken to prepare and deliver, on a quarterly basis (or on a monthly basis in case (i) a breach of Tests has occurred and as long as such breach has not been cured and (ii) following a Guarantor Event of Default) to, *inter alios*, the Account Bank, the Guarantor, the Calculation Agent, the Swap Providers, the Representative of the Bondholders, the Principal Paying Agent, the Guarantor Corporate Servicer and the Servicer's Report, including details in relation to the composition of the Cover Pool, interest accrued thereon and relevant collections.

Under the Servicing Agreement, the Servicer shall credit to the Collection Accounts any amounts collected from the Mortgage Receivables within the second Business Day upon receipt.

In the event the long-term unsecured and unsubordinated debt obligations of the Servicer falls below the Minimum Servicing Rating, the Servicer shall immediately communicate such event to the Representative of the Bondholders, the Rating Agencies, the Calculation Agent and the Guarantor and shall within 30 calendar days, alternatively: (i) instruct the Debtors to make payments in respect of the Receivables directly to the Collection Accounts; or (ii) procure and maintain a first demand guarantee issued by an Eligible Institution, so to guarantee the obligations of the Servicer pursuant to the Servicing Agreement or (iii) deposit and maintain with an Eligible Institution an amount equal to the Potential Commingling Amount; or (iv) sell to the Guarantor sufficient Eligible Assets or Top-Up Assets so that the aggregate of the principal amounts due and payable before the Maturity Date of the first maturing Series of Covered Bonds is at least equal to the Potential Commingling Amount.

The Servicer has acknowledged that the Representative of the Bondholders, in accordance with the Intercreditor Agreement, shall direct the Guarantor to appoint a Back-up Servicer (subject to consultation with the Representative of the Bondholders and prior notice to the Rating Agencies) within 30 calendar days from the date on which the Servicer's counterparty risk assessment (CRA) has been downgraded below "Baa3(cr)" by Moody's or the Servicer's long term rating has been downgraded below "BBB" by Fitch.

The Guarantor may terminate the Servicer's appointment and appoint a successor servicer (the **Substitute Servicer**) if certain events occur (each a **Servicer Termination Event**). The Servicer Termination Events include the following events:

- (a) an Insolvency Event occurs with respect to the Servicer;
- (b) failure on the part of the Servicer to observe certain provisions of the Servicing Agreement and the continuation of such failure for a period of 15 Business Days following receipt by the Servicer of written notice from the Guarantor requiring the performance of the relevant obligations;
- (c) any of the representation and warranties made by the Servicer pursuant to the Servicing Agreement is false and/or misleading in any material respect and it may be prejudicial to the interest of the Guarantor and the Bondholders and (whether remediable) is not remedied for a period of 15 Business Days following receipt by the Servicer of written notice from the Guarantor requiring the relevant remedy to be implemented;
- (d) failure (not attributable to force majeure) on the part of the Servicer to deposit or pay any amount required to be paid or deposited pursuant to the Servicing Agreement (other than the

Collections) which failure continues for a period of 10 Business Days from the date on which the relevant payment or deposit was required to be done;

- (e) it becomes unlawful for the Servicer to perform or comply with any of its obligations under the Servicing Agreement or the other Programme Documents to which it is a party; or
- (f) the Servicer is or will be unable to meet the current or future legal requirements and the Bank of Italy's regulations for entities acting as servicers in the context of a covered bonds transaction.

Notice of any termination of the Servicer's appointment shall be given in writing, in accordance with the provisions of the Servicing Agreement, by the Guarantor to the Servicer with the prior agreement of the Representative of the Bondholders and shall be effective from the date of such termination or, if later, when the appointment of a Substitute Servicer becomes effective. The Servicer must continue to act as Servicer and meet its obligations until the Substitute Servicer is appointed.

The Guarantor may, upon the occurrence of a Servicer Termination Event, appoint as Substitute Servicer any person:

- (a) who meets the requirements of Law 130 and the Bank of Italy to act as Servicer;
- (b) who has at least three years of experience (whether directly or through subsidiaries) in the administration of mortgage loans in Italy;
- (c) who has available and is able to use software for the administration of mortgages compatible with that of the Servicer;
- (d) who is able to ensure, directly or indirectly, the efficient and professional maintenance of a computerised archive system (*Archivio Unico Informatico*) as required by Italian money-laundering legislation and, if such legislation requires, the production of such information as is necessary to meet the information requirements of the Bank of Italy; and
- (e) has sufficient assets to ensure the continuous and effective performance of its duties.
- (f) Within 30 days following its termination the Servicer shall give notice to the Debtors of the appointment of the Substitute Servicer and instruct them to pay directly on the Collection Accounts.

In case the Guarantor has appointed a Back-Up Servicer, such Back-Up Servicer will act as Substitute Servicer.

Governing law

The Servicing Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

BACK-UP SERVICING AGREEMENT

On 10 June 2020, the Servicer, the Guarantor, the Representative of the Bondholders and Banca Finanziaria Internazionale S.p.A. (formerly Securitisation Services S.p.A.) entered into a back-up servicing agreement (the **Back-up Servicing Agreement**) pursuant to which the Guarantor appointed Banca Finanziaria Internazionale S.p.A. (formerly Securitisation Services S.p.A.), that accepted, as back-up servicer of the Programme (the **Back-up Servicer**).

Governing law

The Back-up Servicing Agreement and any non-contractual obligations arising out or connected with

it is governed by Italian law.

CASH ALLOCATION, MANAGEMENT AND PAYMENTS AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Servicer, the Seller, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Calculation Agent, the Test Calculation Agent, the Principal Paying Agent and the Representative of the Bondholders entered into the Cash Allocation, Management and Payments Agreement as further amended.

The Guarantor has appointed CREDEM and BNPP as Account Bank and Swap Collateral Account Bank and has opened with (i) CREDEM the Credem Accounts, the Collection Accounts, the Expenses Account, the Subordinated Loan Account and the Cash Reserve Commingling Account, and (ii) with BNPP, the BNPP Accounts.

The parties to the Cash Allocation, Management and Payments Agreement have agreed that:

- (i) upon occurrence of a Credem Account Bank Shift Event and further to the delivery of a Credem Account Bank Shift Notice by the Investment Manager to all the Parties of the Cash Allocation, Management and Payments Agreement and the Rating Agency, the Investment Manager will give instructions to Credem (in its capacity of Account Bank) to transfer cash and securities credited on the Credem Accounts to the BNPP Accounts. With the transfer of such cash and securities, Credem shall cease to act as Account Bank under the Cash Allocation, Management and Payments Agreement in respect of the sole Credem Accounts and shall continue to act as Account Bank in respect of the Collection Account, the Expenses Account and the Cash Reserve Commingling Account provided that it shall qualify as Eligible Institution and as Subordinated Loan Provider in respect of the Subordinated Loan Account;
- (ii) upon occurrence of a BNPP Account Bank Shift Event and further to the delivery of a BNPP Account Bank Shift Notice by the Investment Manager to all the Parties of the Cash Allocation, Management and Payments Agreement and the Rating Agency, the Investment Manager will give instructions to BNPP (in its capacity of Account Bank) to transfer cash and securities credited on the BNPP Accounts to the Credem Accounts (provided that it shall qualify as Eligible Institution). With the transfer of such cash and securities, BNPP shall cease to act as Account Bank under the Cash Allocation, Management and Payments Agreement and Credem will act as Account Bank in respect of the Credem Accounts in accordance with the Cash Allocation, Management and Payments Agreement.

Under the terms of the Cash Allocation, Management and Payments Agreement:

- (i) the Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the Collection Accounts, the Eligible Investments Account, the Payments Account, the Reserve Account and the Securities Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the Account Bank has agreed to provide the Guarantor with certain payment services;
- (ii) The Guarantor Corporate Servicer has agreed to operate the Expenses Account held with the Account Bank in order to make certain payments as set out in the Cash Allocation, Management and Payments Agreement;
- (iii) The Principal Paying Agent has agreed to provide the Issuer, prior to the occurrence of an Issuer Event of Default and the Guarantor, following the occurrence of an Issuer Event of Default, with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payments Agreement;

- (iv) The Calculation Agent has agreed to provide the Guarantor with calculation services with respect to the Accounts and the Guarantor Available Funds and reporting services;
- (v) The Test Calculation Agent to perform the Tests in accordance with the provisions of the Cover Pool Management Agreement.
- (vi) The Account Bank has agreed to invest, on behalf of the Guarantor and upon instruction of the Investment Manager, any funds standing to the credit of the Eligible Investment Account in Eligible Investments. Furthermore the Investment Manager has agreed to deliver to the Account Bank, the Guarantor, the Guarantor Corporate Servicer, the Representative of the Bondholders, the Servicer and the Calculation Agent, a copy of the Investment Manager Report, which shall include details of all investments made.
- (vii) The Account Bank, the Cash Reserve Commingling Account Bank, the Swap Collateral Account Bank and the Principal Paying Agent shall at all times be an Eligible Institution. If the Account Bank, the Cash Reserve Commingling Account Bank, the Swap Collateral Account Bank or the Principal Paying Agent, as the case may be, ceases to be an Eligible Institution, it shall promptly give notice of such event to the other Parties and the Guarantor shall, within 60 calendar days, or 60 calendar days with sole reference to the Principal Paying Agent, of the loss of such status, select and appoint, with the prior written consent of the Issuer (and following the occurrence of an Issuer Event of Default also of the Representative of the Bondholders) and prior notice to the Rating Agencies, another bank, being an Eligible Institution, which shall assume the role of Account Bank, Cash Reserve Commingling Account Bank, Swap Collateral Account Bank or Principal Paying Agent, as the case may be, and upon the terms of the Cash Allocation, Management and Payments Agreement, agree to become a party to the Intercreditor Agreement and any other relevant Programme Documents and to perform any of the duties of the Account Bank, the Cash Reserve Commingling Account Bank, the Swap Collateral Account Bank or the Principal Paying Agent, as the case may be, pursuant the Cash Allocation, Management and Payments Agreement. The Subordinated Loan Account shall remain, in any case, opened with the Subordinated Loan Provider and any reporting duty (if applicable) set forth under the Cash Allocation, Management and Payments Agreement shall apply to Credem in respect of such Subordinated Loan Account.

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke the appointment of any Agent (including the Calculation Agent) by giving not less than three months' (or less, in the event of a breach of warranties and covenants) written notice to the relevant Agent (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. Prior to the delivery of an Issuer Event of Default Notice, the Issuer may revoke its appointment of the Principal Paying Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Principal Paying Agent (with a copy to the Representative of the Bondholders). Any Agent (including the Calculation Agent) may resign from its appointment under the Cash Allocation, Management and Payments Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Bondholders subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payments Agreement, provided that a valid substitute has been appointed. The Guarantor shall (with the prior approval of the Representative of the Bondholders and prior notification to the Rating Agencies) appoint a successor Calculation Agent following any termination or resignation pursuant to the provisions of the Cash Allocation, Management and Payments Agreement and shall give notice of such appointment to the other Parties.

Starting from 10 June 2020, following the delivery of the Credem Account Bank Shift Notice and the notice of the fact that Credem has ceased to be an Eligible Institution:

- (i) cash and securities credited on the Credem Accounts have been transferred to the BNPP Account;
- (ii) for so long as a BNPP Account Bank Shift Notice is not delivered by the Investment Manager, any reference to the “*Swap Collateral Account Bank*” in the Cash Allocation, Management and Payments Agreement (being the bank on which the BNPP Swap Collateral Account are opened) shall be deemed to be to BNP Paribas Securities Services, Milan branch;
- (iii) BNP Paribas Securities Services, Milan branch has assumed the role of “*Account Bank*” upon the terms of the Cash Allocation, Management and Payments Agreement also with reference to the Collections Accounts and the Expenses Account; the Subordinated Loan Account has not been transferred to BNPP and Credem shall continue to act as Subordinated Loan Provider in respect of the Subordinated Loan Account;
- (iv) the Guarantor appointed BNP Paribas Securities Services, Milan branch as Cash Reserve Commingling Account Bank, for the performance of the activities set forth under the Cash Allocation, Management and Payments Agreement.

Governing law

The Cash Allocation, Management and Payments Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

THE SWAP AGREEMENTS

Covered Bond Swap Agreement

The Guarantor may enter into one or more Covered Bond Swap Agreements with the Covered Bond Swap Provider(s) on or about the Issue Date of any Series of Covered Bonds to hedge certain interest rate, currency and other risks, as the case may be, in respect of the Series of Covered Bonds issued on such Issue Date. The aggregate notional amount of the Covered Bond Swap Agreements entered into on each Issue Date shall be linked to the Outstanding Principal Amount of the relevant Series of Covered Bonds.

Under the Covered Bond Swap Agreements, on each quarterly Guarantor Payment Date, it is expected that the Guarantor will pay to the Covered Bond Swap Provider an amount calculated by reference to the notional amount of the relevant Series of Covered Bonds multiplied by either a fixed rate or Euribor, possibly increased by a margin. In return, it is anticipated that a Covered Bond Swap Provider will pay to the Guarantor, on each Covered Bond Swap Payment Date, an amount calculated by reference to the notional amount multiplied by a rate linked to the interest rate applicable to the relevant Series of Covered Bonds.

Each Covered Bond Swap Agreement is scheduled to terminate on the date corresponding to the Maturity Date of the Covered Bonds of the relevant Series and may or may not take account of any extension of the Maturity Date under the terms of such Covered Bonds as specified in the relevant Covered Bond Swap Agreement.

Asset Swap Agreement(s)

The Guarantor may enter into one or more Asset Swap Agreements with one or more Asset Swap Providers to mitigate variations between the rate of interest payable on Mortgage Loans in the Cover Pool and Euribor with a certain designated maturity and ensure sufficient funding of the payment obligations of the Guarantor.

Rating Downgrade Event

Under the terms of each Swap Agreement, in the event that the rating(s) of a Swap Provider or its credit support provider are downgraded by a Rating Agency below the rating(s) specified in the relevant Swap Agreement (in accordance with the criteria of the Rating Agencies), then such Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures which may include:

- (a) providing collateral for its obligations under the Swap Agreement, or
- (b) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency in order to maintain the rating of the Covered Bonds, or
- (c) procuring another entity, with the ratings meeting the relevant Rating Agency's criteria in order to maintain the rating of the Covered Bonds, to become a guarantor in respect of such Swap Provider's obligations under the Swap Agreement.

A failure by the relevant Swap Provider to take such steps within the time periods specified in the Swap Agreement may allow the Guarantor to terminate the relevant Swap Agreement(s).

Any Swap Provider that does not, on the day of entry into a Swap Agreement, have the adequate rating shall have its obligations to the Guarantor under such Swap Agreement guaranteed by an appropriately rated entity.

Event of Default/Additional Termination Events

A Swap Agreement may also be terminated early in certain other circumstances, including:

- (a) at the option of either party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement;
- (b) upon the occurrence of an insolvency of either party to the Swap Agreement, or its credit support provider (if any), or the merger of one of the parties without an assumption of the obligations under the relevant Swap Agreement;
- (c) there is a change of law or change in application of any relevant law which results in the Guarantor or the Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under the Swap Agreement and the Swap Provider thereby being required under the terms of the Swap Agreement to gross up payments made to the Guarantor, or to receive net payments from the Guarantor (which is not required under the terms of the Swap Agreement to gross up payments made to the Swap Provider); and
- (d) it becomes unlawful under any applicable law for either party to perform its obligations under the Swap Agreements.
- (e) The following are also typically to constitute additional termination events with respect to the Guarantor in the Swap Agreements:
 - (i) amendment to the Programme Documents without consent of the relevant Swap Provider when such Swap Provider is of the reasonable opinion that it is adversely affected as a result of such amendment;
 - (ii) in respect of any Asset Swap Agreement, sale of the Mortgage Loans in the Portfolio following delivery of an Issuer Event of Default Notice.

- (iii) in respect of any Covered Bond Swap Agreement, redemption (in whole or in part) of any relevant Series of Covered Bonds at the option of the Issuer;
- (iv) in respect of any Covered Bond Swap Agreement, redemption in whole of any relevant Series of Covered Bonds for tax reasons; and
- (v) the Representative of Bondholders serves a Guarantor Event of Default Notice.

Upon the termination of a Swap Agreement, the Guarantor or the Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this termination payment will be calculated and will be made in Euro.

Swap Agreement Credit Support Document

Each Swap Agreement will be supplemented and complemented by a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer English Law) to the ISDA Master Agreement (a **Swap Agreement Credit Support Document**). The Swap Agreement Credit Support Document will provide that the relevant Swap Provider, if required to do so following its downgrade or the downgrade of its credit support provider and subject to the conditions specified in such Swap Agreement Credit Support Document, will transfer Swap Collateral, and the Guarantor will be obliged to return equivalent collateral in accordance with the terms of the Swap Agreement.

Cash and securities (and all income in respect thereof) transferred as collateral will only be available to be applied in returning collateral (and income thereon) or in satisfaction of amounts owing by the relevant Swap Provider in accordance with the terms and within the limits of the Swap Agreement .

Any Swap Collateral will be returned by the Guarantor to the relevant Swap Provider directly in accordance with the terms of the Swap Agreement and not under the Priorities of Payments.

Governing law

The Swap Agreements and any non-contractual obligations arising out or connected with them are governed by English Law.

MANDATE AGREEMENT

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Mandate Agreement under which, subject to a Guarantor Event of Default Notice being served or upon failure by the Guarantor to exercise its rights under the Programme Documents and fulfilment of certain conditions, the Representative of the Bondholders, acting in such capacity, shall be authorised to exercise, in the name and on behalf of the Guarantor, all the Guarantor's rights arising out of the Programme Documents to which the Guarantor is a party.

