**BANCA POPOLARE DI SONDRIO S.C.P.A.**

*(incorporated as a co-operative limited by shares under the laws of the Republic of Italy and registered at the Companies' Registry of Sondrio under registration number 00053810149)*

**Euro 5,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme**
**unconditionally and irrevocably guaranteed as to payments**
**of interest and principal by**

***POPSO COVERED BOND S.R.L.***

*(incorporated as a limited liability company in the Republic of Italy and registered at the Companies' Registry of Treviso under registration number 04620230260)*

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

Under this Euro 5,000,000,000 covered bond programme (the "**Programme**"), Banca Popolare di Sondrio S.c.p.A. ("**BPS**" or the "**Issuer**") may from time to time issue *obbligazioni bancarie garantite* (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed Euro 5,000,000,000 (or its equivalent in other currencies calculated as described herein). POPSO Covered Bond S.r.l. (the "**Guarantor**") has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee (the "**Covered Bond Guarantee**") which is collateralised by a pool of assets (the "**Cover Pool**") made up of a portfolio of mortgages assigned to the Guarantor by the Seller and certain other assets held by the Guarantor, including funds generated by the portfolio and such assets. Recourse against the Guarantor under the Covered Bond Guarantee is limited to the Cover Pool.

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the competent authority in the Grand Duchy of Luxembourg for the purposes of the Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of giving information with regard to the issue of Covered Bonds under the Programme during the period 12 months after the date hereof. The CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Law on base prospectuses for securities.

Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base 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 2004/39/EC. The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

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

The Covered Bonds will be issued in dematerialised form and 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*, 42 Avenue JF Kennedy, L-1855, Luxembourg ("**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 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

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

**A credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be revised or withdrawn by any or all of the Rating Agencies and each rating shall be evaluated independently of any other.**

The Covered Bonds of each Series or Tranche will mature on the date mentioned in the applicable Final Terms (each a “**Maturity Date**”). Before the relevant Maturity Date, the Covered Bonds of each Series or Tranche will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in the Conditions (as defined below)).

**Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Base Prospectus.**

*Arrangers for the Programme*
**BNP PARIBAS**
**Finanziaria Internazionale**
**Securitisation Group**
*Dealer for the Programme*
**BNP PARIBAS**

The date of this Base Prospectus is 23 February 2016.

## RESPONSIBILITY STATEMENTS

The Issuer accepts responsibility for the information contained in this Base Prospectus.

To the best of the knowledge and belief of the Issuer, (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Guarantor accepts responsibility for the information included in this Base Prospectus in the sections headed "*The Guarantor*" and any other information contained in this Base Prospectus relating to itself. To the best of the knowledge and belief of the Guarantor, (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

## NOTICE

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

This Base Prospectus should be read and understood in conjunction with any supplement thereto and with any document incorporated herein by reference (see section "*Information incorporated by reference*"). Full information on the Issuer and any Series of Covered Bonds is only available on the basis of the combination of the Base Prospectus and the relevant Final Terms.

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

The Issuer has confirmed to the Dealer (as defined herein) that this Base Prospectus contains all information with regard to the Issuer and the Covered Bonds which is material in the context of the Programme and the issue and offering of Covered Bonds thereunder; that the information contained herein is accurate in all material respects and is not misleading; that any opinions and intentions expressed by it herein are honestly held and based on reasonable assumptions; that there are no other facts with respect to the Issuer, the omission of which would make this Base Prospectus as a whole or any statement therein or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

No person has been authorised by the Issuer or the Guarantor to give any information which is not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as in the public domain and, if given or made, such information must not be relied upon as having been authorised by the Issuer, the Dealers or any party to the Programme Documents (as defined in the Conditions).

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

The Issuer has undertaken with the Dealers to supplement this Base Prospectus or publish a new Base Prospectus if and when the information herein should become materially inaccurate or incomplete and has further agreed with the Dealers to furnish a supplement to the Base Prospectus in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of the Covered Bonds and which arises or is noted between the time when this Base Prospectus has been approved and the final closing of any Series or Tranche of Covered Bonds offered to the public or, as the case may be, when trading of any Series or Tranche of Covered Bonds on a regulated market begins, in respect of Covered Bonds issued on the basis of this Base Prospectus.

Neither the Arrangers nor the Dealers nor any person mentioned in this Base Prospectus, with exception of the Issuer, the Guarantor and the Asset Monitor, is responsible for the information contained in this Base Prospectus, any document incorporated herein by reference, or any supplement thereof, or any Final Terms or any document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

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

The distribution of this Base Prospectus, any document incorporated herein by reference and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer and the Dealer 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 "*Subscription and Sale*" of this Base Prospectus. In particular, the Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons.

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

The language of the Base Prospectus is English. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

This Base Prospectus may only be used for the purpose for which it has been published.

This Base Prospectus and any Final Terms may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

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

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

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

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

**In connection with the issue of any Series under the Programme, the Dealer or the Dealers (if any) which is specified in the relevant Final Terms as the stabilising manager (the "Stabilising Manager") or any person acting for the Stabilising Manager may over-allot any such Series or effect transactions with a view to supporting the market price such Series at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this and there is no assurance that the 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 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 and 60 days after the date of the allotment of any such Series. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

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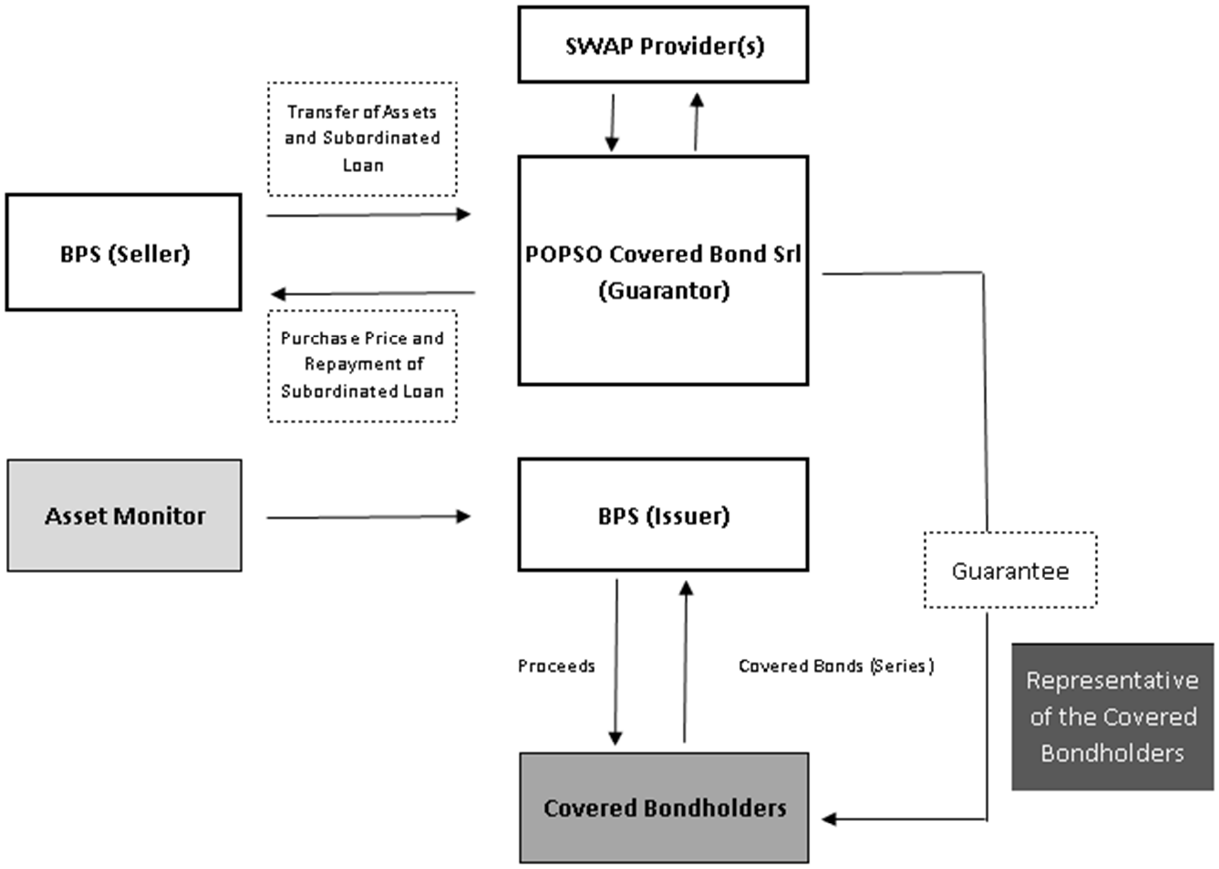
## OVERVIEW OF THE PROGRAMME

*This section constitutes an overview of the structure relating to the Programme. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in this overview.*

**Structure Diagram**



# 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 the considerations set out below, before making any investment decision. This section of the Base Prospectus is split into two main sections – General Investment Considerations and Investment Considerations relating to the Issuer and the Guarantor.*

*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. Neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any document incorporated by reference) and reach their own views prior to making any investment decision.*

## GENERAL INVESTMENT CONSIDERATIONS

***Issuer liable to make payments when due on the Covered Bonds***

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

The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default and service by the Representative of the Covered Bondholders on the Issuer and on the Guarantor of an Issuer Default Notice or, if earlier, following the occurrence of a Guarantor Event of Default and service by the Representative of the Covered Bondholders of a Guarantor Default Notice. The occurrence of an Issuer Event of Default does not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay amounts due under the Covered Bond Guarantee would constitute a Guarantor Event of Default which would entitle the Representative of the Covered 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 Covered Bond 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.

***Obligations under the Covered Bonds***

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arrangers, the Dealers, the Representative of the Covered 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 Covered Bondholders of an Issuer 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.

***Extraordinary Resolutions and the Representative of the Covered Bondholders***

A meeting of Covered Bondholders may be called to consider matters which affect the rights and interests of Covered Bondholders. These include (but are not limited to): instructing the Representative of the Covered Bondholders to enforce the Covered Bond Guarantee against the Issuer and/or the Guarantor; waiving an Issuer Event of Default or a Guarantor Event of Default; defining, reducing or otherwise varying interest payments or repayment of principal or rescheduling payment dates; 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. A Programme Resolution will bind all Covered 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 Covered Bondholders may agree to the modification of the Programme Documents without consulting Covered Bondholders to correct a manifest error or where such modification (i) is of a formal, minor, administrative or technical nature or an error established as such to the satisfaction of the Representative of the Covered Bondholders or (ii) in the opinion of the Representative of the Covered Bondholders, is expedient to make provided that it is not or will not be materially prejudicial to Covered Bondholders. It should also be noted that after the delivery of an Issuer Default Notice, the protection and exercise of the Covered Bondholders' rights against the Issuer will be exercised by the Guarantor (or the Representative of the Covered Bondholders on its behalf). The rights and powers of the Covered Bondholders may only be exercised in accordance with the Rules of the Organisation of the Covered Bondholders. In addition, after the delivery of a Guarantor Default Notice, the protection and exercise of the Covered Bondholders' rights against the Guarantor and the security under the Guarantee is one of the duties of the Representative of the Covered Bondholders. The Conditions limit the ability of each individual Covered Bondholder to commence proceedings against the Guarantor by conferring on the Meeting of the Covered Bondholders the power to determine in accordance with the Rules of Organisation of the Covered Bondholders, whether any Covered Bondholder may commence any such individual actions.