Governing law

The Mandate Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

INTERCREDITOR AGREEMENT

On or about the First Issue Date, the Guarantor and the Other Guarantor Creditors entered into the Intercreditor Agreement, as further amended. Under the Intercreditor Agreement provision is made as to the application of the proceeds from Collections in respect of the Cover Pool and as to the circumstances in which the Representative of the Bondholders will be entitled, in the interest of the Bondholders, to exercise certain of the Guarantor's rights in respect of the Cover Pool and the

Programme Documents.

In the Intercreditor Agreement the Other Guarantor Creditors have agreed, *inter alia*: to the order of priority of payments to be made out of the Guarantor Available Funds; that the obligations owed by the Guarantor to the Bondholders and, in general, to the Other Guarantor Creditors are limited recourse obligations of the Guarantor; and that the Bondholders and the Other Guarantor Creditors have a claim against the Guarantor only to the extent of the Guarantor Available Funds.

Under the terms of the Intercreditor Agreement, the Guarantor has undertaken, following the service of a Guarantor Event of Default Notice, to comply with all directions of the Representative of the Bondholders, acting pursuant to the Conditions, in relation to the management and administration of the Cover Pool.

Each of the Other Guarantor Creditors has agreed in the Intercreditor Agreement that in the exercise of its powers, authorities, duties and discretions the Representative of the Bondholders shall have regard to the interests of both the Bondholders and the Other Guarantor Creditors but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interests of the Bondholders. The actions of the Representative of the Bondholders will be binding on each of the Other Guarantor Creditors.

Under the Intercreditor Agreement, each of the Other Guarantor Creditors has appointed the Representative of the Bondholders, as its agent (*mandatario con rappresentanza*), so that the Representative of the Bondholders may, in its name and behalf and also in the interests of and for the benefit of the Bondholders (who make a similar appointment pursuant to the Programme Agreement and the Conditions), *inter alia*, enter into the Deed of Pledge and the Deed of Charge. In such capacity, the Representative of the Bondholders, with effect from the date when the Covered Bonds have become due and payable (following a claim to the Guarantor or a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or the enforcement of the Guarantee if so instructed by the Bondholders or the exercise any other rights of enforcement conferred to the Representative of the Bondholders), may exercise all of the Bondholders and Other Guarantor Creditors' right, title and interest in and to and in respect of the assets charged under the Deed of Pledge and the Deed of Charge and do any act, matter or thing which the Representative of the Bondholders considers necessary for the protection of the Bondholders and Other Guarantor Creditors' rights under any of the Programme Documents including the power to receive from the Issuer or the Guarantor any and all moneys payable by the Issuer or the Guarantor to any Bondholder or Other Guarantor Creditors. In any event, the Representative of the Bondholders shall not be bound to take any of the above steps unless it has been indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing. ***Governing law***

The Intercreditor Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

GUARANTOR CORPORATE SERVICES AGREEMENT

Under the Guarantor Corporate Services Agreement entered into on or about the First Issue Date, as further amended, between the Guarantor Corporate Servicer and the Guarantor, the Guarantor Corporate Servicer has agreed to provide certain corporate and administrative services to the Guarantor.

Governing law

The Guarantor Corporate Services Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

PROGRAMME AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s), entered into the Programme Agreement, as further amended, pursuant to which the parties thereof have recorded the arrangements agreed between them in relation to the issue by the Issuer and the subscription by the Dealer(s) from time to time of Covered Bonds issued under the Programme.

Under the Programme Agreement, the Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series.

Pursuant to the Programme Agreement, before the Issuer reaches its first agreement with any Dealer for the issue and purchase of the First Series of Covered Bonds under the Programme, each Dealer shall have received, and found satisfactory (in its reasonable opinion), all of the documents and confirmations described in schedule 1 (*Initial Documentary Conditions Precedent*) of the Programme Agreement constituting the initial conditions precedent and the conditions precedent set out under Clause 3.2 (*Conditions precedent to the issue of any Series of Covered Bonds*) of the Programme Agreement, as applicable to the first Series, shall have been satisfied.

According to the terms of the Programme Agreement, the Issuer may nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular Series of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

In addition, under the Programme Agreement, the parties thereof have agreed to certain terms regulating, *inter alia*, the performance of any stabilisation action which may be carried out in connection with the issue of any Series of Covered Bonds.

Governing law

The Programme Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

COVER POOL MANAGEMENT AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Test Calculation Agent and the Representative of the Bondholders entered into the Cover Pool Management Agreement, as further amended, pursuant to which they have agreed certain terms regulating, *inter alia*, the performance of the Tests and the purchase and sale by the Guarantor of the Eligible Assets and Top-Up Assets included in the Cover Pool.

Under the Cover Pool Management Agreement the Issuer (also in its capacity as Seller) has undertaken to procure that each of the Mandatory Tests (as described in detail in section entitled "*Credit structure - Tests*" below) is met with respect to the Cover Pool on any Calculation Date (and, to the extent that on any such Calculation Date any Mandatory Tests was breached, on any following Test Calculation Date until the end of the relevant Test Remedy Period). In addition, following the service of an Issuer Event of Default Notice (but prior to the service of a Guarantor Event of Default Notice), on any Calculation Date, the Test Calculation Agent shall verify that the Amortisation Test is met (as described in details in section entitled "*Credit Structure – Amortisation Test*").

The Test Calculation Agent has agreed to prepare and deliver to the Issuer, the Guarantor, the Servicer, the Representative of the Bondholders, the Calculation Agent, the Asset Monitor and the Rating Agencies a report setting out the calculations carried out by it with respect of the Tests (the **Test Performance Report**). Such report shall specify the occurrence of a breach of any Tests. The parties to the Cover Pool Management Agreement have acknowledged that, at any time prior to the delivery of an Issuer Event of Default Notice, the aggregate amount of Top-Up Assets included in the Cover Pool may not be in excess of 15% (fifteen per cent.) of the aggregate Outstanding Principal Balance of the Eligible Cover Pool, pursuant to the combined provisions of Decree No. 310 and the Bank of Italy Regulations. In this respect, the Test Calculation Agent has undertaken to determine on each Test Calculation Date the amount of Top-Up Assets (which, for the avoidance of doubt, shall include any Collections and Recoveries and other cash flows deriving from the Eligible Assets and/or Top-Up Assets already transferred to the Guarantor) forming part of the Cover Pool and the result of such calculation will be set out in each Test Performance Report.

Should the result from any Test Performance Report show that the aggregate amount of Top-Up Assets included in the Cover Pool is in excess of 15% (fifteen per cent.) of the aggregate Outstanding Principal Balance of the Eligible Cover Pool, then the Seller shall, within the next following Calculation Date (or Test Calculation Date, as the case may be), transfer to the Guarantor Subsequent Portfolio(s) of Eligible Assets in an aggregate amount at least equal to the Relevant Top-Up Asset Excess (as defined below); provided however that such transfer will not be necessary if the aggregate amount of (i) Top-Up Assets transferred by the Seller to the Guarantor and (ii) the Collections and Recoveries on the relevant Portfolio is in excess of 15% (fifteen per cent.) of the Outstanding Principal Balance of the Portfolio (the **Relevant Top-Up Assets Excess**) has been cured in full on or prior to the 1st (first) Calculation Date immediately following the Calculation Date (or Test Calculation Date, as the case may be) in which any such Test Performance Report has been delivered, upon repayment by the Guarantor under the Subordinated Loan, in accordance with the Pre-Issuer Event of Default Principal Priority of Payments.

The purchase price of Subsequent Portfolios of Eligible Assets so transferred shall be financed (i) in accordance with the provisions of clause 4.1.2 of the Master Assets Purchase Agreement or (ii) if the sums standing to the credit of the Principal Collection Account are not sufficient to fund the purchase price of such Subsequent Portfolios of Eligible Assets, through the proceeds of Subordinated Loan.

It is understood that, until the Relevant Top-Up Assets Excess is cured pursuant to the provisions of the Cover Pool Management Agreement, the Relevant Top-Up Assets Excess would not be computed for the purposes of the calculation of the Mandatory Tests.

Following the delivery of an Issuer Default Notice on the Issuer and the Guarantor, any Collections and Recoveries and other cash flows deriving from the Eligible Assets and/or Top-Up Assets transferred to the Guarantor may then exceed the 15 per cent. limit of the aggregate Outstanding Principal Balance of the Eligible Cover Pool and the above provisions shall cease to apply, provided however that, should the Issuer Default Notice consist of an Article 74 Event, such provisions will shall newly apply at the end of the relevant Suspension Period.

Following the notification by the Test Calculation Agent in the relevant Test Performance Report, of a breach of any Test, the Guarantor will purchase Subsequent Portfolios from the Seller in accordance with the Master Assets Purchase Agreement and/or purchase, or invest in, Top-Up Assets or other Eligible Assets in order to ensure that, within the relevant Test Grace Period, all Tests are satisfied. Such purchase will be (i) prior to the delivery of a Breach of Test Notice, for the portion of the relevant purchase price not payable by the Guarantor applying the Guarantor Available Funds available for such purpose in accordance with the Pre-Issuer Default Principal Priority of Payments, partially funded with the proceeds of appropriate drawdowns advanced by the Issuer and (ii) following the delivery of a Breach of Test Notice (which has not been revoked) entirely funded with the proceeds of appropriate drawdowns advanced by the Issuer, except where the breach referred to in the Breach of Test Notice may be cured by using the Guarantor Available Funds.

If the relevant breach has not been remedied prior to the end of the applicable Test Grace Period, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders shall deliver a Breach of Test Notice to the Issuer and the Guarantor as a consequence of which a Segregation Event will occur.

Following the delivery of a Breach of Test Notice, but prior to the delivery of an Issuer Event of Default Notice, if on or prior to the expiry of the Test Remedy Period the Tests are subsequently met (unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to deliver a subsequent Breach of Test Notice), the Representative of the Bondholders will promptly deliver to the Issuer, the Guarantor, the Test Calculation Agent, the Calculation Agent and the Asset Monitor a Breach of Test Cure Notice informing such parties that the Breach of Test Notice then outstanding has been revoked. No revocation of a Breach of Test Notice will be possible following the service of an Issuer Event of Default Notice or Guarantor Event of Default Notice.

Under the Cover Pool Management Agreement the parties thereof have also agreed the conditions that the Guarantor shall comply with in the selection of the assets to be purchased. For such purpose the Guarantor will:

- (i) purchase Eligible Assets or Top-Up Assets from the Issuer; and
- (ii) to the extent the Top-Up Assets purchased in accordance with item (i) above are insufficient, purchase Top-Up Assets from other entities, having previously obtained to that purpose any relevant solvency certificate or bankruptcy certificate or any other document as the Representative of the Bondholders may deem necessary;

provided however that (prior to the delivery of an Issuer Event of Default Notice) the aggregate amount of Top-Up Assets included in the Cover Pool following such purchase may not be in excess of 15% of the aggregate outstanding principal amount of the Cover Pool or any other limit set out in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

After the service of an Issuer Event of Default Notice (other than in respect of an Issuer Event of Default consisting of an Article 74 Event whose suspension of payments is in force prior to an Extension Determination Date where the payments of the unpaid amounts due by the Guarantor in respect of a Series of Covered Bonds have been postponed to the relevant Extension Maturity Date) on the Issuer and the Guarantor or a Guarantor Event of Default Notice, the Guarantor shall, if necessary in order to effect timely payments under the Covered Bonds, upon instructions of the Portfolio Manager and **provided that** the Representative of the Bondholders has been duly informed, sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to (in case of Issuer Event of Default due to a breach of the Mandatory Tests not cured within the relevant Test Remedy Period) the rights of pre-emption in favour of the Issuer to buy such Eligible Assets and Top-Up Assets pursuant to the Master Assets Purchase Agreement.

The Eligible Assets and Top-Up Assets to be sold will be selected from the Cover Pool on a random basis by the Servicer on behalf of the Guarantor (any such Eligible Assets and Top-Up Assets, the **Selected Assets**) and the proceeds from any sale of Selected Assets shall be credited to the Collection Account and applied as set out in the applicable Priority of Payments.

Under the terms of the Cover Pool Management Agreement, before offering Selected Assets for sale, the Guarantor shall ensure that the Selected Assets have an aggregate Outstanding Principal Balance in an amount (the **Adjusted Required Outstanding Principal Balance Amount**) which is as close as possible to:

- (a) the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by $1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series of Covered Bonds} / 365)$ (the **Required Redemption Amount**); minus
- (b) amounts standing to the credit of the Accounts; minus
- (c) the Euro Equivalent of the principal amount of any Top-Up Assets and Eligible Investments, plus or minus
- (d) as applicable, any swap termination amounts payable under the Swap Agreements to or by the Guarantor in respect of the relevant Series of Covered Bonds,

excluding, with respect to items (b) and (c) above all amounts estimated to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the applicable Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the Earliest Maturing Covered Bonds (such amounts, to be referred to as the **Adjusted Required Redemption Amount**).

The Guarantor will offer the Selected Assets for sale for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount. If the Selected Assets have not been sold in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to the Maturity Date or, as applicable, the Extended Maturity Date of the Earliest Maturing Covered Bonds, and the Guarantor does not have sufficient other funds standing to the credit of the Accounts available to repay the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the Guarantor will offer the Selected Assets for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

In addition, after the delivery of an Issuer Event of Default Notice, the Guarantor may, upon the evaluation carried out by the Portfolio Manager taking into account the then relevant market conditions, sell Selected Assets for an amount equal to the Adjusted Required Outstanding Principal Balance Amount calculated in respect of any other Series of Covered Bonds then outstanding, rather than in respect of the Earliest Maturing Covered Bonds only.

The Guarantor may offer for sale part of any portfolio of Selected Assets (a **Partial Portfolio**). Except in certain circumstances, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Outstanding Principal Balance Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Assets.

With respect to any sale to be carried out in accordance with the Cover Pool Management Agreement, the Guarantor shall instruct a recognised portfolio manager (which shall be appointed through a tender process) (the **Portfolio Manager**) to endeavour - to the extent possible taking into account the time left before the Maturity Date or Extended Maturity Date (if applicable) of the Earliest Maturing Covered Bonds - to sell or liquidate the Selected Assets included in the Cover Pool. To incentivise the Portfolio Manager to achieve the best price for the sale of Eligible Assets and Top-Up Assets the fees of the Portfolio Manager will be determined on the basis of its performance.

Following the delivery of a Breach of Test Cure Notice and following the delivery of an Article 74 Event Cure Notice, the right of the Guarantor to sell Selected Assets and Eligible Assets, as described above, shall cease to apply.

Under the Cover Pool Management Agreement, following the delivery by the Representative of the Bondholders of a Guarantor Event of Default Notice, the Guarantor shall immediately sell all Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the procedures described above and set out in the Cover Pool Management Agreement, **provided that** the Guarantor will

instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

Pursuant to the Cover Pool Management Agreement, prior to the occurrence of a Segregation Event, or, if earlier, an Issuer Event of Default, the Seller have the right to repurchase any Excess Assets transferred to the Guarantor **provided that**, (a) the Seller shall repurchase any Top-Up Assets before any other Excess Assets and (b) any such purchase may occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

For further details, see section entitled "*Credit structure - Tests*" below.

Governing law

The Cover Pool Management Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

DEED OF PLEDGE

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Deed of Pledge, as further amended, under which, without prejudice and in addition to any security, guarantee and other right provided by Law 130 and the Deed of Charge securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor has pledged in favour of the Bondholders and the Other Guarantor Creditors (i) all existing and future monetary claims and rights (other than the Cover Pool) and all the amount (including payment for claims, indemnities, damages, penalties, credits and guarantees) owing to the Pledgor and arising from and in accordance with the certain Programme Documents, (ii) the Eligible Investments, from time to time deposited in Italy with the Account Bank in accordance with the Cash Allocation, Management and Payments Agreement, (iii) the sums from time to time deposited with the Swap Collateral Account Bank and (iv) the sums from time to time deposited with the Cash Reserve Commingling Account Bank. The security created pursuant to the Deed of Pledge will become enforceable upon the service of a Guarantor Event of Default Notice.

Governing law

The Deed of Pledge and any non-contractual obligations arising out or connected with it is governed by Italian law.

DEED OF CHARGE

On or about the First Issue Date, the Guarantor will enter into the Deed of Charge with the Representative of the Bondholders pursuant to which, without prejudice and in addition to any security, guarantees and other rights provided by Law 130 and the Deed of Pledge securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor will assign in favour of the Representative of the Bondholders as trustee for the Bondholders and the Other Guarantor Creditors all of its rights, benefits and interest under the Swap Agreements, including the benefit of any Swap Guarantees thereunder. The security created pursuant to the Deed of Charge will become enforceable upon the service of a Guarantor Event of Default Notice.

Governing law

The Deed of Charge and any non-contractual obligations arising out or connected with it is governed by English law.

ASSET MONITOR AGREEMENT

Pursuant to the Asset Monitor Agreement entered into on or about the First Issue Date between the Issuer, the Guarantor, the Asset Monitor and the Representative of the Bondholders and subject to due receipt of the information to be provided by the Test Calculation Agent to the Asset Monitor, the Asset Monitor, in addition to the activities carried out by it in favour of the Issuer pursuant to the Bank of Italy Regulations and as set out in an engagement letter entered into on or about the date of this Prospectus, will (i) prior to the delivery of an Issuer Event of Default Notice, verify the arithmetic accuracy of the calculations performed by the Test Calculation Agent pursuant to the Cover Pool Management Agreement with respect to the Mandatory Tests; and (ii) following the delivery of an Issuer Event of Default Notice (and, in case the Issuer Event of Default consists of an Article 74 Event, to the extent that no Article 74 Event Cure Notice has been served), verify the arithmetic accuracy of the calculations performed by the Test Calculation Agent pursuant to the Cover Pool Management Agreement with respect to the Mandatory Tests and the Amortisation Test.

In addition, on or prior to each Asset Monitor Report Date, the Asset Monitor shall deliver to the Guarantor, the Test Calculation Agent, the Representative of the Bondholders and the Issuer a report containing the results of its activities of verification, in the form set out in the Asset Monitor Agreement.

The Asset Monitor Agreement provides for certain matters such as the payment of fees and expenses to the Asset Monitor, the limited recourse nature of the payment obligation of the Guarantor *vis-à-vis* the Asset Monitor, the resignation of the Asset Monitor and the replacement by the Guarantor of the Asset Monitor.

The Asset Monitor Agreement and any non-contractual obligations arising out or connected with it is governed by Italian law.

QUOTAHOLDERS' AGREEMENT

Please see section entitled "*Guarantor – The Quotaholders' Agreement*".

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts under the Guarantee until the service by the Representative of the Bondholders on the Issuer and on the Guarantor of an Issuer Event of Default Notice. The Issuer will not be relying on payments by the Guarantor in respect of the Subordinated Loan or receipt of Interest Available Funds or Principal Available Funds from the Cover Pool in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Bondholders, as follows:

- (i) the Guarantee provides credit support for the benefit of the Bondholders;
- (ii) the Mandatory Tests and, following the delivery of an Issuer Event of Default Notice, the Amortisation Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;
- (iii) the Swap Agreements are intended to mitigate certain interest rate, currency or other risks in respect of amounts received and amounts payable by the Guarantor;
- (iv) a Reserve Account is opened for the deposit of the Reserve Amount intended to be used on each Guarantor Payment Date, together with the other Guarantor Available Funds to make the payments required under certain items of the Pre-Issuer Interest Priority of Payments, to the extent that the Guarantor Available Funds are not sufficient to make the relevant payments on such Guarantor Payment Date; and
- (v) under the terms of the Cash Allocation, Management and Payments Agreement, the Account Bank, on the basis of the instruction of the Investment Manager, has agreed to invest the moneys standing to the credit of the Collection Accounts and the Reserve Account as transferred to the Eligible Investment Account in purchasing Eligible Investments.

Certain of these factors are considered more fully in the remainder of this section.

Guarantee

The Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment (other than to the Bondholders) become due as a consequence of the delivery of an Issuer Event of Default Notice. In this circumstance (and until a Guarantor Event of Default occurs and a Guarantor Event of Default Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment. Payments to be made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

See section entitled "*Description of the Programme Documents - Guarantee*", as regards the terms of the Guarantee. See section entitled "*Cashflows - Post-Issuer Default Priority of Payments*", as regards the payment of amounts payable by the Guarantor to Bondholders and other creditors following the occurrence of an Issuer Event of Default.

Tests

Under the terms of the Cover Pool Management Agreement, the Issuer must ensure that on each Calculation Date the Cover Pool is in compliance with the Tests described below. If on any

Calculation Date the Cover Pool is not in compliance with the Tests, then the Guarantor may require the Issuer to advance a drawdown under the Subordinated Loan for the purposes of funding the purchase of Subsequent Portfolios or investments in Top-Up Assets representing an amount sufficient to allow the Tests to be met on the next following Test Calculation Date falling on the expiry of the Test Grace Period, in accordance with, as appropriate, the Master Assets Purchase Agreement and the Cover Pool Management Agreement. If the Cover Pool is not in compliance with the Tests on the next following Test Calculation Date falling on the expiry of the Test Grace Period, the Representative of the Bondholders will serve a Breach of Test Notice on the Issuer and the Guarantor. The Representative of the Bondholders shall revoke the Breach of Test Notice if on or prior to the expiry of the Test Remedy Period the Tests are subsequently satisfied unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to serve a subsequent Breach of Test Notice. If following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the expiry of the Test Remedy Period, the Representative of the Bondholders will serve an Issuer Event of Default Notice on the Issuer and the Guarantor.

Mandatory Tests

The Mandatory Tests are intended to ensure that the Guarantor can meet its obligations under the Guarantee. In order to ensure that the Mandatory Tests provided for under Article 3 of Decree No. 310 (the **Mandatory Tests**) are satisfied and that the Cover Pool is at all times sufficient to repay the Covered Bonds, the Issuer must always ensure that the three tests set out below are satisfied on each Calculation Date (and on any Test Calculation Date thereafter if on the immediately preceding Calculation Date any of the Mandatory Tests was breached and as long as such breach has not been cured in accordance with clause 3.5 of the Cover Pool Management Agreement).

(A) Nominal Value Test

The Issuer and the Seller must ensure and the Test Calculation Agent shall verify that on each Calculation Date (or Test Calculation Date, as the case may be) prior to the occurrence of an Issuer Event of Default, the aggregate Outstanding Principal Balance of the Eligible Cover Pool shall be higher than or equal to the Outstanding Principal Amount of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Final Terms and outstanding on the relevant Calculation Date (or Test Calculation Date, as the case may be).

For the purpose of the above, the Test Calculation Agent shall consider the Outstanding Principal Balance of the Eligible Cover Pool as an amount equal to the **Nominal Value**, which will be calculated on each Calculation Date (or Test Calculation Date, as the case may be), by applying the following formula (without double-counting):

$$A + B + C - Y - W - Z - H$$

where,

A stands for the **Adjusted Outstanding Principal Balance** of each Mortgage Loan, which shall be as calculated as follows at each relevant Calculation Date (or Test Calculation Date, as the case may be);

the lower of:

- (i) the Outstanding Principal Balance of the relevant Mortgage Loan as calculated on the relevant Calculation Date (or Test Calculation Date, as the case may be); and
- (ii) the Latest Valuation relating to that Mortgage Loan multiplied by M,

where

- (a) for all Residential Mortgage Loans that are neither Defaulted Mortgage Receivables nor Delinquent Mortgage Receivables, $M = 0.80$;
- (b) for all Residential Mortgage Loans that are Delinquent Mortgage Receivables, $M = 0.60$;
- (c) for all Commercial Mortgage Loans that are neither Defaulted Mortgage Receivables nor Delinquent Mortgage Receivables, $M = 0.60$;
- (d) for all Commercial Mortgage Loans that are Delinquent Mortgage Receivables, $M = 0.45$; and
- (e) for all Mortgage Loans that are Defaulted Mortgage Receivables $M = 0$;

minus

the aggregate sum of the following deemed reductions to the aggregate Adjusted Outstanding Principal Balance of the Mortgage Loans in the Cover Pool, if any of the following occurred during the previous Collection Period:

- (1) a Mortgage Loan (or any security granted in relation thereto, the **Related Security**) was, in the immediately preceding Collection Period, in breach of the representations and warranties contained in the relevant Warranty and Indemnity Agreement or was subject to any other obligation of the Seller to repurchase the relevant Mortgage Loan and its Related Security and, in each case, the Seller has not repurchased the Mortgage Loan or Mortgage Loans (each an **Affected Loan**) of the relevant Debtor to the extent required by the terms of the Master Asset Purchase Agreement or indemnified the Guarantor to the extent required by the terms of the Warranty and Indemnity Agreement. In this event, the aggregate Adjusted Outstanding Principal Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date or any following Test Calculation Date as the case may be) will be deemed to be reduced by an amount equal to the Adjusted Outstanding Principal Balance of the relevant Affected Loan or Affected Loans (as calculated on the relevant Calculation Date or Test Calculation Date, as the case may be); and/or
- (2) the Seller, in the preceding Collection Period, was in breach of any other material warranty under the relevant Master Asset Purchase Agreement and/or the Servicer was, in the preceding Collection Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Adjusted Outstanding Principal Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date, or any following Test Calculation Date as the case may be) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Collection Period (such financial loss to be calculated by the Test Calculation Agent without double counting and to be reduced by any amount paid (in cash or in kind) to the Guarantor by the Issuer, the Seller and/or the Servicer to indemnify the Guarantor for such financial loss);

the amount resulting from the calculations above, *multiplied* by the Asset Percentage;

- B** stands for the aggregate of, without double counting, (i) the amount standing to the credit of the Principal Collection Account, (ii) the Principal Balance standing to the credit of the Eligible Investment Account or invested in Eligible Investments and (iii) the principal amount of any Top-Up Assets qualifying as Eligible Investment;

- C** stands for the aggregate Outstanding Principal Balance of any Eligible Assets other than Mortgage Loans, *provided that* any such amount may be given limited credit from time to time;
- Y** is equal to (i) nil, if the Issuer's *counterparty risk assessment* (CRA) is at least "A3 (cr)" by Moody's and the Issuer's long term and short term rating are at least "A" and "F1" by Fitch, or (ii) otherwise, the Potential Set-Off Amount, **provided that**, any reference to a rating by Fitch shall be deemed to be a reference to the "*Issuer Default Rating*" given by such Rating Agency;
- W** is equal to (i) nil, if (a) the Issuer's *counterparty risk assessment* (CRA) is at least "A3(cr)" by Moody's and the Issuer's long term and short term rating are at least "A" and "F1" by Fitch, or (b) any of the remedies under Clause 4.2 of the Servicing Agreement have been implemented; or (ii) otherwise, the Potential Commingling Amount, **provided that**, any reference to a rating by Fitch shall be deemed to be a reference to the "*Issuer Default Rating*" given by such Rating Agency;
- Z** stands for the Weighted Average Remaining Maturity of all Covered Bonds (expressed in years) then outstanding multiplied by the aggregate Principal Amount of the Covered Bonds then outstanding multiplied by the Negative Carry Factor; and
- H** stands for the aggregate amount of the principal instalments of each Mortgage Loan which have been deferred in accordance with a Payment Holiday.

provided that,

- (i) items A, B, C, and H above will be computed with reference to the Collection Period End Date immediately preceding the relevant Calculation Date (or Test Calculation Date, as applicable);
- (ii) for the purpose of the computation of the item A above, the Outstanding Principal Balance of the Mortgage Loans shall include the Outstanding Principal Balance with reference to the relevant Valuation Date (excluded) of any Subsequent Portfolio sold after the Collection Period End Date and prior to the relevant Calculation Date (or Test Calculation Date, as the case may be), to the extent that a Series of Covered Bonds has been issued or is to be issued during the same period of time and all the steps required under the Master Assets Purchase Agreement for the purposes of the purchase of the Subsequent Portfolio by the Guarantor, including the notice of the purchase price of the Subsequent Portfolio, having been taken and the relevant notice of assignment having been published in the Official Gazette and registered in the companies' register before the relevant Issue Date.

Asset Percentage: means the lower of (i) 93.00 per cent and (ii) such other percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agencies (after procuring the required level of overcollateralization in line with target rating). Notwithstanding that, in the event the Issuer chooses not to apply such other percentage figure (item (ii) above) of the Asset Percentage, this will not result in a breach of the Nominal Value Test.

Payment Holiday means in respect of a Mortgage Loan, the deferral of the payment of its interest and/or principal instalments in accordance with the application of moratoria provisions from time to time granted to Debtors by any laws, agreements between Italian banking associations and national consumer associations, the Bank of Italy or other regulatory bodies regulations.

Principal Balance: means (a) with reference to the Eligible Investment Account, the portion of the balance standing to the credit of the Eligible Investment Account made up by cash transferred from the Principal Collection Account and not invested in Eligible Investments; (b) with reference to the Eligible Investments, the principal amount credited into the Eligible Investment Account from the Principal Collection Account and invested into Eligible Investments.

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

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

Weighted Average Remaining Maturity: means the aggregate of the residual term (expressed as a fraction of year) of any Series of Covered Bonds issued under the Programme, weighted by the Outstanding Principal Amount of the relevant Series of Covered Bonds.

(B) ***Net Present Value Test***

The Issuer and the Seller must ensure, and the Test Calculation Agent shall verify, that on each Calculation Date (or Test Calculation Date, as the case may be) prior to the occurrence of an Issuer Event of Default, the Net Present Value of the Eligible Cover Pool (including the payments of any nature expected to be paid or received by the Guarantor with respect to any Swap Agreement), net of the transaction costs to be borne by the Guarantor shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with the Conditions and their Final Terms and outstanding on the relevant Calculation Date (or Test Calculation Date, as the case may be).

The **Net Present Value of the Cover Pool** is an amount, calculated on each Calculation Date (or Test Calculation Date, as the case may be), applying the following formula:

$$A + B$$

where:

A stands for the net present value of all Eligible Assets and Top-Up Assets comprised in the Eligible Cover Pool;

B stands for the net present value of each Asset Swap Agreement and Liability Swap Agreement.

The ***Net Present Value*** Test will:

- (i) be met if $A+B - C \geq D$; or
- (ii) not be met if $A+B- C < D$.

where,

C stands for the aggregate of the Senior Payments (exclusive of any amounts credited to the Reserve Account and payments made or to be made under the Swap Agreements)

expected to be borne by the Guarantor during the period starting from the relevant Calculation Date or Test Calculation Date, as the case may be, and ending on the Maturity Date (or, as applicable, Extended Maturity Date) of the last maturing Series of Covered Bonds outstanding;

D stands for net present value of all Series of Covered Bonds issued under the Programme and outstanding on the relevant Calculation Date (or Test Calculation Date, as the case may be).

provided that,

- (i) items A, B and D above will be computed with reference to the Collection Period End Date immediately preceding the relevant Calculation Date (or Test Calculation Date, as applicable);
- (ii) for the purpose of the computation of the item A above, the net present value of the Mortgage Loans shall include the net present value with reference to the relevant Valuation Date (excluded) of any Subsequent Portfolio sold after the Collection Period End Date and prior to the relevant Calculation Date (or Test Calculation Date, as the case may be), to the extent that a Series of Covered Bonds has been issued or is to be issued during the same period of time and all the steps required under the Master Assets Purchase Agreement for the purposes of the purchase of the Subsequent Portfolio by the Guarantor, including the notice of the purchase price of the Subsequent Portfolio, having been taken and the relevant notice of assignment having been published in the Official Gazette and registered in the companies' register before the relevant Issue Date;
- (iii) for the purpose of the computation of the item B above, the net present value of the Asset Swap Agreement and Liability Swap Agreement shall include the net present value of any new swap transaction executed by the Guarantor to hedge, respectively, (a) any Subsequent Portfolio taken into account in the computation of the item A above; and (b) any Series of Covered Bonds, issued between the Collection Period End Date and the relevant Calculation Date (or Test Calculation Date, as the case may be), taken into account in the computation of item D above;
- (iv) for the purpose of the computation of the item D above, the net present value of the Series of Covered Bonds shall include the net present value, with reference to the relevant Issue Date, of the Covered Bonds issued after the Collection Period End Date and prior to the relevant Calculation Date (or Test Calculation Date, as the case may be).

(C) *Interest Coverage Test*

The Issuer and the Seller must ensure, and the Test Calculation Agent shall verify, that on each Calculation Date (or Test Calculation Date, as the case may be) prior to the occurrence of an Issuer Event of Default, the amount of interest and other revenues generated by the assets included in the 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 paid or due with respect to any Swap Agreement), shall be higher than the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Final Terms and the Conditions and outstanding on the relevant Calculation Date (or Test Calculation Date, as the case may be), taking into account the Swap Agreements entered into in connection with the Programme.

The Interest Coverage Test will be considered met if, on the relevant Calculation Date or any following Test Calculation Date, as the case may be, the Expected Revenue Income (as defined below) is in an amount equal to or greater than the Expected Revenue Liability (as defined below), both as calculated on the relevant Calculation Date (or Test Calculation Date, as the case may be).

The **Expected Revenue Income** is an amount calculated on each Calculation Date (or Test Calculation Date, as the case may be) by applying the following formula:

$$A+B+C$$

where,

A stands for the aggregate of, without double counting, (i) the amount standing to the credit of the Interest Collection Account (ii) the Interest Balance standing to the credit of the Eligible Investment Account or invested in Eligible Investments, and (iii) any Eligible Investment Revenues;

B stands for any payments that the Guarantor is expected to receive under any Swap Agreement during the relevant ICT Period; and

C stands for the aggregate of Interest Instalments – relating to the Eligible Assets and the Top Up Assets comprised in the Eligible Cover Pool - falling due during the relevant ICT Period (such interest payments to be calculated with respect to the applicable interest rates as of the relevant Calculation Date, or Test Calculation Date, as the case may be).

The **Expected Revenue Liability** will be an amount calculated on each Calculation Date, (or Test Calculation Date, as the case may be) by applying the following formula:

$$D+E+F$$

where,

D stands for the aggregate amount of all interest payments due under all outstanding Series of Covered Bonds on the Interest Payment Dates falling in the relevant ICT Period (such interest payments to be calculated with respect to the applicable interest rates as of the relevant Calculation Date (or Test Calculation Date, as the case may be);

E stands for any Senior Payments (exclusive of any amounts credited to the Reserve Account and payments made or to be made under the Swap Agreements) expected to be borne by the Guarantor during the relevant ICT Period; and

F stands for any payments expected to be borne or due by the Guarantor under any Swap Agreement during the relevant ICT Period.

provided that:

- (i) items A will be computed with reference to the Collection Period End Date immediately preceding the relevant Calculation Date (or Test Calculation Date, as applicable);
- (ii) for the purpose of the computation of the item C above, the Interest Instalments shall include any interest component of the instalments related to any Subsequent Portfolio sold after the Collection Period End Date and prior to the relevant Calculation Date (or Test Calculation Date, as the case may be), to the extent that a Series of Covered

Bonds has been issued or is to be issued during the same period of time and all the steps required under the Master Assets Purchase Agreement for the purposes of the purchase of the Subsequent Portfolio by the Guarantor, including the notice of the purchase price of the Subsequent Portfolio, having been taken and the relevant notice of assignment having been published in the Official Gazette and registered in the companies' register before the relevant Issue Date;

- (iii) for the purpose of the computation of the items B and F above, payments expected to be, respectively, received or borne by the Guarantor shall include any payments in relation to any new swap transaction executed by the Guarantor to hedge, as applicable, (a) any Subsequent Portfolio, sold after the Collection Period End Date, taken into account in the computation of the item C above; and (b) any Series of Covered Bonds, issued between the Collection Period End Date and the relevant Calculation Date (or Test Calculation Date, as the case maybe), taken into account in the computation of item D above.