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

In the exercise of its powers, trusts, authorities and discretions the Representative of the Covered Bondholders shall only have regard to the interests of the Covered Bondholders and the Other Creditors, as applicable, but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between these interests the Representative of the Covered Bondholders shall have regard solely to the interests of the Covered Bondholders. In the exercise of its powers, trusts, authorities and discretions, the Representative of the Covered 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 Covered 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 Covered Bondholders shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders holding not less than 25 per cent of the Outstanding Principal Amount of the Covered Bonds of the relevant Series then outstanding.

***Extendible obligations under the Covered Bond Guarantee***

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

To the extent that the Guarantor has received an Issuer Default Notice in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Guarantee Priority of Payments and as described in Conditions 7(b) (*Extension of maturity*) and 10(b) (*Effect of an Issuer Default Notice*). Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date *provided that* any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 7(b) (*Extension of maturity*) and the Guarantor will pay Guaranteed Amounts, constituting interest due on each Interest Payment Date and on the Extended Maturity Date. In these circumstances, Failure by the Issuer to pay the Covered Bond Instalment Amount on its Covered Bond Instalment Date will (subject to any applicable grace period) be an Issuer Event of Default. Failure by the Guarantor to pay the deferred Covered Bond Instalment Amount on the related Extended Instalment Date will (subject to any applicable grace period) be a Guarantor Event of Default.

Similarly, in respect of Covered Bonds that may be redeemed in instalments, if an Extended Instalment Date is specified in the Final Terms and both (a) the Issuer on the Covered Bond Instalment Date and (b) the Guarantor on the relevant Covered Bond Instalment Extension Determination Date fail to pay a Covered Bond Instalment Amount, the requirement to pay such Covered Bond Instalment Amount and all subsequently due and payable Covered Bond Instalment Amounts shall be deferred by one year until their Extended Instalment Dates.

Each Covered Bond Instalment Amount may be deferred when due no more than once. At such time, each subsequent but not yet due Covered Bond Instalment Amount will also be deferred, so it is possible that a Covered Bond Instalment Amount may be deferred more than once but it may never be deferred to a date falling after the Extended Maturity Date for the relevant Series.

***Limited secondary market***

There is, at present, a secondary market for the Covered Bonds but it is neither active nor liquid, and there can be no assurance that an active or liquid secondary market for the Covered Bonds will develop. The Covered Bonds have not been, and will not be, offered to any persons or entities in the United States of

America or registered under any securities laws and are subject to certain restrictions on the resale and other transfers thereof as set forth under section entitled "*Subscription and Sale*". If an active or liquid secondary market develops, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Illiquidity may have a severely adverse effect on the market value of Covered Bonds. In addition, Covered Bonds issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Covered Bonds may be adversely affected. In an illiquid market, an investor might not be able to sell its Covered Bonds at any time at fair market prices. The possibility to sell the Covered Bonds might additionally be restricted by country specific reasons.

***Exchange rate risks and exchange controls***

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

***Credit ratings may not reflect all risks***

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

The ratings assigned to the Covered Bonds address the expectation of timely payment of interest and principal on the Covered Bonds on or before any payment date falling one year after the Maturity Date.

According to Fitch, the rating assigned to the Covered Bonds may address:

(i) the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date; and

(ii) the likelihood of ultimate payment of principal in relation to the Covered Bonds on (a) the Maturity Date thereof or (b) if the Covered Bonds are subject to an Extended Maturity Date in accordance with the applicable Final Terms, the Extended Maturity Date thereof.

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 the relevant Covered Bonds.

The expected ratings of the Covered Bonds are set out in the relevant Final Terms for each Series of Covered Bonds. Whether or not a rating in relation to any Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may reduce.

Furthermore, in accordance with the current rating criteria of each of the Rating Agencies, the rating of the Covered Bonds may be linked, under certain circumstances, to the then current rating of the Issuer.

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

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

***Controls over the transaction***

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

***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 Covered Bond Guarantee. Following the service on the Issuer and on the Guarantor of an Issuer Default Notice (but prior to a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor) the Guarantor will use all monies to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become due for payment subject to paying certain higher ranking obligations of the Guarantor in Guarantee Priority of Payments. In such circumstances, the Issuer will only be entitled to receive payment from the Guarantor of any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of the Guarantee Priority of Payments, any principal due and payable under the Subordinated Loan Agreement and any Base Interest and Premium Interest due under 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 Covered Bond 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 Term 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 each Seller pursuant to the terms of the Master Loans Purchase Agreement; and (ii) as consideration for the acquisition of the Top-Up Assets and/or other Eligible Assets from the Seller pursuant to the terms of the Cover Pool Management Agreement; and

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

***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 overcollateralisation requirements agreed by the parties to the relevant agreements or (c) complying with the limit of 15.00 per cent in relation to certain Top-Up Asset including 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.

***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 Base Prospectus, if withholding of, or deduction of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of Italy, any authority therein or thereof having power to tax, the 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 Covered Bondholders, as the case may be. The Issuer shall be obliged to pay any 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 Covered 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*".

***EU Savings Directive***

On 3 June 2003, the Council of the European Union adopted the EU Directive No. 2003/48/EC regarding the taxation of savings income (the "**European Savings Directive**"). According to the European Savings Directive, each member State of the European Union (a "**Member State**") is required to provide to the Tax Authorities of other States of the European Union details of the interest payments by a person within its jurisdiction to individuals resident in that other State. However, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%..

In any case, the transitional period is to terminate at the end of the first full tax year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to, or collected by such a paying agent for an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in a Member State to, or collected by such a paying agent for an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above and requires Member States to adopt the national legislation necessary to comply with the Amending Directive by 1 January 2016. The changes made under the Amending Directive extends the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

However, on 10 November 2015, the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the EU Savings Directive with effect from from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States. The repeal of the Savings Directive is needed in order to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive No. 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive No. 2014/107/EU) and to save costs both for tax authorities and economic operators.

Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

***Implementation in Italy of the EU Savings Directive***

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18th April, 2005 ("**Decree 84**"). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payments and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

***Legal investment considerations may restrict certain investments***

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

*Changes of law*

The structure of the Programme and the issue of the Covered Bonds is based on Italian law (and, in the case of the Swap Agreements and the Deed of Charge, English law) in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to Italian or English law or administrative practice or to the law applicable to any Programme Document and to administrative practices in the relevant jurisdiction. Except to the extent that any such changes represent a significant new factor or result in this Base Prospectus containing a material mistake or inaccuracy, in each case which is capable of affecting the assessment of the Covered Bonds, the Issuer and the Guarantor will be under no obligation to update this Base Prospectus to reflect such changes.

***U.S. Foreign Account Tax Compliance Withholding***

Pursuant to the U.S. Foreign Account Tax Compliance Act ("**FATCA**"), the Issuer and other non-U.S. financial institutions through which payments on the Covered Bonds are made, may be required to withhold U.S. tax at a rate of 30 per cent on all, or a portion of, payments made on or after 1 January 2019 in respect of (i) any Covered Bonds issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register and (ii) any Covered Bond that are treated as equity for U.S. federal tax purposes, whenever issued.

Under existing guidance, this withholding tax may be triggered on payments on the Covered Bonds if (i) the Issuer is a foreign financial institution ("**FFI**") (as defined in FATCA, including any accompanying U.S. regulations or guidance) which enters into and complies with an agreement with the U.S. Internal Revenue Service ("IRS") to provide certain information on its account holders (making the Issuer a "Participating FFI"), (ii) the Issuer is required to withhold on "foreign passthru payments", and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or (b) any FFI to or through which payment on such Covered Bonds is made is not a Participating FFI or otherwise exempt from FATCA withholding.

In order to improve international tax compliance and to implement FATCA, Italy entered into an intergovernmental agreement with the United States on 10 January 2014, ratified by way of Law No. 95 on 18 June 2015, published in the Official Gazette – general series No. 155, on 7 July 2015. The Issuer is now required to report certain information in relation to its U.S. account holders to the Italian Tax Authorities in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable Italian law. However, it is not yet certain how the United States and Italy will address withholding on "foreign passthru payments" (which may include payments on the Covered Bonds) or if such withholding will be required at all.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Covered Bonds as a result of FATCA, none of the Issuer, the Guarantor, any paying agent or any other person would be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive amounts that are less than expected.

Each Covered Bondholder should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each holder in its particular circumstance.

***Securitisation and Covered Bond Law***

The Securitisation and Covered Bond Law was enacted in Italy in April 1999 and further amended to allow for the issuance of covered bonds. As at the date of this Base Prospectus, no interpretation of the application of the Securitisation and Covered Bond Law as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the Decree of the Italian Ministry for the

Economy and Finance No. 310 of 14 December 2006 ("**Decree No. 310**"), setting out the technical requirements for the guarantee which may be given in respect of covered bonds and (ii) Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (*Circolare* No. 285 of 17 December 2013), as amended and supplemented from time to time (the "**Bank of Italy Regulations**") concerning 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 such or different authorities may issue further regulations relating to the Securitisation and Covered Bond Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

***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.

***Priority of Payments***

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

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

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

Additionally, as a result of the conflicting statements of the English and New York courts there is uncertainty as to whether the English courts will give any effect to any New York court judgment. Similarly, if the

Priorities of Payments are the subject of litigation in any jurisdiction outside England and Wales and such litigation results in a conflicting judgment in respect of the binding nature of the Priorities of Payments it is possible that termination payments due to that Hedging Counterparty would not be subordinated as envisaged by the Priorities of Payments and as a result, the Guarantor's' ability to repay the Covered Bonds Holders in full may be adversely affected. There is a particular risk of conflicting judgments where an Hedging Counterparty (if any) is the subject of bankruptcy or insolvency proceedings outside of England and Wales.

***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 the 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 Covered 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.

*Modification, waivers and substitution*

The Conditions contain provisions for calling meetings of Covered Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Covered Bondholders including Covered Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions and the Programme Documents may only be modified in accordance with the Rules of the Organisation of the Covered Bondholders and in the case of the Programme Documents, by agreement in writing signed by or on behalf of the parties to the relevant Programme Documents. Any such modification shall be notified in advance to the Representative of the Covered Bondholders and the Rating Agency and agreed upon by the Representative of the Covered Bondholders and shall be binding on the Other Creditors.

Any modification to the Swap Basic Term Modification must be previously approved in writing by the Liability Swap Provider. The Liability Swap Provider agrees to subscribe any other amendment of the Programme Documents to which is party which have been agreed with the Representative of the Covered Bondholders in accordance with the above.

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

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

## INVESTMENT CONSIDERATIONS RELATING TO THE ISSUER

By subscribing the financial instruments issued by the Issuer, investors become lenders of the same Issuer. In this capacity, investors are subject to the risk that the Issuer cannot meet its obligations associated to the financial instruments issued, if its income and financial conditions deteriorate. As at the date of approval of the Base Prospectus, the Issuer’s financial situation was such so as to ensure that its obligations to investors resulting from the issue of financial instruments are met.

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

As at the date of the Base Prospectus, the Issuer and the group companies are/were parties to civil and administrative judiciary proceedings associated with their ordinary operations; for some of these proceedings, the Issuer has allocated, as recognized in its consolidated financial statements, a specific provision for contingencies and liability, intended to cover potential liabilities resulting from the same proceedings.

As at 31 December 2014, this provision amounted to a total of Euro 30 million including accruals for legal and tax disputes.

Even though the outcome of the many legal proceedings which the Banca Popolare di Sondrio Group is a party to is intrinsically difficult to forecast and, therefore, it cannot be ruled out that an unfavourable outcome of some of them might impact the Banca Popolare di Sondrio Group’s financial, income and equity situation, the Issuer believes that the allocated provision is adequate to meet any unfavourable outcomes. Moreover, the above proceedings are not significant when considered individually.

For other information on the pending legal proceedings which the Banca Popolare di Sondrio Group is a party to, reference is made to Section "*The Issuer*" of the Base Prospectus.

### *Risks associated with the financial market crisis*

Starting from 2008, the entire international banking system has been severely and negatively impacted by the crisis that began in the US banking system due to the exposures relating to the so-called subprime mortgages, which were at the base of bankruptcy or insolvency proceedings that have concerned the banking sector both in the United States and in Europe.

The systematic uncertainty that has been impacting on the Italian economy since the summer of 2011 has combined with a still very weak recovery. Sovereign debt crisis, which has impacted the Eurozone, has affected also banks' operations. In the course of the events that led to fall of the Italian Government and to the implementation of measures designed to balance the public accounts, the sovereign debt crisis contagion to banks was very rapid. It caused, on the one hand, losses associated with the value of Government securities held in the banks portfolio and, on the other hand, a marked worsening of liquidity conditions, in a time when authorities have been continuously focused on capital strengthening. Moreover, lending has progressively slowed down reflecting greater restrictions in funding, which added to the slowdown in demand from households and enterprises. Even though, between the end of 2011 and the beginning of 2012, financial markets improved, driven by signs of stabilization in the economic activity of some Countries and by the loosening of tensions in the debt markets of the Eurozone, uncertainty is still very significant. This has been substantiated by the wide fluctuations in the BTP-Bund spread, which have occurred also with no significant changes in the economic situation. The uncertain macroeconomic outlook, the close relationship between market performance and prices of securities of the banking sector, in addition to the requests of the European Supervisory Authority on banks' capital strengthening, all make the operational context for the next few years still very difficult. This situation is still developing and its possible evolution cannot be forecast yet.

Even though the Italian banking system seems to have been less impacted than the banking systems of other EuropeanCountries , the crisis has generally made the conditions for lending more burdensome and caused a contraction of exchanges in the interbank market, as well as a widespread loss of credibility of banks.

As at 31 December 2014, the Issuer had no exposure to US subprime mortgages, no relating hedging contracts or other credit derivatives on loans, no exposure to companies belonging to the Lehman Brothers Group, and no other exposure that could be referred to European Sovereign States which seemed to have been most impacted by the crisis due to their economic-financial situation (for a portfolio composition analysis please see page 342-346 of the Annual Report and Consolidated Financial Statements of the Issuer for the year ended as at 31 December 2014 and pages 394-401of the related additional note).

As at the same date, the Issuer financial portfolio is mainly composed by Italian government securities with a restrained duration (less than 2 years), so the riskness appears moderate.

The Issuer believes that, between 31 December 2014 and the date of the approval of this Base Prospectus, no events occurred which are substantially relevant for the above purposes.

### *Liquidity risk*

Liquidity risk, both short-term and medium-/long term, is the risk that, also due to maturity transformation, the Issuer is not able to meet its payment obligations due its inability to fund in the market (funding liquidity risk) and/or to divest its assets (market liquidity risk) and/or it has to bear very high expenses in order to meet these obligations.

In this regard, the performance of factors, such as sustainability of sovereign debt, plays a significant role. As at 31 December 2014, the book value of the exposure to Sovereign States was, in terms of liquidity risk, Euro 8,556 million, of which Euro 7,538 million refers to Italy (see page 280 of the Annual Report and Consolidated Financial Statements of the Issuer for the year ended as at 31 December 2014, incorporated by reference to this Base Prospectus).

The Banca Popolare di Sondrio Group relies on internal system in order to monitor, control and mitigate the liquidity risk; the management process aims at verifying the Banca Popolare di Sondrio Group's ability to meet ordinary and extraordinary payment obligations and minimize the associated expenses. In detail, the Issuer:

- uses distinct supervision system to monitor operating liquidity (short term liquidity between over night and 3 months) and structural liquidity (medium-long term liquidity with a structural maturity ladder);
- compares the liquidity positions measured (both operating and structural) with a warning thresholds system and calculates early warning indicators and contingency indicators; and
- estimates the impact on different hypothetical scenarios (stress test) on liquidity positions resulting from ordinary monitoring activities.

More in general, the Banca Popolare di Sondrio Group implements the policy of essentially balancing funding and lending and adopts management policies liquidity control oriented (inter alia, restraining the deposit concentration and maintaining a broad amount of highly liquid assets).

The Issuer believes that the policies adopted and the controls implemented by the Banca Popolare di Sondrio Group are adequate to keep liquidity risk under control. However, as at the date of the approval of this Base Prospectus, it cannot be ruled out that unknown and unexpected events occur which could negatively affect the Banca Popolare di Sondrio Group's ability to meet its financial obligations.

For more information, both qualitative, on general aspects, processes and measurement of liquidity risk, and quantitative, please make reference to the Consolidated Financial Statements of the Issuer for the year ended as at 31 December 2014 incorporated by reference to this Base Prospectus.

***Credit and counterparty risks***

Credit and counterparty risks are associated to the event that the financial soundness and outlook of the Issuer or of the Banca Popolare di Sondrio Group deteriorate due to the risk of losses resulting from any inability or refusal by customers (including Sovereign States) to meet their contractual obligations, relating to lending, commitments, letters of credit, derivatives instruments, foreign currency transactions and other transactions.

As at 31 December 2014, the book value of the exposure to Sovereign States was, in terms of credit risk, Euro 572 million, almost totally referred to Italy (see page 498 of the Annual Report and Consolidated Financial Statements of the Issuer for the year ended as at 31 December 2014, incorporated by reference to this Base Prospectus).

Even though lending is the core business of the Banca Popolare di Sondrio Group, it is performed with the objective to achieve a controlled growth of lending throughout the country by means of a risk-taking strategy focused on the most attractive geographic areas, customer segments and sectors of economic activity.

This strategy consists of identifying risk ceilings that can be taken with lending (sector and individual concentration risk limits, etc.) and ensuring that they are consistent with the Banca Popolare di Sondrio Group's budget targets and business plan. Improvement of credit quality is pursued by means of constant monitoring of the loan portfolio, assessing compliance with the risk strategy agreed on, with a focus on major risk exposures.

The Banca Popolare di Sondrio Group follows a general strategy of risk management that is focused on a moderate propensity to risk and full awareness of the risks that are taken on ; it is implemented as follows:

– the current and current and prospective risk inherent in the loan portfolio , considered as a whole and/or as various sub-sets;

– the diversification of exposures, with the aim of containing the concentration of the same;

– the rejection of transactions which could prejudice profitability and solidity.

The credit risk management process is based upon the maximum involvement, at the various levels within the Banca Popolare di Sondrio Group, in order to balance the need to promptly meet customers' requests with the need to conduct a detailed review of the credit risk.

The phases of the credit process consist of the planning of credit policies, the preliminary investigation, the disbursement of the loan, the periodic review, monitoring and management of impaired loans.

The Issuer believes that the policies adopted by the Banca Popolare di Sondrio Group can adequately keep credit risk under control; however, as at the date of approval of this Base Prospectus, it cannot be ruled out that unknown and unexpected events occur, which could negatively affect customers' ability to meet their contractual obligations thus generating negative effects on the Issuer's or the Banca Popolare di Sondrio Group's financial soundness and outlook.

For more information, both qualitative, on general aspects, processes and measurement of credit risk, and quantitative, please make referece to Part E, Section 1.1 and subsequent ones of the note to the Consolidated Financial Statements of the Issuer for the year closed as at 31 December 2014, incorporated by reference to this Base Prospectus.

As for counterparty risk, in addition to the continuous monitoring ofthe main banking and financial groups with credit lines, a specific analysis is performed periodically on each position assumed, through the joint consideration of various indicators, including the rating assessment, data deriving from accounting disclosure, market data.

At the portfolio level, the credit risk is assessed at several levels of analysis, including the distribution of counterparties over time by rating classes.

Such assessments support the formulation of credit policy guidelines and allow for the adoption of suitable management measures and for the notification of operating guidelines to the central and peripheral functions involved.

The lending process also provides for a series of checks and controls aimed at mitigating risk during the various phases that make it up.

The preliminary investigation phase, aimed at verifying the conditions for reliability through an assessment of the creditworthiness of the applicants, entails a review of the consistency of the characteristics of the transaction with the purpose of the loan, a verification of the suitability of any guarantees/security interests covering the risk of failure to repay the loan, the economic advantageousness of the loan transaction. In this context, the assessment expressed by the internal rating system, where available, and the associated estimates of default, are duly taken into account as essential and mandatory elements for a thorough assessment of the customer.

The decision on the grant of the loan is made by the competent decision-making bodies, at the time of disbursement, carefully assessing all of the information gathered during the preliminary investigation phase, as well as all additional material elements that may be available. In this context, the opinion expressed by the internal rating system, if available, and the associated estimates of default are taken into due consideration as essential elements for an overall evaluation of the customer.

After disbursement, loans of whatever amount are reviewed periodically to check whether all of the conditions established during the preliminary investigation and taken into consideration when granting the loan still exist. Particular attention is paid to reviewing the reasons that led to changes in ratings.

Outstanding loans and guarantees are constantly monitored to ensure that the borrower and any guarantors remain solvent and that the general and specific requisites still apply and that the guarantees are still valid, to ensure that they can be fully and effectively enforced in the event of the debtor's insolvency. This monitoring, which is carried out in accordance with formal company procedures, aims at highlighting any negative symptoms as early as possible and at taking rapid and effective action to avoid any further deterioration. In this regard, the branches granting the relevant loans play an important role since, by maintaining direct customer relations, they are able to identify any signs of impairment immediately.

The positions identified by a set of specific indicators as being risky are analysed appropriately and, where there are clear signs of payment difficulties, they are placed under observation or classified as «impaired», depending on seriousness of situation.

The task of managing problem loans is assigned to specific central units, which carry on their activity with a view to returning the position to «performing», if this is possible; otherwise, with a view to recovering the loan in the event of insolvency, they operate in close collaboration with the branches granting the relevant problem loan.

Within the Parent Company, a separate unit being part of the Risk Management Function supports the Loans Department by identifying «performing» customers that show initial anomalies and signs of payment difficulties, as well as those counterparts that are persistently overdrawn.

In the context of credit risk, concentration risk is also important. This type of risk derives from significant exposures towards counterparties, groups of related counterparties or counterparties operating in the same economic sector or which conduct the same business operations or belong to the same geographic area.