The Interest Coverage Test will:

- (i) be met if $A+B+C \geq D+E+F$; or
- (ii) not be met if $A+B+C < D+E+F$.

ICT Period means the period from a Calculation Date (or Test Calculation Date, as the case may be) to the date falling 12 months thereafter, or any longer period as from time to time determined in compliance with any further regulations or interpretations thereof.

Interest Balance: means (a) with reference to the Eligible Investment Account, the portion of the balance standing to the credit of the Eligible Investment Account made up by cash transferred from the Interest Collection Account and not invested in Eligible Investments; (b) with reference to the Eligible Investments, the interest amount credited into the Eligible Investment Account from the Interest Collection Account and invested into Eligible Investments.

Eligible Investment Revenues: means all interest amounts received from the Eligible Investments.

Amortisation Test

For so long as any of the Covered Bonds remain outstanding, following the occurrence of an Issuer Event of Default, and the service of an Issuer Event of Default Notice (but prior to the service of a Guarantor Event of Default Notice following the occurrence of a Guarantor Event of Default) the Guarantor will ensure that on each Calculation Date the Amortisation Test Aggregate Loan Amount is equal to or higher than the Principal Amount Outstanding of the Covered Bonds.

The Amortisation Test is intended to ensure that, following an Issuer Event of Default and the service of an Issuer Event of Default Notice on the Issuer and on the Guarantor (but prior to service on the Guarantor of a Guarantor Event of Default Notice), the Cover Pool contains sufficient assets to enable the Guarantor to meet its obligations under the Guarantee. If the Amortisation Test Aggregate Loan Amount is less than the Outstanding Principal Amount of the issued Covered Bonds, then the Amortisation Test will be deemed to be breached and a Guarantor Event of Default Notice will be served by the Representative of the Bondholders on the Guarantor causing the acceleration of the Covered Bonds and a demand for enforcement of the Guarantee. The Test Calculation Agent, whilst Covered Bonds are outstanding, will immediately notify the Representative of the Bondholders of any breach of

the Amortisation Test. Following a Guarantor Event of Default Notice, the Guarantor will be required to make payments in accordance with the Post-Enforcement Priority of Payments.

The **Amortisation Test Aggregate Loan Amount** will be calculated on each Calculation Date as follows:

$$A + B + C - Z - H$$

where,

A stands for the aggregate **Amortisation Test Outstanding Principal Balance** of each Mortgage Loan, which shall be the lower of:

- (i) the Outstanding Principal Balance of the relevant Mortgage Loan as calculated on the relevant Calculation Date; and
- (ii) the Latest Valuation relating to that Mortgage Loan multiplied by M,

where

- (a) for all Residential Mortgage Loans that are neither Defaulted Mortgage Receivables nor Delinquent Mortgage Receivables, $M = 0.80$;
- (b) for all Residential Mortgage Loans that are Delinquent Mortgage Receivables, $M = 0.60$;
- (c) for all Commercial Mortgage Loans that are neither Defaulted Mortgage Receivables nor Delinquent Mortgage Receivables, $M = 0.60$;
- (d) for all Commercial Mortgage Loans that are Delinquent Mortgage Receivables, $M = 0.45$; and
- (e) for all Mortgage Loans that are Defaulted Mortgage Receivables $M = 0$;

B stands for the aggregate, without duplication, of (i) the amount standing to the credit of the Principal Collection Account (ii) the Principal Balance standing to the credit of the Eligible Investment Account or invested in Eligible Investments and (iii) the principal amount of any Top-Up Assets qualifying as Eligible Investment;

C stands for the aggregate Outstanding Principal Balance of any Eligible Assets other than Mortgage Loans *provided that* any such amount may be given limited weight from time to time;

Z stands for the Weighted Average Remaining Maturity of all Covered Bonds (expressed in years) then outstanding multiplied by the aggregate Outstanding Principal Amount of the Covered Bonds then outstanding multiplied by the Negative Carry Factor; and

H stands for the aggregate amount of the principal instalments of each Mortgage Loan which have been deferred in accordance with a Payment Holiday.

provided that, item A, B, C, and H above will be computed with reference to the Collection Period End Date immediately preceding the relevant Calculation Date.

Breach of Tests

If the Test Calculation Agent determines that any of the Tests is not met according to the respective

formulas, then such event shall constitute a breach of the relevant Tests.

During the period starting on the date on which the breach of any of the Mandatory Tests is notified by the Test Calculation Agent and ending on the immediately following Test Calculation Date (the **Test Grace Period**) the Guarantor would have to:

- (a) purchase Subsequent Portfolios from the Seller in accordance with the Master Assets Purchase Agreement (or the relevant transfer agreement); and/or
- (b) purchase, or invest in, Top-Up Assets or other Eligible Assets,

in each case in an aggregate amount sufficient to ensure, also taking into account the information provided by the Test Calculation Agent in its Test Performance Report, that as of the subsequent Test Calculation Date, falling at the end of the Test Grace Period, all Mandatory Tests are satisfied with respect to the Cover Pool.

Failure to remedy Tests

If the relevant breach of Mandatory Tests has not been remedied on or prior to the end of the applicable Test Grace Period and if the Amortisation Test is breached, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders, shall deliver, as the case may be:

- (a) a Breach of Test Notice to the Issuer and the Guarantor; or
- (b) an Issuer Event of Default Notice, if a Breach of Test Notice has already been served and the breach has not been cured within the relevant Test Remedy Period; or
- (c) a Guarantor Event of Default Notice, if an Issuer Event of Default Notice has already been served.

Upon receipt of a Guarantor Event of Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool, in accordance with the Cover Pool Management Agreement.

Swap Agreements

Covered Bond Swap Agreements

To mitigate against interest rate, basis risk, currency and/or other risks in respect of each Series of Covered Bonds issued under the Programme, the Guarantor may enter into one or more Covered Bond Swap Agreements with one or more Covered Bond Swap Providers in respect of each Series of Covered Bonds. In the event that the rating(s) of the Covered Bond Swap Provider fall below a specified ratings level, each Covered Bond Swap Provider(s) will be required to take certain remedial action.

For further details, see section "*Description of the Programme Documents - Covered Bond Swap Agreements*" above.

Asset Swap Agreements

Some of the Mortgage Loans in the Cover Pool purchased by the Guarantor from time to time will pay a variable rate of interest, either capped or not capped, and other Mortgage Loans will pay a fixed rate of interest. The Guarantor may enter into one or more Asset Swap Agreements with one or more Asset Swap Providers to mitigate variations between the rate of interest it receives on Mortgage Loans in the Cover Pool and Euribor with a certain designated maturity. In the event that the rating(s) of an

Asset Swap Provider fall below a specified ratings level, each Asset Swap Provider(s) will be required to take certain remedial action.

For further details, see section "*Description of the Programme Documents - Asset Swap Agreements*" above.

Reserve Account and Reserve Amount

The Reserve Account is held in the name of the Guarantor for the deposit of the Reserve Amount which will be built up by the Issuer on the first Guarantor Payment Date by crediting any Reserve Amount up to the Required Reserve Amount. If the Reserve Amount has been used, the Reserve Account shall be replenished up to the Required Reserve Amount on each Guarantor Payment Date in accordance with the Priority of Payments.

The Reserve Amount will be used on each Guarantor Payment Date, together with the other Guarantor Available Funds to make the payments required up to item (*Fifth*) under the Pre-Issuer Default Priority of Payments, to the extent that the Guarantor Available Funds are not sufficient to make the relevant payments on such Guarantor Payment Date.

Cash Reserve Commingling Account and Potential Commingling Amount

In accordance with the provisions set forth under the Programme Documents, upon loss by the Servicer of the Servicer Minimum Rating, the Servicer shall deposit the Potential Commingling Amount on the Cash Reserve Commingling Account, held in the name of the Guarantor with the Cash Reserve Commingling Account Bank. The Potential Commingling Amount shall not be withdrawn save that it will be used only in case of failure by the Servicer to transfer the Collections pursuant to the Servicing Agreement.

The Guarantor has created in favour of the Representative of the Bondholders a Security Interest in respect of the amount standing to the credit of the Cash Reserve Commingling Account.

CASHFLOWS

As described above under section entitled "*Credit Structure*", until an Issuer Event of Default Notice is served on the Issuer and the Guarantor, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the Guarantor.

This section summarises the cashflows of the Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Accounts and their order of priority (all such orders of priority, the **Priority of Payments**) (a) prior to an Issuer Event of Default and a Guarantor Event of Default, (b) following an Issuer Event of Default (but prior to a Guarantor Event of Default) and (c) following a Guarantor Event of Default.

Definitions

For the purposes hereof the Guarantor Available Funds are constituted by the Interest Available Funds and the Principal Available Funds, which will be calculated by Calculation Agent on each Calculation Date.

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

- (i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Interest Collection Account in respect of the immediately preceding Collection Period;
- (ii) all recoveries in the nature of interest received by the Servicer and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (iii) all amounts of interest accrued (net of any withholding or expenses, if due) and credited into the Accounts in respect of the immediately preceding Collection Period;
- (iv) any amounts credited to the Reserve Account as at the immediately preceding Guarantor Payment Date;
- (v) all Eligible Investment Revenues in respect of the Eligible Investments made with reference to the immediately preceding Collection Period;
- (vi) any amounts (excluding any principal payment) received or to be received under the Asset Swap Agreement(s) other than any Swap Collateral Excluded Amounts with reference to the immediately following Asset Swap Payment Date;
- (vii) any amounts (excluding any principal payment) received or to be received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts with reference to the immediately following Covered Bond Swap Payment Date;
- (viii) any swap termination payments (excluding any principal payment) received or to be received from a replacement Swap Provider under a Swap Agreement in the event of a termination of a Swap Agreement between the Guarantor and the relevant Swap Provider with reference to the immediately following Guarantor Payment Date;
- (ix) all interest amounts received from the Seller by the Guarantor pursuant to the Master Assets Purchase Agreement and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (x) any amounts to be paid as Interest Shortfall Amount out of item (First) of the Pre-Issuer Default Principal Priority of Payments on the immediately succeeding Guarantor Payment

Date;

- (xi) any revenue amounts (other than the amounts already allocated under other items of the Interest Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period; and
- (xii) interest amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

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

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

Pre-Issuer Default Interest Priority of Payments

Prior to service of an Issuer Event of Default Notice on the Guarantor and the Issuer and service of a

Guarantor Event of Default Notice on the Guarantor, the Interest Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *(First)*, (a) to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses of the Guarantor (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;
- (ii) *(Second)*, to pay any amount due and payable to the Representative of the Bondholders;
- (iii) *(Third)*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable to the Servicer, the Back-up Servicer (if any), the Account Bank, the Test Calculation Agent, the Investment Manager, the Calculation Agent, the Guarantor Corporate Servicer and the Cash Reserve Commingling Account Bank;
- (iv) *(Fourth)*, to pay, *pari passu* and *pro rata* any interest amounts due to the relevant Asset Swap Provider (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts);
- (v) *(Fifth)*, to pay, *pari passu* and *pro rata* any interest amounts due to the Covered Bond Swap Provider(s) (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts);
- (vi) *(Sixth)*, to credit to the Reserve Account an amount required to ensure that the Reserve Amount is funded up to the Required Reserve Amount, as calculated on the immediately preceding Calculation Date;
- (vii) *(Seventh)*, to apply to the Principal Available Funds an amount equal to the Interest Shortfall Amount, if any, allocated on any preceding Guarantor Payment Date under item (First) of the Pre-Issuer Default Principal Priority of Payments and not already repaid;
- (viii) *(Eighth)*, to pay any Base Interest due and payable to the Subordinated Loan Provider pursuant to the terms of the Subordinated Loan Agreement, **provided that** no Segregation Event has occurred and is continuing;
- (ix) *(Ninth)*, to pay *pari passu* and *pro rata* in accordance with the respective amounts thereof any Excluded Swap Termination Amounts;
- (x) *(Tenth)*, to pay to the Issuer any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Pre-Issuer Default Interest Priority of Payments;
- (xi) *(Eleventh)*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any Premium on the Subordinated Loan, **provided that** no Segregation Event has occurred and is continuing.

Pre-Issuer Default Principal Priority of Payments

Prior to the service of an Issuer Event of Default Notice on the Issuer and the Guarantor and service of a Guarantor Event of Default Notice on the Guarantor, all the Principal Available Funds shall be applied or on behalf of the Guarantor on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that

payments of a higher priority have been made in full):

- (i) (*First*), to pay any amount payable as Interest Shortfall Amount on the same Guarantor Payment Date;
- (ii) (*Second*), unless a Segregation Event has occurred and is continuing, to pay the purchase price of any Subsequent Portfolios and/or Top-Up Assets and/or other Eligible Assets (other than those funded through the proceeds of a Subordinated Loan);
- (iii) (*Third*), to pay any principal amounts due or to become due and payable to the relevant Asset Swap Provider *pari passu* and *pro rata* in respect of each relevant Swap Agreement;
- (iv) (*Fourth*), to pay any principal amounts due or to become due and payable to the relevant Covered Bond Swap Provider *pari passu* and *pro rata* in respect of each relevant Swap Agreement;
- (v) (*Fifth*), to credit into the Payments Account any amounts necessary in order to ensure compliance with the Tests;
- (vi) (*Sixth*) unless a Segregation Event has occurred and is continuing, to pay to the Subordinated Loan Provider any principal amount outstanding under the Subordinated Loan Agreement.

Post-Issuer Default Priority of Payments

Following the delivery of an Issuer Event of Default Notice upon occurrence of an Issuer Event of Default, the Guarantor Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) (*First*), (a) to pay, *pari passu* and *pro rata*, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;
- (ii) (*Second*), to pay any amount due and payable to the Representative of the Bondholders;
- (iii) (*Third*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable to the Servicer, the Back-up Servicer(if any), the Account Bank, the Test Calculation Agent, the Calculation Agent, the Investment Manager, the Guarantor Corporate Servicer, the Asset Monitor, the Principal Paying Agent, the Listing Agent(s) (if any), the Portfolio Manager, the Cash Reserve Commingling Account Bank and any other paying agent (if any);
- (iv) (*Fourth*), to pay (or to provision, as the case may be), *pari passu* and *pro rata* according to the respective amounts thereof (A) any interest amount due to the Asset Swap Providers, *pari passu* and *pro rata* in respect of each relevant Asset Swap Agreement (including any termination payment due and payable by the Guarantor other than any Excluded Swap Termination Amounts); (B) any interest amounts due to the Covered Bond Swap Providers, *pari passu* and *pro rata* in respect of each relevant Covered Bond Swap Agreement (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (C) any interest due and payable on such Guarantor Payment Date (or that will become due and payable during the period to the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds *pari passu* and *pro rata* in respect of each Series of Covered Bonds;

- (v) (*Fifth*), to pay, (or to provision, as the case may be) *pari passu* and *pro rata* according to the respective amounts thereof (A) any amounts in respect of principal due or to become due and payable to the relevant Swap Provider *pari passu* and *pro rata* in respect of each relevant Swap Agreement (including any termination payment due and payable by the Guarantor under the relevant Swap Agreement, other than any Excluded Swap Termination Amount) and (B) any principal amounts due and payable on such Guarantor Payment Date (or that will become due and payable during the period to the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds, *pari passu* and *pro rata* in respect of each Series of Covered Bonds;
- (vi) (*Sixth*), until each Series of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), to credit, or make provision for, any remaining amounts to the Payments Account;
- (vii) (*Seventh*), to pay *pari passu* and *pro rata*, any Excluded Swap Termination Amount due and payable by the Guarantor;
- (viii) (*Eighth*), to pay to the Issuer any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Post-Issuer Default Priority of Payments;
- (ix) (*Ninth*), to pay the purchase price of any Subsequent Portfolios and/or Top-Up Assets and/or other Eligible Assets (other than those funded through the proceeds of a Subordinated Loan);
- (x) (*Tenth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Base Interest due to the Subordinated Loan Provider under the relevant Subordinated Loan;
- (xi) (*Eleventh*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any principal amount to the Subordinated Loan Provider under the relevant Subordinated Loan;
- (xii) (*Twelfth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Premium on the Subordinated Loan.

Post-Enforcement Priority of Payments

Following the delivery of a Guarantor Event of Default Notice upon occurrence of a Guarantor Event of Default, the Guarantor Available Funds shall be applied, on each Guarantor Payment Date, in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) (*First*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);
- (ii) (*Second*), to pay any amount due and payable to the Representative of the Bondholders;
- (iii) (*Third*), to pay, (or to provision, as the case may be) *pari passu* and *pro rata* according to the relevant amounts thereof, (i) any amounts due and payable to the Servicer, the Back-up Servicer (if any), the Account Bank, the Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the Investment Manager, the Principal Paying Agent, the Listing Agent(s) (if any), the Portfolio Manager, the Test Calculation Agent, the Cash Reserve Commingling Account Bank and any other paying agent (if any); (ii) any amounts due to the Covered Bond Swap Providers and the Asset Swap Providers and any other Swap Provider(s) (if any) (other than any Excluded Swap Termination Amount); and (iii) any amounts due (or that will

become due and payable during the period to the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds;

- (iv) (*Fourth*), to pay *pari passu* and *pro rata*, any Excluded Swap Termination Amount due and payable by the Guarantor;
- (v) (*Fifth*), to pay to the Issuer any other amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Post-enforcement Priority of Payments;
- (vi) (*Sixth*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Base Interest due to the Subordinated Loan Provider under the relevant Subordinated Loan;
- (vii) (*Seventh*), to pay *pari passu* and *pro rata* according to the respective amounts thereof, any principal amount to the Subordinated Loan Provider under the relevant Subordinated Loan;
- (viii) (*Eighth*) to pay *pari passu* and *pro rata* according to the respective amounts thereof, any Premium on the Subordinated Loan.