During the credit review, disbursement, review and monitoring phases, in-depth controls are performed pertaining to the concentration of risks for significant exposures towards individual counterparties or groups of counterparties among which there exist connections of a legal and/or economic nature. In addition, specific credit concentration indicators are regularly monitored, aimed at measuring, the distribution of loans among customers and, more specifically, aimed at identifying the level of credit concentration concerning the loan disbursed to customers, and the relevant economic sectors and/or geographical areas.

***Operational risk***

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and or systems, human resources and/or external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

The Banca Popolare di Sondrio Group, fully aware of the considerable damage to its image and its reputation that could arise from the occurrence of loss events, adopts a management system suitable, in the opinion of the Issuer, to mitigate the operational risk effects. This system relies on procedures for the containment and mitigation of operational risks arising from transactions and for the prevention and/or limitation of the possible adverse effects resulting from them. However, the adoption of these measures may be inadequate to deal with the risks potentially arising, in part because of the unpredictability of the occurrence of risk events.

The most frequently recurring operational risks and those having the greatest individual impact in terms of overall amount usually include errors in the execution of day-to-day payments and trading in securities, litigations and settlement agreements with customers as well as external events, normally be subject to mitigation through the purchase of insurance policies.

Particular attention is also paid to IT risk, which is an integral part of operational risk, by establishing rules and proceedings aimed at identifying, recording and containing events that originate, or might originate, from IT equipment and/or procedural malfunctions.

For more information, both qualitative, on general aspects, management processes and approaches for the measurement of operational risk, and quantitative, please, see Part E, Section 1.4, page 497 and subsequent ones of the note to the Consolidated Financial Statements of the Issuer for the year ended as at 31 December 2014, referred to in this Base Prospectus, incorporated by reference to this Base Prospectus.

***Interest rate risk on the banking book***

The interest rate risk on the banking book (IRRBB) consists in the possibility of incurring losses due to reductions in the value of assets and/or increases in value of liabilities caused by adverse changes in interest rates on positions not included in the trading portfolio.

The main sources of interest rate risk from fair value consist in deposit/fund-raising transactions (particularly, debt securities) and fixed rate lending/investment transactions (mainly loans and debt securities); the interest rate risk from cash flow originates from the remaining assets and liabilities on presentation or at indexed interest rates, which constitute the majority of the total.

The Banca Popolare di Sondrio Group considers IRRBB exposure by using an internal methodology for strategic Asset & Liability Management ("**ALM**"), known as "Sensitivity Analysis in Full Evaluation", which is performed by the Parent Company to provide proper time distribution of interest rate risk from the fair value of each asset and liability.

This method relies on calculating the change of present values of assets and liabilities according to movements in the market rates curves. Specifically, it requires that the fair value of cash flows is calculated using the coupon rate of each instrument or, if that is not predetermined, the curve associated with the risk factor to which the rate is indexed. The overall risk exsposure is estimated by undergoing a parallel shock of +/- 200 basis points in the reference yield curve..

Another methodology, known as "Repricing Analysis", integrates the previous and, operating in the same context of hypotheses and assumptions, is aimed at giving indications on the Banca Popolare di Sondrio Group's net interest income sensitivity to changes in interest rates.

Both models are used by BPS for the internal monthly monitoring of IRRBB exposure.

With reference to the main subsidiaries of the Banca Popolare di Sondrio Group, the standard characteristics of the dealings made by Factorit Spa render quite marginal the effects of fluctuations in interest rates on the current value of assets and liabilities: the high level of rotation of the receivables sold and the fact that the funding of the firm is exclusively short-term, by ensuring frequent and close repricings, allow the lending and funding terms applied to remain in line with the prevailing market conditions.

The principal source of interest rate risk for the subsidiary Banca Popolare di Sondrio (SUISSE) SA derives from fixed-rate lending (mortgage loans). In accordance with the relevant Swiss regulations, a gap analysis and duration analysis is performed, covering the entire balance sheet exposure, in order to measure the impact on profits and equity of a change of 100 basis points over a twelve-month period in relation to the principal balance sheet currencies.

***Risks associated with the Issuer's rating***

The risk associated to the ability of an issuer to meet its obligations, generated by the issue of debt instruments and money market instruments, is defined by reference to credit ratings assigned by independent rating agencies. A credit rating is a measurement of solvency or credit worthiness of debtors and/or issuers of bonds, made in accordance with consolidated procedures for credit analysis. These measurements and the relating research help investors in analysing credit risks associated with financial instruments, since they give detailed information on issuers' ability to meet their obligations. The lower the rating assigned on the respective scale the higher the risk, measured by the respective rating agency, that the bonds will not be repaid or that they will not be repaid fully and/or promptly. A rating is not a recommendation to purchase, sell or hold any bond issued and may be suspended, lowered or withdrawn at any time by the rating agency by which it has been assigned. Suspension, lowering or withdrawal of an assigned rating can negatively affect the market price of the bonds issued.

A rating downgrade might restrict the availability of funding or increase its cost for individuals and companies at a local level. This might have a material adverse effect on the Banca Popolare di Sondrio Group’s operating results, financial conditions and business outlook.

***The Issuer’s financial performance is affected by “systemic risk”***

In recent years, the global credit environment has been adversely affected by significant instances of default, and there can be no certainty that further such instances will not occur. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis and therefore could adversely affect the Issuer.

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

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

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

***Catastrophic events, terrorist attacks and similar events could have a negative impact on the business and results of the Issuer***

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

***Changes in regulatory framework***

The Banca Popolare di Sondrio Group conducts its businesses subject to on-going regulatory and associated risks, including the effects of changes in laws, regulations, and policies in Italy and at a European level. The timing and the form of future changes in regulation are unpredictable and beyond the control of the Issuer, and changes made could have a material adverse effect on the Banca Popolare di Sondrio Group's business.

The Issuer is required to hold a licence for its operations and the Banca Popolare di Sondrio Group 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 solidity and limiting their risk exposure (see below "*Basel III*" and the "*CRD IV Package*").

Regulators and supervisory authorities are taking an increasingly strict approach to regulations and their enforcement that may not be to the Banca Popolare di Sondrio Group's benefit. A breach of any regulations by the Banca Popolare di Sondrio Group could lead to intervention by supervisory authorities and the Issuer could come under investigation and surveillance, and be involved in judicial or administrative proceedings. The Banca Popolare di Sondrio Group may also become subject to new regulations and guidelines that may require additional investments in systems and people and compliance with which may place additional burdens or restrictions on the Banca Popolare di Sondrio Group.

Banca Popolare di Sondrio Group is also subject to extensive regulation and supervision by the Bank of Italy, the Italian Securities and Exchange Commission (**CONSOB**), the European Central Bank and the European System of Central Banks. The banking laws to which the Banca Popolare di Sondrio Group 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 Banca Popolare di Sondrio Group 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 Banca Popolare di Sondrio Group, including proposed regulatory initiatives that could significantly alter the Banca Popolare di Sondrio Group's capital requirements.

In particular, in the wake of the global financial crisis that began in 2008, the Basel Committee (as defined below) approved, in the fourth quarter of 2010, revised global regulatory standards (**Basel III**) on bank capital adequacy and liquidity, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019.

In January 2013 the Basel Committee revised its original proposal with respect to the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio with a full implementation in 2019, as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the Net Stable Funding Ratio (the "**NSFR**"), the Basel Committee published the final rules in October 2014 providing that the NSFR will become a minimum standard starting from 1 January 2018.

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 (as amended and supplemented, the "**CRD IV Directive**") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of of the European Union of 26 June 2013[1] on prudential requirements for credit institutions and investment firms (as amended and supplemented, the "**CRR**" and together with the CRD IV Directive, "**CRD IV Package**").

Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for the phase-in until 2024) but it is possible that in practice implementation under national laws be delayed

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

(i) proposed acquirers of credit institutions' holdings, shareholders and Members of the management body requirements (Articles 22, 23 and 91 of the CRD IV Directive);

(ii) supervisory measures and powers (Articles 64, 65, 102 and 104 of the CRD IV Directive);

(iii) reporting of potential or actual breaches of national provisions (so called whistleblowing, (Article 71 of the CRD IV Directive);

(iv) administrative penalties and measures (Article 65 of the CRD IV Directive).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 (the "**Prudential Regulations**")) which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules.

Starting from 1 January 2015, Italian banks are required to comply with a minimum Common Equity Tier 1 (CET1) Capital ratio of 4.5 per cent[2], a minimum Tier I Capital ratio of 6 per cent[3], and a Total Capital Ratio of 8 per cent:

- *Capital conservation buffer*: set at 2.5 per cent of risk weighted assets and applies to BPS from 1 January 2014 (pursuant to Article 129 of the CRD IV Directive and Title II, Chapter I, Section II of the Prudential Regulations);
- *Counter-cyclical capital buffer*: is set by the relevant competent authority between 0 per cent - 2.5 per cent (but may be set higher than 2.5 per cent where the competent authority considers that the conditions in the member state justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth

[1] Final Corrigendum published on 30 November 2013
[2] Final Corrigendum published on 30 November 2013
[3] 5,5 per cent. between 1 January 2014 and 31 December 2014

excessive (pursuant to Article 130 of the CRD IV Directive and Title II, Chapter I, Section III of the Prudential Regulations);

- *Capital buffers for globally systemically important institutions ("**G-SIIs**")*: set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (size, interconnectedness, lack of substitues for the services provided, global activity and complexity); to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive and Title II, Chapter I, Section IV of the Prudential Regulations) becoming fully effective on 1 January 2019; and
- *Capital buffers for other systemically important institutions ("**O-SIIs**")*: up to 2.0% as set by the relevant competent authority (and must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the financial system (Article 131 of the CRD IV Directive and Title II, Chapter 1, Section IV of the Prudential Regulations).

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1.

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 Directive ). At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV Directive as the Italian level‑1 rules for the CRD IV Directive implementation on this point have not yet been enacted.

As part of the CRD IV Package transitional arrangements, as implemented by the Prudential Regulations, regulatory capital recognition of outstanding instruments which qualified as Tier I and Tier II capital instruments under the framework which the CRD IV Package has replaced EU Directive 2010/76/EU ("**CRD III**") that no longer meet the minimum criteria under CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition is capped at 80per cent in 2014, with this cap decreasing by 10 per cent in each subsequent year (see, in particular, Part Two, Chapter 14, Section 2 of the Prudential Regulations).

The new liquidity requirements introduced under the CRD IV Package will also be phased in: the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 on liquidity coverage requirement (the "**Liquidity Coverage Ratio Delegated Act**"), applies from 1 January 2015 and will be gradually phased in until 1 January 2018. In accordance with Articles 510 (3) and 511 (1) of the CRR, the Commission is required to submit by 31st December 2016 a legislative proposal, if appropriate, on net stable funding requirements, taking into account the relevant reports mandated to the EBA and taking full account of the diversity of the banking sector in the Union.

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines, recommendations and reports related to liquidity in order to enhance regulatory harmonisation in Europe through the EBA single supervisory rulebook applicable to EU Member States (the "**EBA Single Supervisory Rule Book**"). Specifically, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the Liquidity Coverage Ratio buffer. In addition, the CRD IV Package states that the EBA shall report to the Commission on the operational requirements for the holdings of liquid assets. Furthermore the CRD IV Package also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending.

The Prudential Regulations have implemented the rules on Liquidity Coverage Ratio, by exercising certain discretional powers with respect to less significant banks directly supervised by the Bank of Italy. The Liquidity Coverage Ratio Delegated Act recognized member states the power to impose a higher level of Liquidity Coverage Ratio in the transitional period (i.e. the period ending on 1 January 2018).

In addition to the substantial changes introduced by Basel III and CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation which entered into force on 2 July 2014 with implementation required at Member States level as from January 2017, even if a delay in the implementation could be agreed at EU level, and subject to certain transitional arrangements.

The CRD IV Package may also introduce a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. Institutions have been required to disclose their leverage ratio from 1 January 2015. Full implementation and European harmonisation, however, is not expected until 1 January 2018 following the Commission's review in 2016 of whether or not the ratio should be introduced. There is therefore uncertainty as to regulatory requirements that the Issuer will be required to comply with.

During 2015, the Basel Committee has made substantial progress towards finalising its post-crisis reforms, including reducing excessive variability in risk-weighted assets. In particular, the Committee consulted on proposed revisions to the standardised approaches for credit risk, market risk and operational risk, and conducted quantitative impact studies on these proposals and consulted on the design of a capital floor based on the standardised approaches for credit risk, market risk and operational risk. Work on the calibration of the floor is ongoing and closely related to the finalisation of the overall package of reforms.

Among other things, the Basel Committee is also expected to consult soon on a package of reforms to enhance the comparability of risk-weighted assets calculated using internal ratings-based approaches for credit risk and finalise around the end of 2015 the revised market risk framework, which is expected include greater standardisation of traded market risk model requirements.

In addition, the Basel Committee completed its analysis and monitoring of the drivers of variability of risk-weighted assets in the banking book and trading book and the analysis has resulted in policy proposals to address excessive variation in risk-weighted assets, and also provided input for supervisory follow-up actions at individual banks.

Such changes in the regulatory framework and how they will be implemented may have a material effect on all the European Banks and on the Banca Popolare di Sondrio Group's business and operations as well. As the new framework of banking laws and regulations affecting the Banca Popolare di Sondrio Group is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Banca Popolare di Sondrio Group. Prospective investors in the Covered Bonds should consult their own advisers as to the consequences for them of the application of the above regulations as implemented by each Member State.

***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 the European banking system (euro area banks and banks of any EU member state that joins the Banking Union), which has given the ECB, beginning in November 2014 and in conjunction with the national competent authorities of the eurozone states, direct supervisory responsibility over "banks of systemic importance" established in the Banking Union. Regulation (EU) No. 468/2014 of the European Central Bank (the SSM framework regulation) setting out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by ECB include any eurozone bank that: (i) has assets greater than €30 billion or – unless the total value of its assets is below €5 billion – 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 these criteria, the ECB, on its own initiative after consulting with national competent authorities or upon request by a national competent authority, 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 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 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 (the "**EBA Single Supervisory Rule Book**").

***The Banca Popolare di Sondrio Group may be subject to the provisions of the 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 (the "**Banks Recovery and Resolution Directive**" or "**BRRD**") entered into force.

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

The BRRD provides that it shall be applied by Member States from 1 January 2015, except for the General Bail-In Tool (as defined below) which is to be applied from 1 January 2016.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest:

(i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms;

(ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control);

(iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and

(iv) bail-in - which 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.

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 equity capital instruments at the point of non-viability and before any other resolution action is taken ("**BRRD Non-Viability Loss Absorption**").

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 will impact on how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

Although the bail-in powers are not intended to apply to secured debt (such as the rights of Covered Bondholders in respect of the Covered Bond Guarantee), the determination that securities issued by the Banca Popolare di Sondrio 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 Banca Popolare di Sondrio Group's control. This determination will also be made by the relevant Italian resolution authority and there may be many factors, including factors not directly related to the bank or the Banca Popolare di Sondrio Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of a bail-in power may occur which would result in a principal write off or conversion to other securities, including equity. Moreover, as the criteria that the relevant Italian resolution authority will be obliged to consider in exercising any bail-in power provide it with considerable discretion, holders of the securities issued by the Banca Popolare di Sondrio Group may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on the Banca Popolare di Sondrio Group and the securities issued by the Banca Popolare di Sondrio Group. Potential investors in the securities issued by the Banca Popolare di Sondrio Group should consider the risk that a holder may lose all or part of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

With specific reference to the Covered Bonds, to the extent that claims in relation to the Covered Bonds are not met out of the assets of the Cover Pool or the proceeds arising from it (and the Covered Bonds subsequently 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, which may result in Covered Bondholders losing some or all of their investment. In the limited circumstances described above, the exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Covered Bondholders, the price or value of their investment in any relevant Covered Bonds and/or the ability of the Issuer to satisfy its obligations under any relevant Covered Bonds.

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.

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.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that pari passu ranking liabilities may be treated unequally. With respect to the BRRD Implementing Decrees, Legislative Decree No. 180 of 16 November 2015 sets forth provisions regulating resolution plans, the commencement and closing of resolution procedures, the adoption of resolution measures, crisis management related to cross-border groups, powers and functions of the national resolution authority and also 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, by introducing provisions regulating recovery plans, intra-group financial support, early intervention measures and changes to creditor hierarchy. Moreover, the decree amends certain provisions regulating the extraordinary administration procedure ("*amministrazione straordinaria*"), in order to make them compliant with the European regulation. The regulation on the liquidation procedures applied to banks ("*liquidazione coatta amministrativa*") are also amended in compliance with the new regulatory framework and certain new market standard practices.

It is important to note that, pursuant to article 49 of Legislative Decree No. 180 of 16 November 2015, 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.

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 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 Covered 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 equity capital instruments 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.

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.

As of 2016, European banks will also have to maintain at all times a sufficient aggregate amount of own funds and "eligible liabilities", expressed as a percentage of the total liabilities and own funds of the institution (known as the "Minimum Requirement for Own Funds and Eligible Liabilities" or "**MREL**"), with a view to facilitating effective resolution of institutions and minimising to the greatest extent possible the need for interventions by taxpayers. "Eligible liabilities" (or bail-inable liabilities) are those liabilities and other instruments that are not excluded by the BRRD from the scope of the bail-in tool. The 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 European banking union (the "**Banking Union**") or to the Single Resolution Board (the "**SRB**") for banks being part of the Banking Union. The EBA has submitted to the European Commission its final draft regulatory technical standards which are designed to define the way in which resolution authorities/the SRB should calculate the MREL requirement for individual banks.

**As of 2016 the Banca Popolare di Sondrio Group may be subject to the provisions of the Regulation establishing the Single Resolution Mechanism**

On 19 August 2014, the Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the "**SRM Regulation**") entered into force. The SRM is expected to be operational by 1 January 2016, with the exceptions set out in paragraphs 3 to 5 of art. 99 of SRM Regulation, providing for - *inter alia* - the entry into force on 1 January 2015 of the rules concerning preparation of resolution plans and provisions relating to the cooperation of the Single Resolution Board (the "**Board**")

The SRM Regulation, which will complement the ECB Single Supervisory Mechanism, will mainly consist of the Board and a Single Resolution Fund (the "**Fund**").

A centralised decision-making process will be built around the Board and will involve the European Commission and the Council of the European Union – which will have the possibility to object to Board decisions – as well as the ECB and the national resolution authorities.

The Fund, which will back the SRM Regulation decisions mainly taken by the Board, will be divided into national compartments during an eight years transitional period, as set out by an intergovernmental agreement. Starting from 2015, banks are required to pay contributions to national resolution funds, that will transform gradually into the Fund starting from 2016 (and will be additional to the contributions to the national deposit guarantee schemes). The Issuer may therefore be required to pay contributions to the SRM in addition to contributions to the national deposit guarantee scheme.

This framework ensures that, instead of national resolution authorities, there will be a single authority – i.e. the Board – which will take all relevant decisions for banks being supervised by the SSM and part of the Banking Union.

There are other benefits that will derive from the SRM Regulation. Such benefits are aimed at: (a) breaking the negative feed loop between banks and their sovereigns; (b) providing a solution to home-host conflicts in resolution, and (c) a competitive advantage that Banking Union banks will have *vis-à-vis* non-Banking Union ones, due to the availability of a larger resolution fund.

***The Banca Popolare di Sondrio Group may be affected by a proposed EU Financial Transactions Tax***

On 14 February 2013 the European Commission published a legislative proposal on a new Financial Transactions Tax (the "**FTT"**). The proposal followed the Council's authorisation to proceed with the adoption of the FTT through enhanced cooperation, i.e. adoption limited to 10 countries - among which Italy, France, Germany and Austria. Although implementation was originally envisaged for 1 January 2014, the process has been delayed.

Given the concerns voiced by both the financial sector and business associations, it is unclear how the FTT will proceed and when it will be implemented. If adopted, the impact on the 'real economy' of the FTT as currently envisaged – especially for corporations – could be severe as many financial transactions are made on behalf of businesses that would bear the additional costs of the tax. For example, a transaction tax would raise the cost of the sale and purchase of corporate bonds in a time where it is widely acknowledged that access to capital markets by corporate issuers has to be incentivised.

Moreover, it is a matter of concern for the Banca Popolare di Sondrio Group that the proposal does not exempt the transfers of financial instruments within a group. Thus, if a financial instrument is not purchased for a client but only moved within a banking group, each transaction would be subject to taxation. Also, the inclusion of derivatives and repos/lending transactions in the taxation scope clashes with the efficiency of financial markets.

***The Banca Popolare di Sondrio Group may be affected by new accounting standards***

Following the entry into force and subsequent application of new accounting standards, regulatory rules and/or the amendment of existing standards and rules, Banca Popolare di Sondrio 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 Banca Popolare di Sondrio Group to have to restate previously published financials. In this regard a relevant change is expected in 2018 from the entry into force of IFRS 9:

- IFRS 9 has been issued on 24 July 2014. This standard will introduce significant changes with regard to classification, measurement, impairment and hedge accounting of instruments, including financial instruments, replacing IAS 39. International Accounting Standards Board ("**IASB**") decided that the mandatory effective date of IFRS 9 will be 1 January 2018, following the endorsement by the European Union.

In addition, it should be noted that:

The European Commission endorsed the following accounting principles and interpretations that are applicable starting from 2015 financial statements:

- Annual Improvements to IFRSs 2011-2013 Cycle (EU Regulation 1361/2014);
- Annual Improvements to IFRSs 2010-2012 Cycle (EU Regulation 28/2015);
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (EU Regulation 29/2015).

As of 31 December 2014, the IASB also issued the following standards, amendments, interpretations or revisions not yet endorsed by the European Commission:

- IFRS 14 Regulatory Deferral Accounts (issued in January 2014);
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued in December 2014)
- Amendments to IAS 1: Disclosure Initiative (issued in December 2014);
- Annual Improvements to IFRSs 2012–2014 Cycle (issued in September 2014);
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014);
- Amendments to IAS 27: Equity Method in Separate Financial Statements (issued in August 2014);
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants (issued in June 2014);
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014);
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014).

***Market declines and volatility***

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

The ongoing economic crisis may also negatively affect the real estate market and value of collateral securing loans with an adverse impact on the fair value of Banca Popolare di Sondrio Group's secured loans and mortgages, entailing additional provisions or reserve requirements. Moreover, when a debtor defaults on his collateralised loans or obligations, the value of the collateral could not be sufficient to meet the claims of the creditors so that Banca Popolare di Sondrio Group may not recover the full expected amount due.