DESCRIPTION OF THE COVER POOL

The Cover Pool is and will be comprised of (i) Mortgage Receivables transferred pursuant to the Master Assets Purchase Agreement, (ii) any other Eligible Assets, in accordance with Law 130, the Decree No. 310 and the Bank of Italy Regulations; and (iii) any other Top-Up Assets.

As at the date of this Prospectus, the Portfolio consists of Mortgage Loans transferred by the Seller to the Guarantor in accordance with the terms of the Master Assets Purchase Agreement, as more fully described under section entitled “*Overview Of The Programme Documents - Master Loans Purchase Agreements*”.

The statistical data referred to the Portfolio compiled with information provided by the Seller in connection with the acquisition of the Receivables by the Guarantor are included in the following table.

Statistical information Portfolio (as at 30 June 2020)

Outstanding Principal Balance	€ 3.669.428.306,48
Original Principal Balance	€ 6.153.758.779,28
Average Outstanding Principal Balance	€ 72.359,12
Maximum Outstanding Principal Balance	€ 1.990.896,69
Average Original Principal Balance	€ 121.349,48
Maximum Original Principal Balance	€ 2.500.000,00
Number of Mortgage Loans	50.711
Weighted average seasoning (years)	6,42
Weighted average residual term (years)	14,59
Weighted average Original loan to value	58,69 %
Weighted average Current loan to value	50,56%
Weighted average current interest rate	1,485%

Eligibility Criteria

The sale of Mortgage Loans and their related Security Interest and the transfer of any other Eligible Assets and Top-Up Asset to the Guarantor will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the relevant Cut-off Date (except as otherwise indicated). The Eligibility Criteria with respect to each asset type will vary from time to time but will at all times include criteria so that both Italian law and Rating Agencies requirements are met. Under the Master Assets Purchase Agreement the Seller and the Guarantor have agreed that each Subsequent Portfolio will be selected on the basis of the common criteria (the **Common Criteria**) for the Mortgage Receivables and/or the

Common Criteria for the Public Entities Securities and of any of the specific criteria for the Subsequent Portfolios (**Specific Criteria for the Subsequent Portfolios**) which may from time to time be selected as applicable by the Seller in relation to each Subsequent Portfolio and, where necessary, on the basis of any further criteria which may be indicated by the Seller **provided that** it is not conflicting with the Common Criteria and the Specific Criteria for the Subsequent Portfolios (the **Further Criteria**).

Common Criteria for the Mortgage Receivables

Receivables arising from Mortgage Loans:

- (1) which are residential mortgage receivables (i) with a risk weight not higher than 35% and in respect of which the relevant amount outstanding added to the principal amount outstanding of any preceding higher ranking mortgage loans secured by the same property, does not exceed 80 per cent of the value of the property, in accordance with Decree No. 310; or which are commercial mortgage receivables (ii) with a risk weight not higher than 50% and in respect of which the relevant amount outstanding added to the principal amount outstanding of any preceding higher ranking mortgage loans secured by the same property, does not exceed 60 of the value of the property, in accordance with Decree No. 310;
- (2) that do not benefit from any form of financial subsidy (*agevolazione*), or that have not been entered into pursuant to any law or legislation providing for financial subsidies (*mutui agevolati*), public contributions of any kind, law rebates, maximum contractual limits to interest rate and / or other provisions granting subsidies or reductions to the relevant debtors, third party mortgage guarantors or other guarantors with respect to capital and / or interest;
- (3) in respect of which the relevant Debtor agreed a fixed rate interest, a floating rate interest, a mixed interest rate or an optional interest rate;
- (4) that are not consumer loans (*crediti al consumo*);
- (5) that are not a *mutuo agrario* pursuant to Articles 43, 44 and 45 of the Consolidated Banking Act;
- (6) that are secured by a mortgage created over real estate assets in accordance with applicable laws and regulations and are located in the Republic of Italy;
- (7) the payment of which is secured by a first ranking mortgage (*ipoteca di primo grado economico*) 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 CREDEM 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 given formally its consent to the cancellation of such ranking priority mortgage, or (C) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is CREDEM (even if the obligations secured by such ranking priority mortgage(s) have not been fully satisfied) and the receivables secured by such second or subsequent ranking priority mortgage(s) arise from loans meeting the Common Criteria;
- (8) in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of Article 39, fourth paragraph of the Consolidated Banking Act;

- (9) that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;
- (10) for which at least an instalment inclusive of the amount due as principal has been paid before the Cut-off Date;
- (11) which provide for payment by wire to the bank account, payment against notice (**MAV**) or payment by other directly bank account transfers (**RID**);
- (12) that, as of the Cut-off Date, did not have any instalment pending for more than the relevant "exemption period" (*periodo di franchigia*), and in respect of which all other previous instalments falling due before the Cut-Off Date have been fully paid;
- (13) that are governed by Italian law;
- (14) denominated in Euro (or which do not contain any provision allowing the conversion thereof in a different currency);
- (15) in respect of which the net income of the relevant Mortgage Loan Agreements has been granted in whole or in part for the purpose of purchasing, restructuring or constructing a Real Estate Asset, or for the purpose of refinancing an existing loan granted by other banks;
- (16) which are loans granted or acquired solely by the Seller;
- (17) which do not include any clauses limiting the possibility for the Seller to assign the receivables arising thereunder or where providing the Debtor's consent for such assignment and the Seller has obtained such consent;
- (18) which provide for the payment by the Debtor of instalments on a monthly, quarterly or semi-annual basis;
- (19) which are not classified as default receivables ("*attività finanziarie deteriorate*") in accordance with the Bank of Italy's Circular No. 272 of 30 July 2008 "Matrice dei Conti" as amended and supplemented from time to time;
- (20) that have not been granted individually or in co-heading to directors and/or employees (including, without limitation, officers or directors) of CREDEM or any other company of the CREDEM Group;
- (21) which do not arise from Mortgage Loan Agreements that, on the relevant Cut-off Date, are subject to suspension of payments provided under the convention executed on 18 December 2009 between the Italian Banking Association ("*Associazione Bancaria Italiana*") and the major consumer associations (the "*Piano Famiglie*"), the Decree No. 39 of 28 April 2009 converted into the Law No. 77 of 24 June 2009 (the **Abruzzo Decree**) and / or any other applicable law or regulation;
- (22) which have not been disbursed to Public Entities, public consortia (*consorzi pubblici*) or ecclesiastical bodies (*enti ecclesiastici*).

Common Criteria for Public Entities Securities

Public Entities Securities having the following characteristics:

- (1) securities issued by Public Entities, including ministerial bodies and local or regional bodies, located within the European Economic Area or Switzerland for which a risk weight not

exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach; and

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

Specific Criteria for the Subsequent Portfolios

The Specific Criteria for the Subsequent Portfolios will be selected by the Seller on or about the relevant Cut-Off Date and will be identified among the Specific Criteria whereby only dates and economical features may be adjusted on the basis of the composition of the relevant Subsequent Portfolio. Such Specific Criteria for the Subsequent Portfolios will be listed in the relevant Transfer Agreement and be available at the registered office of the Issuer (in this respect please refer to section "*General Information – Documents Available*" below).

THE ASSET MONITOR

The Bank of Italy Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Guarantee and, following the latest amendments to the Bank of Italy Regulations introduced by way of inclusion of the new Part III, Chapter 3 (*Obbligazioni Bancarie Garantite*) in Bank of Italy's Circular No. 285 of 17 December 2013, the information to be provided to investors.

Pursuant to the Bank of Italy Regulations, the asset monitor must be an independent auditor, enrolled with the Register of Certified Auditors held by the Ministry for Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and the Ministerial Decree No. 145 of 20 June 2012 and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer and the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual report, to be addressed also to the Statutory Auditors of the Issuer.

Pursuant to an engagement letter dated on or about the First Issue Date as amended on 2 September 2015, the Issuer has appointed BDO Italia S.p.A., a company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi 94, 20131, Milan, Italy, fiscal code and enrolment with the companies register of Milan No. 07722780967; BDO Italia S.p.A. is included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at No. 167911, as initial asset monitor (the **Asset Monitor**) in order to perform, with reference to the period prior to the occurrence of an Issuer Event of Default and subject to receipt of the relevant information from the Issuer, specific agreed upon procedures concerning, *inter alia*, (i) the 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 Top-Up Assets included in the Cover Pool; (iii) the arithmetical accuracy of the calculations performed by the Test Calculation Agent in respect of the Mandatory Tests, the Amortisation Test and the compliance with the limits set out in Decree No. 310 with respect to covered bonds issued and the Eligible Assets and Top-Up Assets included in the Portfolios as determined in the Mandatory Tests; (iv) the compliance with the limits to the transfer of the Eligible Assets and Top-Up 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 the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of the CRR.

The engagement letter is in line with the provisions of the Bank of Italy Regulations in relation to the reports to be prepared on an annual basis and submitted by the Asset Monitor also to the Statutory Auditors Board of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

For a description of the Asset Monitor Agreement, see Section "*Description of the Programme Documents*" above.

DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

The following is a general description of the Law 130 and other legislation that may be relevant to investors in assessing the Covered Bonds, including recent legislation affecting the rights of mortgage borrowers. It does not purport to be a complete analysis of the legislation described below or of the other considerations relating to the Covered Bonds arising from Italian laws and regulations. Furthermore, this overview is based on Italian legislation as in effect on the date of this Prospectus, which may be subject to change, potentially with retroactive effect. This description will not be updated to reflect changes in laws. Accordingly, prospective Bondholders should consult their own advisers as to the risks arising from Italian legislation that may affect any assessment by them of the Covered Bonds.

Law 130

Introduction

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- (i) Article 7-bis and article 7-ter of the Law No. 130 of 30 April 1999 (as amended and supplemented from time to time, the **Law 130**);
- (ii) the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under Decree No. 310 (the **Decree No. 310**);
- (iii) the C.I.C.R. Decree dated 12 April 2007; and
- (iv) Part III, Chapter 3 of the “*Disposizioni di Vigilanza per le Banche*” (*Circolare* No. 285 of 17 December 2013), as amended and supplemented from time to time (the **Bank of Italy Regulations**).

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the Law 130 by adding two new articles, Articles 7-bis and 7-ter, which enable banks to issue covered bonds. Articles 7-bis and 7-ter, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

The Italian Securitisation and Covered Bond Law was further amended by Law Decree No. 145 of 23 December 2013 (the **Destinazione Italia Decree**) as converted with amendments into Law n. 9 of 21 February 2014 and by Law Decree No. 91 of 24 June 2014 (the **Decree Competitività**) 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.

The Bank of Italy published the new supervisory regulations on banks in December 2013 (*Circolare* of the Bank of Italy No. 285 of 17 December 2013) which came into force on 1 January 2014, implementing CRD IV Package and setting out additional local prudential rules concerning matters not harmonised on EU level. Following the publication on 24 June 2014 of the 5th update to Circular of the Bank of Italy No. 285 of 17 December 2013, which added a new Chapter 3 (“*Obbligazioni bancarie garantite*”) in Part III contained therein, the provisions set forth under Title V, Chapter 3 of *Circolare* No. 263 of 27 December 2006 relating to the covered bonds have been abrogated.

The Bank of Italy Regulations introduced provisions, *inter alia*, setting out:

- (i) the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;

- (ii) limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;
- (iii) criteria to be adopted in the integration of the assets constituting the cover pools;
- (iv) the identification of the cases in which the integration is permitted and its limits; and
- (v) monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

Basic structure of a covered bond issue

The structure provided under Article 7-*bis* with respect to the issue of covered bonds may be summarised as follows:

- (i) a bank transfers a pool of eligible assets (i.e. the cover pool) to an Article 7-*bis* special purpose vehicle (the **SPV**);
- (ii) the bank (or a different bank) grants the Law 130 SPV a subordinated loan in order to fund the payment by the SPV of the purchase price due for the cover pool;
- (iii) the bank (or a different bank) issues the covered bonds which are supported by a first demand, unconditional and irrevocable guarantee issued by the SPV for the exclusive benefit of the holders of the covered bonds;
- (iv) the guarantee is backed by the entire cover pool held by the SPV and the receivables and securities comprised in the cover pool are segregated in favour of the bondholders, the hedging counterparties and the other secured creditors and to the payment of the transaction costs in priority to the subordinated loans granted to the SPV to fund the purchase thereof.

Article 7-*bis* however also allows for structures which contemplate different entities acting respectively as cover pool provider, subordinated loan provider and covered bonds issuer.

The SPV

The Italian legislator chose to implement the new legislation on covered bonds by supplementing the Law 130, thus basing the new structure on a well-established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the SPV is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchase of assets eligible for cover pools and the person giving guarantees in the context of covered bond transactions.

The guarantee

The Decree No. 310 provides that the guarantee issued by the SPV for the benefit of the bondholders must be irrevocable, first-demand, unconditional and independent from the obligations of the issuer of the covered bonds. Furthermore, upon the occurrence of a default by the issuer in respect of its payment obligations under the covered bonds, the SPV must provide for the payment of the amounts due under the covered bonds, in accordance with their original terms and with limited recourse to the amounts available to the SPV from the cover pool. The acceleration of the issuer's payment obligations under the covered bonds will not therefore result in a corresponding acceleration of the SPV's payment obligations under the guarantee (thereby preserving the maturity profile of the covered bonds).

Upon an insolvency of the issuer, the SPV will be solely 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 SPV from the cover pool.

In addition, the SPV will be exclusively entitled to exercise the rights of the covered bond holders vis à vis the issuer's bankruptcy in accordance with the applicable bankruptcy law. Any amount recovered by the SPV from the bankruptcy of the issuer become part of the cover pool.

Finally, if a moratorium is imposed on the issuer's payments, the SPV will fulfil the issuer's payment obligations, with respect to amounts which are due and payable and with limited recourse to the cover pool. The SPV will then have recourse against the issuer for any such payments.

Segregation and subordination

Article 7-*bis* provides that the assets comprised in the cover pool and the amounts paid by the debtors with respect to the receivables and/or debt securities included in the cover pool are exclusively designated and segregated by law for the benefit of the holders of the covered bonds, the hedging counterparties involved in the transaction.

In addition, Article 7-*bis* expressly provides that the claim for reimbursement of the loan granted to the SPV to fund the purchase of assets in the cover pool is subordinated to the rights of the Bondholders and of the hedging counterparties involved in the transaction to any ancillary documents thereto and to the payment of the other transaction costs.

Exemption from claw-back

Assignments executed under Law 130 are subject to revocation on bankruptcy under article 67 of the Bankruptcy Law but only in the event that the declaration of bankruptcy of the Seller is made within three months of the covered bonds transaction (or of the purchase of the Cover Pool) or, in cases where paragraph 1 of article 67 applies (e.g. if the payments made or the obligations assumed by the bankrupt party exceed by more than one-fourth the consideration received or promised), within six months of the covered bonds transaction (or of the purchase of the Cover Pool). The claw-back of the assignments applies save that the assignee proves that it was not aware of the insolvency of the assignor.

Article 7-*bis* provides that the guarantee and the subordinated loan granted to fund the payment by the SPV of the purchase price due for the cover pool are exempt from the bankruptcy claw-back provisions set out in Article 67 of the Italian Bankruptcy Law (Royal Decree No. 267 of 16 March 1942).

In addition to the above, any payments made by an assigned debtor to the SPV may not be subject to any claw-back action according to Article 65 of the Italian Bankruptcy Law.

The Issuing Bank

The Bank of Italy Regulations provide that covered bonds may only be issued by banks which individually satisfy, or which belong to banking groups which, on a consolidated basis:

- have own funds of at least €250,000,000; and
- have a minimum total capital ratio of not less than 9 per cent.

The Bank of Italy Instructions specify that the requirements above also apply to the bank acting as cover pool provider (in the case of structures in which separate entities act respectively as issuing bank and as cover pool provider).

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 Instructions furthermore provide that the total amount of eligible assets that a bank may transfer to cover pools in the context of covered bond transactions is subject to limitations linked to the tier 1 ratio and common equity tier 1 ratio of the individual bank (or of the relevant banking group, if applicable) as follows:

	Ratios	Transfer Limitations
A range	- Tier 1 ratio $\geq 9\%$ - Common Equity Tier 1 Ratio $\geq 8\%$	No limitation
B range	- Tier 1 ratio $\geq 8\%$ - Common Equity Tier 1 ratio $\geq 7\%$	Up to 60% of eligible assets may be transferred
C range	- Tier 1 ratio $\geq 7\%$ - Common Equity Tier 1 ratio $\geq 6\%$	Up to 25% of eligible assets may be transferred

The Bank of Italy Instructions clarify that the ratios provided with respect to each range above must be satisfied jointly: if a bank does not satisfy both ratios with respect to a specific range, the range applicable to it will be the following, more restrictive, range. Accordingly, if a bank (or the relevant banking group) satisfies the **b** range tier 1 ratio but falls within the **c** range with respect to its common equity tier 1 ratio, the relevant bank will be subject to the transfer limitations applicable to the **c** range.

In addition to the above, certain further amendments have been introduced in respect of the monitoring activities to be performed by the asset monitor.

The Cover Pool

For a description of the assets which are considered eligible for inclusion in a cover pool under Article 7-bis, see "*Description of the Cover Pool - Eligibility Criteria*".