***The Banca Popolare di Sondrio Group's business is focused 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 Banca Popolare di Sondrio Group's financial condition and results of operations***

Banca Popolare di Sondrio’s business is focused on the Italian domestic market and therefore is particularly sensitive to adverse macroeconomic conditions in Italy.

The persistence of adverse economic conditions in Italy, or a slower recovery in Italy compared to other OECD nations, could have a material adverse effect on the Banca Popolare di Sondrio Group’s business, results of operations 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 a material adverse effect on the Banca Popolare di Sondrio Group’s operating results, financial condition and prospects as well as on the marketability of the Covered Bonds.

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

In response to the financial markets crisis and the economy downturn, many countries have introduced support measures for the financial system. 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 Banca Popolare di Sondrio Group's business, financial condition and results of operations.

## INVESTMENT CONSIDERATIONS RELATING TO THE GUARANTOR

***Guarantor only obliged to pay Guaranteed Amounts when they are due for payment***

Following service of an Issuer Default Notice on the Issuer and the Guarantor, under the terms of the Covered Bond Guarantee the Guarantor will only be obliged to pay Guaranteed Amounts as and when the same are due for payment on each Interest 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 Interest Payment Date thereafter, up to (and including) the

Extended Maturity Date and in the case of Covered Bonds whose principal is payable in instalments, the Guarantor may defer such instalments for a period of one year until the relevant Extended Instalment Date. Such Guaranteed Amounts will be paid subject to and in accordance with the Guarantee Priority of Payments. In these 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 Covered Bond Guarantee or any other Guarantor Event of Default occurs, then the Representative of the Covered Bondholders will accelerate the obligations of the Guarantor under the Covered Bond Guarantee by service of a Guarantor Default Notice, whereupon the Representative of the Covered Bondholders will have a claim under the Covered Bond Guarantee for an amount equal to the Early Termination Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds. Following service of a Guarantor Default Notice, the amounts due from the Guarantor shall be applied by the Representative of the Covered Bondholders in accordance with the Post-Enforcement Priority of Payments, and Covered Bondholders will receive amounts from the Guarantor on an accelerated basis. If a Guarantor Default Notice is served on the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

***Limited resources available to the Guarantor***

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

Following the occurrence of an Issuer Event of Default and service of an Issuer Default Notice on the Issuer and on the Guarantor, the Guarantor will be under an obligation to pay the Covered Bondholders pursuant to the Covered Bond Guarantee. The Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on (a) the realisable value of the Cover Pool, (b) the amount of interest and principal generated by the Portfolio and/or the Eligible Investments and the timing thereof and (c) amounts received from the Swap Providers and the Account Bank. The Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If a Guarantor Event of Default occurs and the Covered Bond Guarantee is enforced, the proceeds of enforcement may not be sufficient to meet the claims of all the secured creditors, including the Covered Bondholders. If, following enforcement and realisation 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.

Covered Bondholders should note that the Asset Coverage Test and the Amortisation Test have been structured to ensure that the outstanding nominal amount of the Cover Pool shall be equal to, or greater tha, the nominal amount of the outstanding Covered Bonds taking into account the relevant negative cost of carry. In addition, the Decree 310 and the Bank of Italy Regulations provide for certain firther mandatory tests aimed at ensuring that (a) the net present value of the Cover Pool (net of certain costs) shall be equal to, or greater than (for the entire duration of the transaction), the net present value of the Covered Bonds; and (b) the amount of interests and other revenues generated by the Cover Pool (net of certain costs) shall be equal to , or greater tha, the interests and costs due by the Issuer under the Covered Bonds.

However, there is no assurance that there will not be a shortfall.

***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

Portfolios sold to the Guarantor and the Test Calculation Agent has been appointed to calculate and monitor compliance with the Statutory Tests, the Asset Coverage Test and the Amortisation Test. 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 realisation (if the Cover Pool or any part thereof cannot be sold) the ability of the Guarantor to make payments under the Covered Bond Guarantee may be affected. For instance, if the Servicer has failed to 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 Covered Bond Guarantee, as described in the following two investment considerations.

If a Servicer Termination Event occurs pursuant to the terms of the Servicing Agreement, then the Guarantor and/or the Representative of the Covered Bondholders will be entitled to terminate the appointment of the Servicer and appoint a Substitute Servicer in its place subject to the notification provided for under Article 7-bis, paragraph 4, of the Securitisation and Covered Bonds Law, in case of transfer of receivables towards public entities. There can be no assurance that a Substitute Servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Mortgage Loans on the terms of the Servicing Agreement. The ability of Substitute Servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a Substitute Servicer may affect the realisable value of the Cover Pool or any part thereof, and/or the ability of the Guarantor to make payments under the Covered Bond Guarantee.

The Servicer does not haveany obligation to advance payments if the Debtors fail to make any payments in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by the Servicer under the Servicing Agreement.

The Representative of the Covered Bondholders is not obliged in any circumstances to act as 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 of the indexations in the Portfolio 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 Liability Swap Agreements with one or more Liability Swap Providers in respect of each Series.

If the Guarantor fails to make timely payments of amounts due under any Swap Agreement that may be entered into, then it will (unless otherwise stated in the relevant Swap Agreement) have defaulted under that Swap Agreement. A Swap Provider, unless otherwise stated in the relevant Swap Agreement, is 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 the amounts due on the Covered Bonds.

If the Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Guarantor on the payment date under the Swap Agreements, the Guarantor 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 hedge only part of the possible risk and, in such circumstances, may have insufficient funds to make payments under the Covered Bonds or the Covered Bond Guarantee.

If a Swap Agreement 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 such termination payment, nor can there be any assurance that the Guarantor will be able to enter into a replacement swap agreement with an adequately rated counterparty. 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 the Swap Agreement until a replacement swap provider has been found. There can be no assurance that the Guarantor will be able to enter into a replacement swap agreement with a replacement swap counterparty with the required ratings.

If the Guarantor is obliged to pay a termination payment under any Swap Agreement, such termination payment will, following the service of an Issuer Default Notice, rank pari passu and pro rata with amounts due to Covered Bondholders under the Covered Bond Guarantee.

Following the service of an Issuer Default Notice, payments by the Guarantor under the Liability Swap Agreements and Asset Swap Agreements, including any termination payment due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting Party or the Sole Affected Party, will rank pari passu and pro rata to amounts due on the Covered Bonds under the Covered Bond Guarantee. Accordingly, the obligation to pay a termination payment may adversely affect the ability of the Guarantor to meet their respective obligations under the Covered Bonds or the Covered Bond Guarantee.

***Differences in timings of obligations under the Liability Swaps***

With respect to any Liability Swap Agreements, it is expected that the Guarantor will pay to the relevant Liability Swap Provider 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 Liability 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 Liability Swap Agreements, on many Guarantor Payment Dates, the Guarantor will be required to make a payment to the Liability Swap Provider without receiving a payment in return and therefore there can be no netting of payments except on the date when the Liability Swap Provider is required to make a payment to the Guarantor.

***No gross up on withholding tax***

In respect of payments made by the Guarantor under the Covered Bond 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 Covered 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.

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

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

- the Seller selling further Mortgage Loans (or types of loans, which are of a type that have not previously been comprised in the relevant Portfolio transferred to the Guarantor); and
- the Seller repurchasing Mortgage Loans in accordance with the Master Loans Purchase Agreement.

However, each Mortgage Loan will be required to meet the Eligibility Criteria (see "*Description of the Cover Pool — Eligibility Criteria*") and will be subject to the representations and warranties set out in the Warranty and Indemnity Agreement – see "*Overview of the Programme Documents – Warranty and Indemnity Agreement*". In addition, the Nominal Value Test is intended to ensure that the aggregate Outstanding Principal Balance of the Cover Pool is at least equal to the Outstanding Principal Amount of the Covered Bonds for so long as Covered Bonds remain outstanding and the Test Calculation Agent will provide monthly reports that will set out certain information in relation to the Statutory Tests.

***Sale of Eligible Assets following the occurrence of an Issuer Event of Default***

If an Issuer Default Notice is served on the Issuer and the Guarantor, but prior to the service of a Guarantor Default Notice, the Guarantor (also through the Servicer, pursuant the Servicing Agreement) will sell, refinance or otherwise liquidate the Eligible Assets and Top-Up Assets included in the Cover Pool (selected on a random basis) (the "**Selected Assets**") in order to make payments to the Guarantor's creditors including making payments under the Covered Bond Guarantee, see "*Overview of the Programme Documents*" – "*Cover Pool Management Agreement*".

There is no guarantee that a buyer will be found to acquire Selected Assets at the times required and there can be no guarantee or assurance as to the price which can be obtained for such Selected Assets, which may affect payments under the Covered Bond Guarantee. However, the Selected Assets may not be sold by the Guarantor for less than an amount equal to the Required Outstanding Principal Balance Amount for the relevant Series of Covered Bonds until six months prior to the Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Maturity Date under the Covered Bond Guarantee in respect of such Covered Bonds. In the six months prior to, as applicable, the Maturity Date or Extended Maturity Date, if the Guarantor does not have sufficient other funds standing to the credit of the Collection Account, the Payment Account and the Reserve Fund Account available to repay the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then it is obliged through the Portfolio Manager to sell the Selected Assets for the best price reasonably available notwithstanding that such price may be less than the Required Outstanding Principal Balance Amount.

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

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

There is no guarantee that the proceeds of realisation of the Cover Pool will be in an amount sufficient to repay all amounts due to creditors (including the Covered Bondholders) under the Covered Bonds and the

Programme Documents. If a Guarantor Default Notice is served on the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

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

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

- default by Debtors of amounts due on their Mortgage Loans;
- changes to the lending criteria of the Seller;
- set-off risks in relation to some types of Mortgage Loans in the Cover Pool;
- limited recourse to the Guarantor;
- possible regulatory changes by the ECB, the Bank of Italy, CONSOB or other regulatory authorities; and
- regulations in Italy that could lead to some terms of the Mortgage Loans being unenforceable.

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

***Default by Debtors in paying amounts due on their Mortgage Loans***

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

***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 type of property, term of loan, age of applicant, the loan-to-value ratio, mortgage indemnity guarantee policies, high loan-to-value fees, status of applicants and credit history. In the event of the sale or transfer of any Mortgage Loans to the Guarantor, the Seller will warrant that such Mortgage Loans 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 Master Loans Purchase Agreement. However, if such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans, that may lead to increased defaults by Debtors and may affect the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Covered Bond Guarantee. However, it should be noted that Defaulted Receivables in the Cover Pool will be given a reduced weighting for the purposes of the calculation of the Statutory Tests and the Amortisation Test.

***Legal risks relating to the Mortgage Loans***

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

***Set-off risks***

The assignment of receivables under the Securitisation and Covered Bond Law 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 (*La 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 Seller or, as applicable the relevant Originator, including rights of set-off on claims arising existing prior to notification in the Official Gazette and registration at the local Companies' Registry. In addition, the exercise of set-off rights by Debtors may adversely affect any sale proceeds of the Cover Pool and, ultimately, the ability of the Guarantor to make payments under the Covered Bond Guarantee.