Ratio between cover pool value and covered bond outstanding amount

The Decree No. 310 provides that the cover pool provider and the issuer must continually ensure that, throughout the transaction:

- (i) the aggregate nominal value of the cover pool is at least equal to the nominal amount of the relevant outstanding covered bonds;
- (ii) the net present value of the cover pool (net of all the transaction costs borne by the SPV, including in relation to hedging arrangements) is at least equal to the net present value of the relevant outstanding covered bonds;

- (iii) the interest and other revenues deriving from the cover pool (net of all the transaction costs borne by the SPV) are sufficient to cover interest and costs due by the issuer with respect to the relevant outstanding covered bonds, taking into account any hedging agreements entered into in connection with the transaction.

In respect of the above, under the Bank of Italy Regulations, strict monitoring procedures are imposed on banks for the monitoring of the transaction and of the adequacy of the guarantee on the cover pool. Such activities must be carried out both by the relevant bank and by an asset monitor, to be appointed by the bank, which is an independent accounting firm. The asset monitor must prepare and deliver to the issuing bank's Board of Statutory Auditors (*Collegio Sindacale*), on an annual basis, 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, *inter alia*, on the evaluations supplied by the asset monitor.

In addition to the above, pursuant to the Bank of Italy Instructions provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of the 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 Decree No. 310 and the Bank of Italy Instructions provide that, following the initial transfer to the cover pool, the eligible assets comprised in the cover pool may only be substituted or supplemented in order to ensure that the requirements described under "*Ratio between cover pool value and covered bond outstanding amount*", or the higher over-collateralization provided for under the relevant covered bond programme documents, are satisfied at all times during the transaction.

The eligible assets comprised in the cover pool may only be substituted or supplemented by means of:

- (i) the transfer of further assets (eligible to be included in the cover pool in accordance with the criteria described above);
- (ii) the establishment of deposits held with banks (**Qualified Banks**) which have their registered office in a member state of the European Economic Area or in Switzerland or in a state for which a 0 per cent risk weight is applicable in accordance with the prudential regulations' standardised approach; and
- (iii) the transfer of debt securities, having a residual life of less than one year, issued by the Qualified Banks.

The Decree No. 310 and the Bank of Italy Instructions, however, provide that the assets described in the last two paragraphs above, cannot exceed 15 per cent of the aggregate nominal value of the cover pool. This 15 per cent 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.

The Bank of Italy Regulations clarify that the limitations to the overall amount of eligible assets that may be transferred to cover pools described under "*The Issuing Bank*" above do not apply to the subsequent transfer of supplemental assets for the purposes described under this paragraph.

Set-off risks

The assignment of receivables under Law 130 is governed by article 58, paragraph 2, 3 and 4, of the Consolidated Banking Act. According to the prevailing interpretation of such provision, such assignment becomes enforceable against the relevant debtors as of the later of (i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), and (ii) the date of registration of the notice of assignment in the local Companies' Registry. Consequently, the rights of the Guarantor may be subject to the direct rights of the Debtors against the Issuer including rights of set-off on claims existing prior to notification in the Official Gazette and registration at the local companies' registry. The notification in the Official Gazette and the registration at the local Companies' Registry are not capable for such assignment to become enforceable against Debtors which are not resident in Italy. Moreover, Destinazione Italia Decree introduced certain amendments to article 4 of Law 130. As a consequence of such amendments, it is now expressly provided by Law 130 that the Debtors cannot exercise rights of set-off against the Guarantor on claims arising *vis-à-vis* the Sellers after the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

Usury Law

Italian Law number 108 of 7 March 1996, as amended by law decree number 70 of 13 May 2011 (the **Usury Law**) introduced legislation preventing lenders from applying interest rates equal to or higher than rates (the **Usury Rates**) set every three months on the basis of a Decree issued by the Italian Treasury. In addition, even where the applicable Usury Rates are not exceeded, interest and other advantages and/or remuneration may be held to be usurious if: (i) they are disproportionate to the amount lent (taking into account the specific circumstances of the transaction and the average rate usually applied for similar transactions) and (ii) the person who paid or agreed to pay was in financial and economic difficulties. The provision of usurious interest, advantages or remuneration has the same consequences as non-compliance with the Usury Rates. 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.

On 29 December 2000, the Italian Government issued Law Decree No. 394 (the **Decree 394**), converted into law by the Italian Parliament on 28 February 2001, which clarified the uncertainty about the interpretation of the Usury Law and provided, *inter alia*, that interest will be deemed to be usurious only if the interest rate agreed by the parties exceeded the Usury Rates at the time when the loan agreement or any other credit facility was entered into or the interest rate was agreed. The Decree 394, as interpreted by the Italian Constitutional Court by decision No. 29 of 14 February 2002, also provided that as an extraordinary measure due to the exceptional fall in interest rates in 1998 and 1999, interest rates due on instalments payable after 31 December 2000 on fixed rate loans (other than subsidised loans) already entered into on the date such decree came into force (such date being 31 December 2000) are to be substituted, except where the parties have agreed to more favourable terms, with a lower interest rate set in accordance with parameters fixed by such decree by reference to the average gross yield of multiannual treasury bonds (*Buoni Tesoro Poliennali*) in the period from January 1986 to October 2000.

According to recent court precedents of the Italian Supreme Court (*Corte di Cassazione*), the remuneration of any given financing must be below the applicable Usury Rate from time to time applicable. Based on this recent evolution of case law on the matter, it will constitute a breach of the Usury Law if the remuneration of a financing is lower than the applicable Usury Rate at the time the terms of the financing were agreed but becomes higher than the applicable Usury Rate at any point in

time thereafter. 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 19 October 2017, No 24675). In addition, several court precedents have also stated that default interest rates are relevant and must be taken into account when calculating the aggregate remuneration of any given financing for the purposes of determining its compliance with the applicable Usury Rate. 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. On 3 July 2013, also the Bank of Italy has confirmed in an official document that default interest rates should be taken into account for the purposes of the statutory Usury Rates and has acknowledged that there is a discrepancy between the methods utilised to determine the remuneration of any given financing (which must include default rates) and the applicable statutory Usury Rates against which the former must be compared.

In addition, the Italian Supreme Court (Corte di Cassazione) joint sections (Sezioni Unite) (n. 19597 dated 18 September 2020) stated that, in order to assess whether a loan complies with the Usury Law, also default interest rates shall be included in the calculation of the remuneration to be compared with the Usury Rates. In this respect, should that remuneration be higher than the Usury Rates, only the ‘type’ of rate which determined the breach shall be deemed as null and void. As a consequence, the entire amount referable to the rate which determined the breach of said threshold shall be deemed as unenforceable according to the last interpretation of the Supreme Court.

Compound interest

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

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 CICR issued on 22 February 2000. Law No. 342 has been challenged and decision No. 425 of 17 October 2000 of the Italian Constitutional Court has declared as unconstitutional under the provisions of Law No. 342 regarding the validity of the capitalisation of accrued interest made by banks prior to the date on which Law No. 342 came into force.

Article 17 bis of law decree no. 18 of 14 February 2016 as converted into Law no. 49 of 8 April 2016 amended article 120, paragraph 2, of the Consolidated Banking Act, providing that the accrued interest shall not produce further interests, except for default interests, and are calculated exclusively on the principal amount. In addition, on 10 September 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 Consolidated Banking Law, has been published on the Official Gazette No. 212 of 10 September 2016.

Taxation

Article 7-*bis*, sub-paragraph 7, provides that any tax is due as if the granting of the subordinated loan and the transfer of the cover pool had not taken place and as if the assets constituting the cover pool were registered as on-balance sheet assets of the cover pool provider, **provided that**:

- (i) the purchase price paid for the transfer of the cover pool is equal to the most recent book value of the assets constituting the cover pool; and
- (ii) the subordinated loan is granted by the same bank acting as cover pool provider.

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.

Mortgage borrower protection

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

- the right of prepayment of the principal amount of the mortgage loan, without incurring a penalty or, in respect of mortgage loan agreements entered into before 2 February 2007, at a reduced penalty rate (article 120-ter of the Consolidated Banking Act, introduced by Legislative Decree No. 141 of 13 August 2010 as amended by Legislative Decree No. 218 of 14 December 2010);
- the right to the substitution (*portabilità*) of a mortgage loan with another mortgage loan and/or the right to request subrogation by an assignee bank into the rights of their creditors in accordance with article 1202 (*surrogazione per volontà del debitore*) of the Civil Code, by eliminating the limits and costs previously borne by the borrowers for the exercise of such right (article 120-quater of the Consolidated Banking Act, introduced by Legislative Decree No. 141 of 13 August 2010 as amended by Legislative Decree No. 218 of 14 December 2010);
- the right of first home-owners to suspend instalment payments under mortgage loans up to a maximum of two times and for a maximum aggregate period of 18 months (the **Suspension**) (originally introduced by Italian Law No. 244 of 24 December 2007, the **2008 Budget Law**), which has now been extended also to the circumstance of the suspension from work or reduction of working hours for a period of at least 30 days even where the issuance of measures of income support is pending (Law Decree No. 18 of 17 March 2020, as subsequently supplemented by Decree of the Ministry of Economy and Finance of 25 March 2020, amended by Law Decree no. 22 of 8 April 2020 and converted into law no. 27 of 24 April 2020, the **Covid Law**). In addition to the Suspension, the Covid Law has also introduced a 9-month temporary regime (the **Temporary Regime**), which provides for additional opportunities of suspension (*e.g.* in case of fall in turnover (*calo del fatturato*) of self-employed individuals with a VAT code number and independent contractors (*lavoratori autonomi* and *liberi professionisti*) during a quarter falling after (or within the shorter term between the date of request and) 21 February 2020). It shall be noted that, upon expiry of the Temporary Regime, the set of rules under the previously existing legislative framework will remain applicable;

- 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 Collesalveti (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 an earthquake 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**))
- the right to (i) suspend payments (principal instalments only) for a period of up to 12 months; or (ii) to extend the duration up to 100% of the residual term of the loan, in each case subject to the possible increase of the rate of interest and request of additional security interests or guarantees by the lender ("*Accordo per il Credito 2019*" entered into between ABI and the major associations representing the Italian SMEs on 15 November 2018). As a consequence of the COVID outbreak, the aforesaid measures have now been extended to loans outstanding as at 31 January 2020 and disbursed in favour of micro, small and medium-sized enterprises adversely affected by the pandemic (ABI *Addendum to the Accordo per il Credito 2019* of 6 March 2020) and in favour of large enterprises (ABI *Addendum to the Accordo per il Credito 2019* of 22 May 2020);
- 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 building up to a maximum period corresponding to the state of emergency as per Order no. 598 of 25 July 2019 of the Head of Civil Protection (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 182 of 5 August 2019), implementing Council of Ministers Order dated 1 July 2019 (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 161 of 11 July 2019) as a consequence of the meteorological events occurred on 11 and 12 June 2019 in the territories of Brescia, Lecco e Sondrio;
- the right to suspend instalment payments relating to mortgage loans in case of (i) impossibility to access to the relevant building, (ii) commercial businesses located in the relevant building up to a maximum period corresponding to the state of emergency as per Order no. 615 of 16 November 2019 of the Head of Civil Protection (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 274 of 22 November 2019), implementing Council of Ministers Order dated 14 November 2019 (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 270 of 18 November 2019) which declared a 12 month state of emergency caused by the exceptional meteorological events occurred from 19 to 22 October 2019 in the territory of Alessandria;
- the right to suspend instalment payments relating to mortgage loans in case of (i) impossibility to access to the relevant building, (ii) commercial businesses located in the relevant building up to a maximum period corresponding to the state of emergency as per Order no. 616 of 16 November 2019 of the Head of Civil Protection (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 273 of 21 November 2019), implementing Council of Ministers Order dated 14 November 2019

(published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 270 of 18 November 2019) which declared the 12 month state of emergency caused by the meteorological events occurred from 12 November 2019 in the territory of Venice;

- 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 building up to a maximum period corresponding to the state of emergency as per Order no. 619 of 5 December 2019 of the Head of Civil Protection (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 291 of 12 December 2019), implementing Council of Ministers Order dated 21 November 2019 (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 281 of 30 November 2019) which declared the 12 month state of emergency caused by the meteorological events occurred in the territories of Agrigento, Catania, Enna, Messina, Palermo, Ragusa, Siracusa and Trapani;
- 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 building up to a maximum period corresponding to the state of emergency as per Order no. 620 of 6 December 2019 of the Head of Civil Protection (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 294 of 16 December 2019), implementing Council of Ministers Order dated 6 November 2019 (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 267 of 14 November 2019) which declared the 12 month state of emergency caused by the meteorological events occurred in the territory of Formazza (Verbano-Cusio-Ossola), as a consequence of the meteorological events occurred on 11 and 12 June 2019;
- the right to suspend instalment payments relating to mortgage loans in case of (i) impossibility to access to the relevant building, (ii) commercial businesses located in the relevant building up to a maximum period corresponding to the state of emergency as per Order no. 622 of 17 December 2019 of the Head of Civil Protection (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 299 of 21 December 2019), implementing Council of Ministers Order dated 2 December 2019 (published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 291 of 12 November 2019) which extended the effects of the 12 month state of emergency declared on 14 November for the territories of Alessandria also to the territories of Abruzzo, Basilicata, Calabria, Campania, Emilia-Romagna, Friuli-Venezia Giulia, Liguria, Marche, Piemonte, Puglia, Toscana e Veneto damaged by meteorological events in November;
- 12 month extension of the state of emergency declared by Council of Ministers Order dated 28 December 2019 relating to the territories of Catania as a consequence of an earthquake, with the possibility to extend the suspension in favour of people damaged by such event up to 28 December 2020 (Council of Ministers Order dated 21 December 2019);
- large-scale moratoria for the purposes of supporting micro-enterprises and small medium-sized enterprises, which grant (i) the freezing of the lenders' right to revoke credit facilities; and (ii) the suspension by operation of law of financings repaid by way of instalments, in each case until 30 September 2020 (Covid Law, as defined above). It should be noted that the amortisation plan relating to the suspended instalments (together with any accessory rights relating thereto) is consistently extended without further formalities in a manner which ensures that no higher charges are borne by the lender or the borrower;

- the right to suspend principal instalment payments under mortgage loans or other loans subject to an amortisation plan by way of instalments for a maximum aggregate period of 12 months, granted in favour of certain categories of borrowers that cannot benefit from the Suspension, upon occurrence of specific events (e.g. termination of employment relationships, borrower's death or recognition of disability or civil invalidity, suspension from work or reduction of working hours for a period of at least 30 days even where the issuance of measures of income support is pending) (ABI convention of 21 April 2020, entered into between ABI and the major associations representing consumers).

Mortgage Credit Directive

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

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

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

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**).

The Mortgage Legislative Decree clarifies that the new legal framework shall apply, inter alia, to (i) residential mortgage loans and (ii) loans relating to the purchase or preservation of the property rights on a residential immovable.

Moreover such decree sets forth certain rules of correctness, diligence and transparency and information undertakings applicable to the lenders and intermediaries which offer loans to the consumers and provides that the parties may agree under the loan agreements that in case of breach of the borrower's payment obligations under the agreement (i.e. non-payment of at least eighteen loan instalments due and payable by the debtor) the property of the debtor subject to security or the proceeds deriving from the sale thereof can be transferred to the creditor in discharge of the entire debt even if the value of the assets or the proceeds deriving from the sale of the assets is lower than

the remaining amount due by the debtor in relation to the loan. In the event that the value of the property of the debtor subject to security, as estimated by the expert (*perito*) or the amount of the proceeds deriving from the sale thereof is higher than the residual debt, the debtor will be entitled to receive the excess amount. The value of the property shall be determined by an independent expert (*perito*) chosen by the parties, or, if an agreement on the appointment of the expert is not reached between them, by the president of the competent court (*Presidente del Tribunale competente*).

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

This overview will not be updated to reflect changes in laws and if such a change occurs the information in this overview could become invalid.

Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Republic of Italy

Tax treatment of Covered Bonds

The Decree No. 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities issued, *inter alia*, by Italian resident banks (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**). The provisions of Decree No. 239 only apply to Covered Bonds issued by the Issuer which qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (**Decree No. 917**). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity or redemption an amount not less than their nominal value and (ii) attribute to the holders no direct or indirect right to control or participate in the management of the Issuer.

Italian resident Bondholders

Where an Italian resident Bondholders is:

- (a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless he has opted for the application of the *risparmio gestito regime* – see under "*Capital gains tax*" below);
- (b) a non-commercial partnership;
- (c) a non-commercial private or public institution other than companies, and trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

Interest 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, unless the relevant holder of the Covered Bonds has entrusted the management of his financial assets, including the Covered Bonds, to an authorised intermediary and has opted for the so called "*risparmio gestito*" regime (see section *Capital gains* below). In the event that the Bondholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting 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 any income taxation, including the *imposta sostitutiva*, on Interest relating to the Covered Bonds if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth under Italian law.

Where an Italian resident Bondholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected, and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Bondholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Bondholder, also to IRAP (the regional tax on productive activities)).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree No. 351**), as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of Interest in respect of the Covered Bonds beneficially owned by and made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994, and to Italian Real Estate SICAFs ("*Società di investimento a capitale fisso*") (**Italian Real Estate SICAFs**) to which the provisions of Decree No. 351 apply are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund or Italian Real Estate SICAFs, to the extent the Covered Bonds are timely deposited with an authorised intermediary. However, a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders/shareholders of the real investment fund or the Italian Real Estate SICAF.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (other than an Italian Real Estate SICAF) or a SICAV ("*Società di investimento a capital variabile*") established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), and the relevant Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds and beneficially owned by the Fund will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax up to 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**).

Where an Italian resident Bondholders is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds beneficially owned by the pension fund and accrued during the holding period will not be subject to *imposta sostitutiva*, but they must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain limitations and requirements (including a minimum holding period), Interest under the Covered Bonds accrued by the pension fund may be excluded from the taxable basis if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth under Italian law.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an **Intermediary**), as subsequently amended and integrated.

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary or be a non-Italian resident entity or company, acting through a system of centralised administration of securities and directly connected with the Ministry of Economy and 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 are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying interest to a Bondholders or, absent that, by the issuer.

Non-Italian resident Bondholders

Where the Bondholder is a non-Italian resident, without a permanent establishment in Italy to which the Covered Bonds are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident Bondholder is:

- (a) the beneficial owner of Interest and resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended from time to time (the **White List**) or in any other decree or regulation that will be issued in the future to provide the list of such countries (the **New White List**); or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (d) an "institutional investor", whether or not subject to tax, which is established in a country included in the White List (or the New White List, once effective).

In order to ensure gross payment, non-Italian resident Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected must be the beneficial owners of the payments of Interest or certain types of institutional investors and must:

- (a) deposit, directly or indirectly, the Covered Bonds with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance having appointed an Italian representative for the purposes of Decree No. 239; and
- (b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a statement of the relevant Bondholder, which remains valid until withdrawn or revoked, in which the Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to Interest paid to Bondholders

who do not qualify for the exemption. Bondholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Bondholder.

Payments made by an Italian resident guarantor

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian revenue authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

In accordance with another interpretation, any such payment made by the Italian resident Guarantor may be subject to an advance or final withholding tax at a rate of 26% pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In the case of payments to non-Italian resident bondholders, double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

Atypical securities

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity or redemption, an amount not lower than their nominal value.

In the case of Covered Bonds issued by an Italian resident issuer, where the Bondholder is:

- (a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected;
- (b) an Italian company or a similar Italian commercial entity;
- (c) a permanent establishment in Italy of a foreign entity;
- (d) an Italian commercial partnership; or
- (e) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting 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 any income taxation, including the 26 withholding tax, on Interest relating to the Covered Bonds qualifying as atypical securities if such Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth under Italian law.

In all other cases, including when the Bondholder is a non-Italian resident, the withholding tax is a

final withholding tax. For non-Italian resident Bondholders, the withholding tax rate may be reduced by any applicable tax treaty between the Republic of Italy and the country of residence of the relevant Bondholder.

Capital gains tax

Any gain obtained from the sale or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Bondholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Covered Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Covered Bonds are connected.

Where an Italian resident Bondholder is an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected, any capital gain realised by such Bondholder from the sale, early redemption or redemption of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting 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 any income taxation, including the *imposta sostitutiva*, on capital gains relating to the Covered Bonds if the Covered Bonds are included in a long term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth under Italian law.

In respect of the application of *imposta sostitutiva* on capital gains, taxpayers may opt for one of the three regimes described below:

- (a) Under the "tax declaration regime" (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Bondholders holding the Covered Bonds. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales, early redemption or redemptions of the Covered Bonds carried out during any given tax year. Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.
- (b) As an alternative to the tax declaration regime, Italian resident individual Bondholders holding the Covered Bonds not in connection with an entrepreneurial activity, resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities, may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale, early redemption or redemption of the Covered Bonds (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:
 - (i) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and
 - (ii) an express election for the *risparmio amministrato* regime being timely made in

writing by the relevant Bondholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale, early redemption or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Bondholders or using funds provided by the Bondholders for this purpose. Under the *risparmio amministrato* regime, where a sale, early redemption or redemption of the Covered Bonds results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Bondholder is not required to declare the capital gains in the annual tax return.

- (c) Under the "asset management" regime (the "*risparmio gestito*" regime), any capital gains realised by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Covered Bonds) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, 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. The Bondholders are not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Bondholder who is a Fund will neither be subject to *imposta sostitutiva* on capital gains, nor to any other income tax in the hands of the relevant Bondholder; the Collective Investment Fund Tax will be levied on proceeds distributed by the Fund or received by certain categories of unitholders or shareholders upon redemption or disposal of the units or shares.

Italian real estate funds created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1998 and Article 14-*bis* of Italian Law No. 86 of 25 January 1994, and Italian Real Estate SICAFs are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund or Italian Real Estate SICAF. However, a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders/shareholders of the real estate investment fund or the Italian Real Estate SICAF.

Any capital gains realised by a Bondholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including a minimum holding period requirement) and limitations, capital gains on the Covered Bonds realised may be excluded from the result of the relevant portfolio if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth under Italian law.

Capital gains realised by non-Italian resident Bondholders, without a permanent establishment in Italy to which the Covered Bonds are effectively connected, from the sale, early redemption or redemption of Covered Bonds traded on regulated markets are not subject to the *imposta sostitutiva*. The exemption applies provided that the non-Italian resident Bondholders file in due course with the authorized financial intermediary an appropriate affidavit (*autocertificazione*) stating that the Bondholder is not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Bondholders, without a permanent establishment in Italy to which the Covered Bonds are effectively connected, from the sale, early redemption or redemption

of Covered Bonds not traded on regulated markets are not subject to the *imposta sostitutiva*, **provided that** the Bondholder:

- (a) qualifies as the beneficial owner of the capital gain and is resident in a country included in the White List (or in the New White List once effective). Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected elect for the *risparmio gestito* regime or are subject to the *risparmio amministrato* regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above;
- (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy;
- (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (d) is an "institutional investor", whether or not subject to tax, which is established in country included in the White List (or in the New White List once effective),

in any case, to the extent 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, if applicable.

If none of the conditions above is met, capital gains realised by non-Italian resident Bondholders from the sale, early redemption or redemption of Covered Bonds issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, Bondholders may benefit from an applicable tax treaty with Italy providing that capital gains realised upon the sale, early redemption or redemption of the Covered Bonds are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

Transfers of any valuable asset (including shares, Covered Bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding, for each beneficiary, Euro 1,000,000.00;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding, for each beneficiary, Euro 100,000.00; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied to the rate mentioned above in (a), (b), (c) on the value exceeding €1,500,000.00.

The transfer of financial instruments (including the Notes) as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term individual savings

account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth under Italian law.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200.00 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the “case of use” (*caso d’uso*) or in case of “explicit reference” (*enunciazione*) or voluntary registration.

Stamp duty

Pursuant to Article 13 of the tariff attached to Presidential Decree No. 642 of 26 October 1972 (**Decree No. 642**), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by an Italian based financial intermediary to a Bondholder in respect of any Covered Bonds which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Covered Bonds held. The stamp duty cannot exceed € 14,000.00 if the Bondholder is not an individual.

The statement is deemed to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release nor the drafting of the statement.

In case of reporting periods less than 12 months, the stamp duty is payable on a pro-rata basis. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on 24 May 2012, the stamp duty applies to any investor who is a client - regardless of the fiscal residence of the investor - (as defined in the regulations issued by the Bank of Italy on 29 July 2009, as subsequently amended supplemented and restated) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

According to the provisions set forth by Law No. 214 of 22 December 2011, as amended and supplemented, Italian resident individuals, and, starting from fiscal year 2020, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917), holding the Covered Bonds outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent. In this case the above-mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does not apply.

This tax is calculated on the market value of the Covered Bonds at the end of the relevant year or – if no market value is available – the nominal value or the redemption value of such financial assets held outside the Italian territory and cannot exceed € 14,000.00 per year for Bondholders other than individuals. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries pursuant to an administration agreement. In this case, the above-mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does apply.

Tax Monitoring

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring

purposes in their yearly income tax the amount of investments (including the Covered Bonds) directly or indirectly held abroad.

The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the beneficial owners of the instruments.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Covered Bonds deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through the intervention of qualified Italian financial intermediaries, upon condition that the items of income derived from the Covered Bonds have been subject to tax by the same intermediaries; or (iii) foreign investments which are only composed by deposits and/or bank accounts and aggregate value of which does not exceed a €15,000 threshold throughout the year.

Foreign Account Tax Compliance Act

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 pass-through 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. On 13 December 2018, the Treasury and the Internal Revenue Service (IRS) issued Proposed Regulations (REG-132881-17) under FATCA, eliminating withholding on the payments of gross proceeds and deferring withholding on foreign passthru payments. 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 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 pass-through 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. Bondholders 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.

SUBSCRIPTION AND SALE

Programme Agreement

Covered Bonds may be issued from time to time by the Issuer to the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be issued by the Issuer and subscribed by the Dealers are set out in a programme agreement entered into on or about the First Issue Date (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) and made between the Issuer, the Guarantor and the Dealer. Any such agreement will, *inter alia*, make provision for the terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Covered Bonds.

Subscription Agreements

Any subscription agreement between the Issuer, the Representative of the Bondholders and the relevant Dealer and/or any additional or other dealers, from time to time for the sale and purchase of Covered Bonds (a **Subscription Agreement**) will, *inter alia*, make provision for the price at which the relevant Covered Bonds will be purchased by the relevant Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

Each Subscription Agreement will also provide for the confirmation of the appointment of the Representative of the Bondholders by the relevant Dealer as initial holder of the Covered Bonds then being issued.

United States of America

The Covered Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver Covered Bonds, (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in case of an issue of the Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part within the United States of America or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree, that it will send to each Dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States of America or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds an offer or sale of such Covered Bonds within the United States of America by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such

offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA and UK Retail Investors

Unless the Final Terms in respect of any Series of Covered Bonds specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds, as the case may be, 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 or the United Kingdom.

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 the MiFID II; or
 - (ii) a customer within the meaning of the 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; or

If the Final Terms of any Covered Bonds specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area or the UK (each a **Relevant State**), each Dealer has represented, and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant State except that it may make an offer of such Covered Bonds to the public in that Relevant State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an **offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant 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.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented

and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Covered Bonds Guarantor, as the case may be; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and that such offers, sales and distributions have been and will be made in France only to qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1, L.533-16 and L.533-20 of the French Code *monétaire et financier*.

Germany

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall only offer Covered Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other laws applicable in the Federal Republic of Germany.

Republic of Italy

The offering of Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to any Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Law**) and/or Italian CONSOB regulations; or
- (b) in any other circumstances which are exempted from the rules on public offerings pursuant to

article 1 of the Prospectus Regulation and in accordance with any applicable Italian laws and regulations.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Law, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015, as amended on 2 November 2020) and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB any other Italian authority.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Covered Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.

Each Dealer and the Issuer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has complied and will comply to the best of its knowledge and belief with all applicable laws and regulations in each country or jurisdiction in or from which it subscribes, offers, sells, distributes or delivers Covered Bonds or possesses, distributes or publishes this Prospectus or any Final Terms or any related offering material, in all cases at its own expense and neither the Issuer nor any other Dealer shall have responsibility therefore (with specific reference to the jurisdictions of the United States of America, United Kingdom, Japan, the Republic of France and the Republic of Italy, see above). Other persons into whose hands this Prospectus or any Final Terms comes are required, by the Issuer and the Dealers, to comply with all applicable laws and regulations in each country or jurisdiction in or from which they subscribe, offer, sell, distribute or deliver Covered Bonds or possess, distribute or publish this Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

GENERAL INFORMATION

Listing and Admission to Trading and Approval

This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Regulation by the *Commission de Surveillance du Secteur Financier (CSSF)* in its capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Regulation. Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange

However, Covered Bonds may be issued pursuant to the Programme which will be unlisted or be admitted to listing, trading and/or quotation by such other competent authority, stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree.

Authorisations

The update of the Programme has been duly authorised by the resolutions of the board of directors of the Issuer dated, respectively, 30 April 2020, 7 August 2020 and 8 October 2015 and by the resolution of the board of directors of the Guarantor dated 6 November 2020.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer, the Guarantor or their respective Subsidiaries.

Trend Information / No Material Adverse Change

The COVID-19 pandemic, which resulted in a global recession, has significantly increased the uncertainties in the economy and the financial markets, as discussed in “*Risks related to the impact of global macro-economic factors*”; therefore, its direct and indirect impact on the CREDEM Group’s results and financial condition cannot yet be finally assessed at the date of this Prospectus. Except for the potential direct and indirect impact of the COVID-19 pandemic indicated in the mentioned risk factor:

- (i) there has been no material adverse change in the prospects of the Issuer since 31 December 2019;
- (ii) there has been no significant change in the financial performance of the CREDEM Group since 30 September 2020;
- (iii) there has been no significant change in the financial position of the Issuer and the CREDEM Group since 30 September 2020;

Since 31 December 2019 there has been no material adverse change in the prospects of the Guarantor. Since 30 June 2020, (i) there has been no significant change in the financial position of the Guarantor and (ii) there has been no significant change in the financial performance of the Guarantor.

Minimum denomination

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European

Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, such Covered Bonds will not have a denomination of less than €100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency or any other amount set out in the relevant Final Terms).

Documents Available

So long as Covered Bonds are capable of being issued under the Programme and without prejudice to paragraph “*Publication on the Internet*”), copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer:

- (a) the constitutive documents of the Issuer (which are also available on <https://www.credem.it/content/dam/credem/documenti/governance/generali/statuto%20EN%20sito.pdf>) and the Guarantor (which are also available on https://www.credem.it/content/dam/credem/documenti/Investor_Relations/covered-bonds/documentazione/Articles%20of%20Incorporation.pdf and https://www.credem.it/content/dam/credem/documenti/Investor_Relations/covered-bonds/documentazione/Statute%20amendments.pdf);
- (b) the 30 November 2020 Press Release;
- (c) the 5 November 2020 Press Release;
- (d) the 23 October 2020 Press Release;
- (e) the unaudited consolidated semi-annual financial results of the Issuer as at 30 June 2020 (including the auditors’ limited review report);
- (f) the unaudited semi-annual financial results of the Guarantor as at 30 June 2020;
- (g) the consolidated audited financial statements of the Issuer as at and for the years ended 31 December 2019 and 31 December 2018 and relevant auditor's reports;
- (h) the audited unconsolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 31 December 2018 and relevant auditor's reports;
- (i) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited condensed financial statements (if any) of the Issuer;
- (j) a copy of this Prospectus;
- (k) any future offering circular, prospectuses, information memoranda and supplements to this Prospectus and any other documents incorporated herein or therein by reference;
- (l) each of the following documents (the **Programme Documents**), namely:
 - Guarantee (which is also available on https://www.credem.it/content/dam/credem/documenti/Investor_Relations/covered-bonds/documentazione/Guarantee.pdf);
 - Subordinated Loan Agreement;
 - Master Assets Purchase Agreement and relevant Transfer Agreements;

- Cover Pool Management Agreement;
- Warranty and Indemnity Agreement;
- Servicing Agreement;
- Asset Monitor Agreement;
- Quotaholders' Agreement;
- Cash Allocation, Management and Payments Agreement;
- Covered Bond Swap Agreements (if any);
- Asset Swap Agreements (if any);
- Mandate Agreement;
- Deed of Pledge;
- Deed of Charge;
- Intercreditor Agreement;
- Guarantor Corporate Services Agreement;
- Programme Agreement;
- any Subscription Agreement for Covered Bonds issued on a syndicated basis that are listed and the relevant Final Terms; and
- Master Definitions Agreement.

In addition, copies of this Prospectus, any supplements to this Prospectus, each Final Terms relating to the Covered Bonds which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (<https://www.bourse.lu>). In addition, copies of the by-laws of the Issuer (with an English translation thereof) will be available on the Issuer's website (<https://www.credem.it/content/credem/it/gruppo-credem/investor-relations.html>).

Publication on the Internet

This Prospectus, any supplement thereto and the Final Terms will be available on the internet site of the Luxembourg Stock Exchange, at <https://www.bourse.lu>.

In any case, copy of this Prospectus, together with any supplement thereto and documents incorporated by reference, if any, or further Prospectus, will remain publicly available in electronic form for at least 10 years on <https://www.credem.it/content/credem/it/gruppo-credem/investor-relations.html>.

Independent Auditors

EY S.p.A., whose registered office is in Rome, Via Lombardia 31, are the auditors of the Issuer. EY S.p.A. is registered under No. 70945 in the Register of Certified Auditors held by the Ministry for Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and the Ministerial

Decree No. 145 of 20 June 2012. EY S.p.A. is also a member of ASSIREVI – Associazione Nazionale Revisori Contabili. The business address of EY S.p.A. is Via Lombardia 31, 00187 Rome, Italy. EY S.p.A. has audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018.

On 30 April 2013, EY S.p.A. has been appointed to perform the audit of the Financial Statements of the Guarantor for the period from 2014 to 2022. EY S.p.A. has audited and rendered unqualified audit reports on the consolidated financial statements of the Guarantor for the years ended 31 December 2019 and 31 December 2018.

Material Contracts

Neither the Issuer nor the Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Bondholders.

Clearing of the Covered Bonds

The Covered Bonds have been accepted for clearance through Monte Titoli, Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Series will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

GLOSSARY

Accounts means, collectively, the Collection Accounts, the Expenses Account, the Cash Reserve Commingling Account, the BNPP Accounts, the Credem Accounts and any other account opened in accordance with the Programme.

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

Account Bank Shift Event means any of Credem Account Bank Shift Event and BNPP Account Bank Shift Event.

Account Bank Shift Notice means the notice to be promptly delivered from the Investment Manager to the other Parties and the Rating Agencies upon occurrence of an Account Bank Shift Event.

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

Affected Loan means a Mortgage Loan in respect of which there is a breach of the representations and warranties contained in the Warranty and Indemnity Agreement.

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

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

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

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

Arranger means Barclays Bank Ireland PLC.