***Usury Law***

Italian Law number 108 of 7 March 1996, as amended by law decree No. 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. Furthermore, those 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.

Please make reference to section "The Issuer" – Paragraph "Litigation on the matter of compound interest/usury" on page 162 of this Base Prospectus for further details in respect of the Issuer.

***Compound interest***

Pursuant to article 1283 of the Italian 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 Italian 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 quarterly basis on the grounds that such practice could be characterised as a customary practice. However, a number of recent 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 Debtors were to challenge this practice, it is possible that such interpretation of the Italian 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.

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

Please make reference to section "The Issuer" – Paragraph "Litigation on the matter of compound interest/usury" on page 162 of this Base Prospectus for further details in respect of the Issuer.

***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**"), as amended pursuant to Legislative Decree No. 179 of 18 October 2012 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 Italian Bankruptcy Law, may request to enter into a debt restructuring agreement (*accordo di ristrutturazione*) with their respective creditors, provided that, 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 and, in any case, comply with the other requirements provided under Article 7 of the Over Indebtedness Law. In addition, a specific procedure is provided by the Over Indebtedness Law in relation to debtors who qualify as consumers (*consumatori*).

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 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.

***Mortgage borrower protection***

Certain recent legislation enacted in Italy has given new rights and certain benefits to mortgage debtors and/or reinforced existing rights, including that described in the following paragraphs:

Article 120-ter of the Consolidated Banking Act provides that any provisions imposing a prepayments penalty in case of early redemption of mortgage loans is null and void with respect to loan agreements entered into, with an individual as borrower for the purpose of purchasing or restructuring real estate properties destined to residential purposes or to carry out the borrower's own professional or business activities.

The Italian banking association (“**ABI**”) and the main national consumer associations have reached an agreement (the “**Prepayment Penalty Agreement**”) regarding the equitable renegotiation of prepayment penalties with certain maximum limits calculated on the outstanding amount of the loans (the “**Substitutive Prepayment Penalty**”) containing the following main provisions: (i) with respect to variable rate loan agreements, the Substitutive Prepayment Penalty should not exceed 0.50 per cent and should be further reduced to (a) 0.20 per cent in case of early redemption of the loan carried out within the third year from the final maturity date and (b) zero, in case of early redemption of the loan carried out within two years from the final maturity date, (ii) with respect to fixed rate loan agreements entered into before 1 January 2001, the Substitutive Prepayment Penalty should not exceed 0.50 per cent, and should be further reduced to: (a) 0.20 per cent, in case of early redemption of the loan carried out within the third year from the final maturity date; and (b) zero, in case of early redemption of the loan carried out within two years from the final maturity date, (iii) with respect to fixed rate loan agreements entered into after 31 December 2000, the Substitutive Prepayment Penalty should be equal to: (a) 1.90 per cent if the relevant early redemption is carried out in the first half of loan's agreed duration; (b) 1.50 per cent if the relevant early redemption is carried out following the first half of loan's agreed duration, provided however that the Substitutive Prepayment Penalty should be further reduced to: (x) 0.20 per cent, in case of early redemption of the loan carried out within three years from the final maturity date; and (y) zero, in case of early redemption of the loan carried out within two years from the final maturity date.

The Prepayment Penalty Agreement introduces a further protection for borrowers under a "safeguard" equitable clause (the "**Clausola di Salvaguardia**") in relation to those loan agreements which already provide for a prepayment penalty in an amount which is compliant with the thresholds described above. In respect of such loans, the Clausola di Salvaguardia provides that: (1) if the relevant loan is either: (x) a variable rate loan agreement; or (y) a fixed rate loan agreement entered into before 1 January 2001; the amount of the relevant prepayment penalty shall be reduced by 0.20 per cent; (2) if the relevant loan is a fixed rate loan agreement entered into after 31 December 2000, the amount of the relevant prepayment penalty shall be reduced by (x) 0.25 per cent if the agreed amount of the prepayment penalty was equal or higher than 1.25 per cent; or (y) 0.15 per cent, if the agreed amount of the prepayment penalty was lower than 1.25 per cent.

Finally the Prepayment Penalty Agreement sets out specific solutions with respect to hybrid rate loans which are meant to apply to the hybrid rates the provisions, as more appropriate, relating respectively to fixed rate and variable rate loans.

Prospective Covered Bondholders' attention is drawn to the fact that, as a result of the entry into force of the Prepayment Penalty Agreement, the rate of prepayment in respect of Mortgage Receivables can be higher than the one traditionally experienced by the Seller for mortgage loans and that the Guarantor may not be able to recover the prepayment fees in the amount originally agreed with the borrowers.

*Article 120-quater of the Consolidated Banking Act*

Article 120-quater of the Consolidated Banking Act provides that any borrower may at any time prepay the relevant loan funding such prepayment by a loan granted by another lender which will be subrogated pursuant to article 1202 of the Italian civil code (*surrogato per volontà del debitore*) in the rights of the former lender, including the mortgages (without any formalities for the annotation of the transfer with the land registry, which shall be requested by enclosing a certified copy of the deed of subrogation (*atto di surrogazione*) to be made in the form of a public deed (*atto pubblico*) or of a deed certified by a notary public with respect to the signature (*scrittura privata autenticata*) without prejudice to any benefits of a fiscal nature.

In the event that the subrogation is not completed within thirty days from the relevant request from the succeeding lender to the former lender to start the relevant cooperation procedures, the original lender shall pay to the borrower an amount equal to 1 per cent of the amount of the loan for each month or part thereof of delay, provided that if the delay is due to the succeeding lender, the latter shall repay to the former lender the delay penalty paid by it to the borrower.

As a consequence of the above and, as a result of the subrogation, the rate of prepayment of the Mortgage Receivables might materially increase.

*Borrower's right to suspend payments under a mortgage loan*

Pursuant to Article 2, paragraph 475 and ff. of Italian law number 244 of 24 December 2007 (the "**2008 Budget Law**") any borrower under a mortgage loan agreement executed for the purposes of acquiring a "first home" real estate property (*unità immobiliare da adibire ad abitazione principale*) giving evidence of its incapability to pay any instalments falling due under a mortgage loan is entitled to suspend payment of any such instalments for no more than two times during the life of the relevant mortgage loan and for a maximum duration of 18 months (the "**Borrower Payment Suspension Right**"). Upon exercise of the

Borrower Payment Suspension Right the duration of the relevant mortgage loan will be extended to a period equal to the duration of the relevant suspension period.

The 2008 Budget Law also provided for the establishment of a fund (so called "*Fondo di solidarietà*", the "**Fund**") created for the purpose of bearing certain costs deriving from the suspension of payments and refers to implementing regulation to be issued for the determination of: (i) the requirements that the borrowers must comply with in order to have the right to the aforementioned suspension and the subsequent aid of the Fund; and (ii) the formalities and operating procedures of the Fund.

On 21 June 2010, the Ministry of Treasury and Finance (*Ministro dell'economia e delle finanze*) adopted ministerial decree No. 132, as further amended by the decree of the Ministry of Treasury and Finance No. 37 of 22 February 2013 ("**Decree 132/2010**") detailing the requirements and formalities which any Borrower must comply with in order to exercise the Borrower Payment Suspension Right.

Pursuant to Decree 132/2010, the Ministry of Economy and Finance, on 27 October 2010, issued the guidelines (*Linee Guida*) (the "**Guidelines**") – published on the website *www.dt.tesoro.it* (for the avoidance of doubt, such website does not constitute part of this Prospectus) which establish the procedures that borrowers must follow in order to to exercise the Borrower Payment Suspension Right.

As specified in the Guidelines, pursuant to the provision of Decree 132, the Borrower Payment Suspension Right can be granted also in favour of mortgage loans which have been subject to covered bonds transactions pursuant to Law 130.

In light of the above, pursuant to the Decree of the General Director of Treasury Department of the Ministry of Economy and Finance issued on 14 September 2010, CONSAP (*Concessionaria Servizi Assicurativi S.p.A.*), was selected as managing company of the Fund. The request to access to the aid granted by the Fund must be presented by borrowers starting from 15 November 2010, by using the relevant form of suspension-request duly prepared in compliance with the Guidelines and accompanied by the relevant documentation indicated therein.

Any borrower who complies with the requirements set out in Decree 132 and the Guidelines, has the right to suspend the payment of the instalments of its Mortgage Receivables up to 18 months.

The agreement entered into on 18 December 2009 between the Italian Banking Association (*Associazione Bancaria Italiana - ABI*) and the Consumers Associations (*Associazioni dei Consumatori*) along with the relevant technical document attached therein adhered by the Issuer on 27 January 2010 (the "**Piano Famiglie**") provides for a 12-month period suspension of payment of instalments relating to mortgage loans, where requested by the relevant Debtor during the period from 1 February 2010 to 31 January 2013. The suspension is allowed only where the following events have occurred: (i) termination of employment relationship; (ii) termination of employment relationships regulated under Article 409 No. 3 of the Italian civil procedure code; (iii) death or the occurrence of conditions pertaining to non-self sufficiency; and/or (iv) suspension from work or reduced working hours for a period of at least 30 days. The relevant events satisfying the subjective requirements must have occurred in respect of the relevant Debtor during the period from 1 January 2009 to 31 December 2012. The suspension can be requested on one occasion only, provided that the mortgage loans are granted for amounts not exceeding €150,000, granted for the purchase, construction or renovation of a primary residence (*mutui prima casa*), including: (i) mortgage loans assigned under securitisation or covered bond transactions pursuant to Law 130, (ii) renegotiated mortgage loans and (iii) mortgage loans whereby the relevant lender was subrogated. Finally, in order to obtain such suspension of payments, the borrower shall have an income not exceeding €40,000 per year. The document clarifies that, in the context of a securitisation or covered bond transaction, the special purpose vehicle, or the Issuer acting on its behalf, can adhere to the Piano Famiglie. The suspension can be limited to principal instalments only or can encompass both principal and interest instalments.

On 31 January 2012 ABI and the consumers' associations entered into a convention (*Nuovo Accordo*) that provides that the suspension of payment of instalments relating to mortgage loans may be applied for by 31 July 2012. Such convention amended the following conditions to be met in order to benefit from the suspension: (i) the conditions to benefit from the Piano Famiglie must be met by 30 June 2012; and (ii) the in payment delays of instalments cannot exceed 90 days (instead of 180 days).

On 31 July 2012 ABI and the consumers' associations entered into a Protocollo d'intesa, amending the "Nuovo Accordo" above mentioned as follows:

1) the final term to apply for the suspension of payment has been postponed to the earlier between (i) the date on which regulations implementing the Art. 2, paragraph 475 and followings of Law number 244 of 24 December 2007 relating to the Fund (as defined in the paragraph below) will be issued, and (ii) 31 January 2013.

2) the final term to meet the conditions necessary to benefit from the suspention of payment has been postponed to the earlier between (i) the date on which regulations implementing the Art. 2, paragraph 475 and followings of Law number 244 of 24 December 2007 relating to the Fund (as defined above) will be issued, and (ii) 31 December 2012.

Furthermore, on 30 January 2013 ABI and the consumers' associations entered into a new Protocollo d'intesa amending the aforementioned conventions, which provided that the suspension of payment of instalments relating to mortgage loans may be applied for no later than 31 March 2013 and, in order to benefit from the suspension, (i) the conditions must be met by 28 February 2013 and (ii) the payment delays of instalments cannot exceed 90 days.