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

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

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

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

Asset Percentage means the lower of (i) 93.00 per cent and (ii) such other percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agencies (after procuring the required level of overcollateralization in line with target rating). Notwithstanding that, in the event the Issuer chooses not to apply such other

percentage figure (item (ii) above) of the Asset Percentage, this will not result in a breach of the Nominal Value Test.

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

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

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

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

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

Back-up Servicer means Banca Finanziaria Internazionale S.p.A. or any other entity acting as such pursuant to the Back-up Servicing Agreement.

Back-up Servicing Agreement means the back-up servicing agreement entered into on 11 June 2020 between, *inter alios*, the Issuer, the Guarantor, the Back-up Servicer and the Representative of the Bondholders.

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

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

Base Interest has the meaning given to it in the Subordinated Loan Agreement.

BNPP Account Bank Shift Event means the event which occurs if, following the occurrence of a Credem Account Bank Shift Event, corresponding to the loss by Credem of the Minimum Required Account Bank Rating, (i) the rating of Credem is at any time re-established to the Minimum Required Account Bank Rating and (ii) Credem confirms in writing to the Investment Manager that it accepts to act as Account Bank with respect to the Credem Accounts pursuant to the Cash Allocation, Management and Payments Agreement.

BNPP Account Bank Shift Notice means the notice to be promptly delivered from the Investment Manager to the other Parties and the Rating Agencies upon occurrence of a BNPP Account Bank Shift Event.

BNPP Accounts means, collectively, the BNPP Eligible Investments Account, the BNPP Reserve Account, the BNPP Securities Account, the BNPP Payments Account and the BNPP Swap Collateral Account.

BNPP Eligible Investments Account means the euro denominated account (IBAN: IT 15 K 03479 01600 000802049000) established in the name of the Guarantor with BNPP as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

BNPP Payments Account means the euro denominated account (IBAN:IT 66 M 03479 01600 000802049002) established in the name of the Guarantor with BNPP as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

BNPP Reserve Account means the euro denominated account (IBAN: IT 89 L 03479 01600 000802049001) established in the name of the Guarantor with BNPP as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

BNPP Securities Account means the account (No. 2049000) established in the name of the Guarantor with BNPP as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, *Management* and Payments Agreement.

BNPP Swap Collateral Account means any account opened or to be opened by the Guarantor with BNPP in accordance with any Swap Agreement and clause 6.7 of the Intercreditor Agreement.

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

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

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

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

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

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

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

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

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

Cash Reserve Commingling Account Bank means BNP Paribas Securities Services, Milan branch acting as Cash Reserve Commingling Account Bank, or any other entity acting as such pursuant to the Cash Allocation, Management and Payments Agreement.

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

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

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

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

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

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

Collections means all amounts received or recovered by the Servicer (including any judicial recovery) in respect of the Eligible Assets.

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

Commercial Mortgage Loan means “*crediti ipotecari commerciali*” as defined under article 1, sub-paragraph 1, letter (c) of Decree No. 310 having the features set forth under article 2, sub-paragraph 1, letter (b) of Decree No. 310.

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

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

Conditions means the terms and conditions of the Covered Bonds.

CONSOB means Commissione Nazionale per le Società e la Borsa.

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

Cover Pool means the cover pool constituted by the Eligible Assets; and the Top-Up Assets.

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

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

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

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

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

CREDEM means Credito Emiliano S.p.A.

Credem Account Bank Shift Event means any of the following event: (i) the loss by Credem of the Minimum Required Account Bank Rating or (ii) the resignation of Credem from its appointment as Account Bank in respect of the sole Credem Accounts.

Credem Account Bank Shift Notice means the notice to be promptly delivered from the Investment Manager to the other Parties and the Rating Agencies upon occurrence of a Credem Account Bank Shift Event.

Credem Accounts means, collectively, the Credem Eligible Investments Account, the Credem Reserve Account, the Credem Securities Account, the Credem Payments Account and the Credem Swap Collateral Account.

Credem Eligible Investments Account means the euro denominated account (IBAN: IT64J0303212891010000091671) established in the name of the Guarantor with Credem as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

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

Credem Payments Account means the euro denominated account (IBAN: IT92M0303212891010000091674) established in the name of the Guarantor with Credem as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

Credem Reserve Account means the euro denominated account (IBAN: IT18L0303212891010000091673) established in the name of the Guarantor with Credem as Account

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

Credem Securities Account means the account (No. 9168738) established in the name of the Guarantor with Credem as Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, *Management* and Payments Agreement.

Credem Swap Collateral Account means any account opened or to be opened by the Guarantor with Credem in accordance with any Swap Agreement and clause 6.7 of the Intercreditor Agreement.

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

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

Cut-off Date means, in respect of the Initial Portfolio, 28 October 2010 and in respect of each Subsequent Portfolio, the date - identified by the Seller - on which the relevant Subsequent Portfolio is selected through the application of the Criteria.

Day Count Fraction has the meaning from time to time ascribed to such term in the Conditions or the Final Terms of each Series of Covered Bonds.

Dealers means Barclays Bank Ireland PLC and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 5 (*Form of Dealer Accession Letter*) of the Programme Agreement on any other terms acceptable to the Issuer and such entity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Eligible Cover Pool means the aggregate amount of Eligible Assets and Top-up Assets (including any sum standing to the credit of the Accounts) included in the Cover Pool provided that (i) any Defaulted Mortgage Receivable and those Eligible Assets and Top-up Assets for which a breach of the representations and warranties granted under each Warranty and Indemnity Agreement has occurred and has not been remedied will not be considered for the purpose of the calculation and (ii) any Mortgage Loan in respect of which the LTV on the basis of the Latest Valuation exceed the percentage limit set forth under article 2, paragraph 1, of Decree No. 310, will be calculated up to an amount of principal which - taking into account the market value of the relevant Real Estate Asset - allows the compliance with such percentage limit.

Eligible Institution means any bank organised under the laws of any state which is a member of the European Union or of the United States (to the extent that United States are a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks – standardized approach) and enabled to carry out banking activity in Italy (i) the short-term unsecured and unsubordinated debt obligations of which are rated at least "F2" by Fitch or the long-term unsecured and unsubordinated debt obligations of which are rated at least "BBB" by Fitch; and the

short-term unsecured and unsubordinated debt obligations of which are rated at least "P-3" by Moody's and the long-term unsecured and unsubordinated debt obligations of which are rated at least "Baa3" by Moody's; or (ii) whose obligations are guaranteed by an entity whose (A) short-term unsecured and unsubordinated debt obligations are rated at least "F2" by Fitch or the long-term unsecured and unsubordinated debt obligations of which are rated at least "BBB" by Fitch, and (B) short-term unsecured and unsubordinated debt obligations are rated at least "P-3" by Moody's and the long-term unsecured and unsubordinated debt obligations of which are rated at least "Baa3" by Moody's, provided that any reference to a rating by Fitch shall be deemed to be a reference to the "Issuer Default Rating" given by such Rating Agency.

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

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

Eligible Investments Account means the BNPP Eligible Investments Account, the Credem Eligible Investments Account or each of them, as the case may be.

EURIBOR means the Euro-Zone Inter-Bank offered rate for Euro deposits, as determined from time to time pursuant to the Programme Documents. **Euro, € and EUR** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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

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

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

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

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

Expenses means any documented fees, costs, expenses and taxes required to be paid to any third party creditors (other than the Bondholders and the Other Guarantor Creditors) arising in connection with

the Programme, and required to be paid in order to preserve the existence of the Guarantor or to maintain it in good standing, or to comply with applicable laws and legislation.

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

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

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

Extraordinary Resolution has the meaning set out in the Rules.

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

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

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

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

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

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

Fitch means Fitch Ratings Ireland Limited Sede Secondaria Italiana.

FSMA means the Financial Services and Markets Act 2000.

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

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

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

Guarantor means CREDEM CB S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy pursuant to Law 130, having its registered office at Via Vittorio Alfieri, 1, 31015 Conegliano (TV), Italy, subject to the activity of management and coordination ("*attività di direzione e coordinamento*") of CREDEM, fiscal code and enrolment with

the companies register of Treviso-Belluno No. 04326290261, belonging to the banking group known as “CREDEM”, registered with the register of the banking group held by the Bank of Italy.

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

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

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

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

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

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

Individual Purchase Price means:

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

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

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

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

- (i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition with creditors or insolvent reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*", "*accordi di ristrutturazione*" and (other than in respect of the Issuer) "*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, insolvent reorganisation, dissolution, administration) or similar proceedings or the whole or

any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

- (ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Programme Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to Article 74 of the Consolidated Banking Act); or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2484 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up, corporate reorganization or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or
- (v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business.

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

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

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

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

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

- (i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Interest Collection Account in respect of the immediately preceding Collection Period;
- (ii) all recoveries in the nature of interest received by the Servicer and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;

- (iii) all amounts of interest accrued (net of any withholding or expenses, if due) and credited into the Accounts during the immediately preceding Collection Period;
- (iv) any amounts credited to the Reserve Account as at the immediately preceding Guarantor Payment Date;
- (v) all Eligible Investment Revenues in respect of the Eligible Investments made with reference to the immediately preceding Collection Period;
- (vi) any amounts (excluding any principal payment) received or to be received under the Asset Swap Agreement(s) other than any Swap Collateral Excluded Amounts with reference to the immediately following Asset Swap Payment Date;
- (vii) any amounts (excluding any principal payment) received or to be received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts with reference to the immediately following Covered Bond Swap Payment Date;
- (viii) any swap termination payments (excluding any principal payment) received or to be received from a replacement Swap Provider under a Swap Agreement in the event of a termination of a Swap Agreement between the Guarantor and the relevant Swap Provider with reference to the immediately following Guarantor Payment Date;
- (ix) all interest amounts received from the Seller by the Guarantor pursuant to the Master Assets Purchase Agreement and credited to the Interest Collection Account in respect of the immediately preceding Collection Period;
- (x) any amounts to be paid as Interest Shortfall Amount out of item (First) of the Pre-Issuer Default Principal Priority of Payments on the immediately succeeding Guarantor Payment Date;
- (xi) any revenue amounts (other than the amounts already allocated under other items of the Interest Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period; and
- (xii) interest amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

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

Interest Instalment means the interest component of each Instalment.

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

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

case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

Interest Period means, in relation to each Series of Covered Bonds, the period commencing on (and including) the relevant Interest Payment Date and ending to (and excluding) the immediately following Interest Payment Date, as specified as such in, or determined in accordance with the provisions of, the relevant Final Terms.

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

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

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

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

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

Issuer means Credito Emiliano S.p.A.

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

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

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

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

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

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

Limit of 15% means the limit of 15% (of the aggregate outstanding principal amount of the Cover Pool) of Top-Up Assets included in the Cover Pool provided for under the Decree No. 310 and the Bank of Italy Regulation, or any other limit set out in the future in the applicable regulation.

Listing Agent means BNP Paribas Securities, Luxembourg branch or any other entity acting as such in the context of the Programme.

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

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

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

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

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

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

Meeting has the meaning set out in the Rules.

Minimum Required Account Bank Rating means the short term and/or the long term ratings as determined to be applicable or agreed by the Rating Agencies from time to time with reference to Credito Emiliano S.p.A. (or any institution guaranteeing its obligation on the basis of a guarantee satisfying the criteria of the Rating Agencies), being, as at the date hereof, "P-3" and "Baa3" by Moody's and "F2" or "BBB" by Fitch.

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

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

Monte Titoli Mandate Agreement means the agreement entered into between the Issuer and Monte Titoli on or before the First Issued Date.

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

Moody's means Moody's Deutschland GmbH.

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

Mortgage Loan means, collectively, the Residential Mortgage Loans and the Commercial Mortgage Loans.

Mortgage Loan Agreements means, collectively, the Residential Mortgage Loan Agreements and the Commercial Mortgage Loan Agreements and each of them a **Mortgage Loan Agreement**.

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

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

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

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

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

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

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

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

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

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

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

Other Guarantor Creditors means the Seller, the Servicer, the Back-up Servicer (if any), the Subordinated Loan Provider, the Investment Manager, the Calculation Agent, the Test Calculation Agent, the Representative of the Bondholders, the Asset Swap Provider, the Covered Bond Swap Providers, the Account Bank, the Guarantor Corporate Servicer, the Cash Reserve Commingling

Account Bank and, following the occurrence of an Issuer Event of Default, the Asset Monitor, the Portfolio Manager (if any), the Principal Paying Agent, and any other paying agent (if any) appointed pursuant to the Programme Documents.

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

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

Payments Account means the BNPP Payments Account, the Credem Payments Account or each of them, as the case may be.

Payment Holiday means in respect of a Mortgage Loan, the deferral of the payment of its interest and/or principal instalments in accordance with the application of moratoria provisions from time to time granted to Debtors by any laws, agreements between Italian banking associations and national consumer associations, the Bank of Italy or other regulatory bodies regulations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (x) any principal amounts (other than the amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period; and
- (xi) principal amount recovered from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

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

Principal Instalment means the principal component of each Instalment.

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

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

Privacy Rules means, collectively, the regulation issued by the Italian Privacy Authority (*Autorità Garante per la Protezione dei Dati Personali*) on 18 January 2007, the Regulation (EU) no. 679 of 27 April 2016 and the subsequent implementing national measures.

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

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

Programme Documents means the Master Assets Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Back-up Servicing Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Guarantor Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Deed of Pledge, the Deed of Charge, the Master Definitions Agreement, the Conditions and each Final Terms and any other agreement entered into in connection with the Programme and any other agreement designated as "Programme Document" by the Issuer.

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

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

Prospectus means this Prospectus.

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

Prudential Regulations means the prudential regulations for banks issued by the Bank of Italy on 17 December 2013 with Circular No. 285 (*Disposizioni di vigilanza per le Banche*), as subsequently amended and supplemented.

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

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

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

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

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

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

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

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

Quota Capital Account means the euro denominated account established in the name of the Guarantor with Banca Monte dei Paschi di Siena S.p.A. (IBAN: [IT05K0103061622000061239541](#)) as specified in the Cash Allocation Management and Payments Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

- A. the aggregate of:
 - (a) two twelfths of the aggregate amount payable on the immediately following Guarantor Payment Date in respect of item (i) (*First*) to (iii) (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and
 - (b) the swap interest payments in respect of each relevant Covered Bond Swap Agreement or, if no Covered Bond Swap Agreement has been entered into in relation to a Series of Covered Bonds, the interest amounts due in relation to that Series of Covered Bonds, and which accrues in respect of a period of 2 months; and
- B. (I) if the Issuer's senior unsecured obligations cease to be rated at least "A" and "F1" by Fitch, the sum of:

(a) the aggregate amounts payable on the immediately following Guarantor Payment Date in respect of item (i) (*First*) to (iii) (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and

(b) Euro 400,000 plus, for each Series of Covered Bond outstanding **(x)** only in cases where the Issuer is not acting as Covered Bond Swap Provider in relation to the relevant series of Covered Bonds, the aggregate of the swap interest payments in respect of each relevant Covered Bond Swap Agreement – calculated by applying the Floating Rate Option (as defined in the ISDA Definitions) for each relevant Covered Bond Swap Agreement determined on a forward basis – or, **(y)** if no Covered Bond Swap Agreement has been entered into or if it has been entered into with the Issuer in relation to a Series of Covered Bonds, of the interest amounts in relation to that Series of Covered Bonds which are due or expected to be borne by the Guarantor during the three-month period which starts on the immediately following Guarantor Payment Date (excluded) and ends on the second immediately following Guarantor Payment Date (included).

(II) otherwise, zero.

Reserve Account means the BNPP Reserve Account, the Credem Reserve Account or each of them, as the case may be.

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

Residential Mortgage Loan means “*crediti ipotecari residenziali*” as defined under article 1, sub-paragraph 1, letter (b) of Decree No. 310 having the features set forth under article 2, sub-paragraph 1, letter (a) of Decree No. 310.

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

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

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

Rules means the Rules of the organisation of the Bondholders.

Securities Account means the BNPP Securities Account, the Credem Securities Account or each of them, as the case may be.

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

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

Security Interest means:

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

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

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

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

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

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

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

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

Servicer Minimum Rating means the counterparty risk assessment (CRA) of the Servicer not lower than "Baa3(cr)" by Moody's or the long term rating of the unsecured and unsubordinated debt obligations of the Servicer not lower than "BBB-" by Fitch, or any different rating level which complies with the Rating Agencies' criteria and from time to time notified by the Servicer to the Guarantor and the Representative of the Bondholders, provided that any reference to a rating by Fitch shall be deemed to be a reference to the "Issuer Default Rating" given by such Rating Agency.

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

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

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

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

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

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

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

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

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

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

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

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

Subsequent Portfolios means any portfolio (other than the Initial Portfolio), comprising Eligible Assets or Top Up Assets, which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

Subsequent Portfolio Purchase Price means the consideration which the Guarantor shall pay to the Seller for the transfer of Subsequent Portfolios and equal to the aggregate amount of the Individual Purchase Price of all the relevant Eligible Assets included in such Subsequent Portfolio as at the relevant Valuation Date.

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

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

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

Swap Collateral Account means the BNPP Swap Collateral Account, the Credem Swap Collateral Account or each of them, as the case may be.

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

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

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

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

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

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

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

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

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

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

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

Total Commitment means Euro 5,000,000,000.00 or the higher amount indicated by the Subordinated Loan Provider in accordance with the Subordinated Loan.

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

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

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

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

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

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

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

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

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

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

ISSUER

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Italy

GUARANTOR

CREDEM CB S.r.l.
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ARRANGER AND DEALER

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**REPRESENTATIVE OF THE BONDHOLDERS, ACCOUNT BANK, CASH RESERVE
COMMINGLING ACCOUNT BANK, CALCULATION AGENT and PRINCIPAL PAYING
AGENT**

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TO THE ARRANGER AND THE DEALER

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