Finally, pursuant to Article 8, paragraph 6, of Law Decree No. 70 of 13 May 2011, converted into law by law No. 106 of 12 July 2011 (the "**Decreto Sviluppo**"), certain borrowers may achieve (i) a renegotiation of mortgage loans which may result in the amendment of the interest calculation method from floating rate to fixed rate and (ii) the extension of the applicable amortisation plan of the relevant mortgage loan for a period not longer than five years, provided that, as a result of such extension, the residual duration of the relevant mortgage loan does not exceed a period equal to 25 years.

Finally, on 31 March 2015 ABI and the consumers' associations, in accordance with the provisions of the Finance Act 2015, as defined below, entered into an agreement pursuant to which, within 31 December 2017, consumers who are in a situation of economic difficulties, as further specified by the agreement, may ask for the suspension of payment of instalments relating to mortgage loans having a maturity of at least 24 months, in accordance with the previous agreements reached between ABI and consumers associations.

Prospective investors' attention is drawn to the fact that the potential effects of the suspension schemes and the impact thereof on the amortisation and prepayment profile of the portfolio cannot be predicted by the Issuer as at the date of this Base Prospectus.

*Renegotiations of floating rate Mortgage Loans*

Law Decree No. 93 of 27 May 2008 ("**Law Decree 93**"), converted into law No. 126 of 24 July 2008 ("**Law 126**") which came into force on 29 May 2008, regulates the renegotiation of floating rate mortgage loans granted for the purposes of purchasing, building or refurbishing real estate assets used as main houses.

According to Law 126, the *Ministero dell'Economia e delle Finanze* (*Minister of Economy and Finance*) and the ABI entered into a convention providing for the procedures for the renegotiation of such floating rate mortgage loans (the "**Convention**").

The Convention applies to floating rate mortgage loan agreements entered into or taken over (*accollati*), also further to the parcelling (*frazionamento*) of the relevant mortgages, before 29 May 2008. Pursuant to the Convention, the instalments payable by a borrower under any of such mortgage loan agreements will be recalculated applying (a) a fixed interest rate (equal to the average of the floating rate interest rates applied under the relevant mortgage loan agreement during 2006) on the initial principal amount and for the original final maturity date of the relevant mortgage loan, or (b) if the mortgage loan has been entered into, renegotiated or taken over (*accollato*) after 31 December 2006, the parameters used for the calculation of the first instalment due after the date on which the mortgage loan has been entered into, renegotiated or taken over (*accollato*). The difference between the amount to be paid by the borrower as a result of such recalculation and the amount that the borrower would have paid on the basis of the original instalment plan will be (a) if negative, debited to a bank account on which interest will accrue in favour of the lender at the lower of (i) the rate equal to 10 (ten) IRS (interest rate swap) plus a spread of 0.50, and (ii) the rate applicable pursuant to the relevant mortgage loan, each of them calculated, in a fixed amount, on the renegotiation date, or (b) if positive, credited to such bank account. After the original final maturity date of the mortgage loan, the outstanding debt on the bank account will be repaid by the borrower through constant instalments equal to the ones resulting from the renegotiation, and the amortisation plan will be determined on the basis of the lower of (a) the rate applicable on the bank account, and (ii) the rate applicable pursuant to the relevant mortgage loan, as calculated, in a fixed amount, on the original final maturity date of the mortgage loan.

In addition to the above, the relevant legislation may have an adverse effect on the Cover Pool and, in particular, on any cash flow projections concerning the Cover Pool as well as on the over-collateralisation required. However, as this legislation is relatively new, as at the date of this Base 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. 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.

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

# GENERAL DESCRIPTION OF THE PROGRAMME

## PARTIES

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| **Issuer** | Banca Popolare di Sondrio S.c.p.A. ("**Banca Popolare di Sondrio**" or "**BPS**"), a *società cooperativa per azioni* incorporated under the laws of the Republic of Italy, having its registered office at Piazza Garibaldi, 16, Sondrio, fiscal code and enrolment with the companies register of Sondrio number 00053810149, enrolled under number 842 with the registers of banks, parent company of Banca Popolare di Sondrio group (the "**Banca Popolare di Sondrio Group**") registered under number 5696.0 with the register of banking groups held by the Bank of Italy in accordance with, respectively, articles 13 and 64 of the Consolidated Banking Act. |
| **Guarantor** | POPSO Covered Bond S.r.l., a special purpose entity incorporated under the laws of Italy pursuant to article 7-bis of Securitisation and Covered Bond Law, having its registered office at Via Vittorio Alfieri 1, Conegliano (TV), Italy, fiscal code and enrolment with the companies register of Treviso No. 04620230260 and part of the Banca Popolare di Sondrio Group, having as its sole purpose the ownership of the Cover Pool and the granting of the Guarantee. |
| **Seller** | Banca Popolare di Sondrio |
| **Arrangers** | BNP PARIBAS, a French limited liability company (*société anonyme*) having its registered office at Boulevard des Italiens, 16, Paris, France, registered in France on the Commercial Register of Paris under number B662042449, acting for the purposes hereof through its Milan branch, with offices at Piazza San Fedele, 1/3, Milan, Italy, fiscal code and enrolment in the companies' register of Milan number 04449690157, REA n. MI-731270, enrolled under number 5482 with the registers of banks groups held by the Bank of Italy ("**BNP Paribas**").<br><br>Finanziaria Internazionale Securitisation Group S.p.A. ("**FISG**"), a *società per azioni*, incorporated under the laws of the Republic of Italy, share capital of euro 1,200,000 fully paid up, having its registered office at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy, fiscal code and enrolment in the companies' register of Treviso number 00508480340. |
| **Dealer(s)** | BNP Paribas, London Branch and any other dealer appointed from time to time in accordance with the Programme Agreement, which appointment may be for a specific Series of Covered Bonds issued or on an ongoing basis. |

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| **Guarantor Calculation Agent** | Pursuant to the terms of the Cash Allocation Management and Payments Agreement, Securitisation Services S.p.A. ("**Securitisation Services**"), a *società per azioni*, incorporated under the laws of the Republic of Italy, share capital of euro 1,595,055.00 fully paid up, having its registered office at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy, fiscal code and enrolment in the companies' register of Treviso number 03546510268, currently registered under number 31816 in the general register and in the special register held by the Bank of Italy pursuant to, respectively, articles 106 and 107 of the Consolidated Banking Act (in the formulation previously in force) (or any other entity being appointed as such in the future) will act as Guarantor Calculation Agent. |
| **Test Calculation Agent** | Pursuant to the terms of the Cash Allocation Management and Payments Agreement, BPS will act as Test Calculation Agent. |
| **Issuer Paying Agent** | Pursuant to the terms of the Cash Allocation Management and Payments Agreement, BPS (or any other entity being appointed as such in the future) will act as Issuer Paying Agent until the delivery of an Issuer Default Notice. |
| **Guarantor Paying Agent** | Pursuant to the terms of the Cash Allocation Management and Payments Agreement, BNP Paribas Securities Services, Milan Branch (or any other entity being appointed as such in the future) will act as Guarantor Paying Agent following the delivery of an Issuer Default Notice. |
| **Servicer** | Pursuant to the terms of the Servicing Agreement, BPS will act as Servicer. |
| **Cash Manager** | Pursuant to the terms of the Cash Allocation Management and Payments Agreement, BPS will act as Cash Manager. |
| **Representative of the Covered Bondholders** | Securitisation Services will act as Representative of the Covered Bondholders pursuant to the Intercreditor Agreement, the Programme Agreement, the Conditions, the Rules of the Organisation of the Covered Bondholders, the Mandate Agreement and the Deed of Charge. |
| **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 Asset Monitor is BDO Italia S.p.A., *società per azioni* 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, and included in the Register of Certified Auditors held by the Ministery for Economy and Finance – Stage general accounting office, at no. 167911. |

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| **Asset Swap Providers** | Any counterparty of the Guarantor under any Asset Swap Agreement. |
| **Liability Swap Providers** | BNP PARIBAS, London Branch (or any other entity being appointed as such in the future) will act as Liability Swap Provider pursuant to the Liability Swap Agreement. |
| **Account Bank** | BNP Paribas Securities Services, Milan Branch will act as Account Bank pursuant to the Cash Allocation Management and Payments Agreement. |
| **Expenses Account Bank** | Banca Monte dei Paschi di Siena S.p.A., or any such other depositary institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement. |
| **Corporate Servicer** | Securitisation Services, has been appointed as Corporate Servicer pursuant to the Corporate Services Agreement. |
| **Luxembourg Listing Agent** | BNP Paribas Securities Services, Luxembourg Branch, whose registered offices is at 60 avenue J.F. Kennedy, L-1855, Luxembourg will act as Luxembourg listing agent under the Programme. |

**THE PROGRAMME**

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| **Programme description** | A covered bond issuance programme under which Covered Bonds (*Obbligazioni Bancarie Garantite*) will be issued by the Issuer to the Covered Bondholders. |
| **Programme size** | The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed Euro 5,000,000,000 (or its equivalent in other currencies to be calculated as described in the Programme Agreement). The Issuer may however increase the aggregate nominal amount of the Programme in accordance with the Programme Agreement. |

**THE COVERED BONDS**

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| **Form of Covered Bonds** | The Covered Bonds will be issued in dematerialised form. The Covered Bonds issued in dematerialised form are held on behalf of their ultimate owners, until redemption or cancellation thereof, by Monte Titoli for the account of Monte Titoli account holders. Monte Titoli will act as depository for Euroclear and Clearstream. The Covered Bonds issued in dematerialised form will at all times be in book entry form and title to the Covered Bonds will be evidenced by, and title thereto will be transferable by means of, book entries, in accordance with the provisions of Article 83-*bis* of Italian Legislative Decree No. 58 of 24 February 1998 and with the Rules governing central depositories, settlement services, guarantee systems and related management companies (adopted by the Bank of Italy and the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") on 22 February |

2008) as subsequently amended. No physical document of title will be issued in respect of the Covered Bond issued in dematerialised form.

**Denomination of Covered Bonds**

The 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 base prospectus under the Prospectus Directive will be Euro 100,000 (or where the relevant Tranche 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 guaranteed by the Guarantor and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Covered Bondholders will be collected by the Guarantor on their behalf in accordance with the Decree No. 310.

**Rating**

Each Series or Tranche may, on or after the relevant issue, be assigned a rating as specified in the relevant Final Terms by Fitch Ratings Ltd. ("**Fitch**") and any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme or may be unrated as specified in the relevant Final Terms.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any of the rating agencies.

**Specified Currency**

Subject to any applicable legal or regulatory or central bank restrictions, such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be and the Representative of the Covered Bondholders (as set out in the applicable Final Terms).

**Maturities**

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

**Redemption**

The applicable Final Terms relating to each Series of Covered Bonds will indicate either (a) that the Covered Bonds of such Series of

Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following an Issuer Event of Default or Guarantor Event of Default), (b) that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders on a date or dates specified prior to the specified Maturity Date and at a price and on other terms as may be agreed between the Issuer and the Dealer(s) as set out in the applicable Final Terms as provided in Condition 7 (*Redemption and Purchase*), letter (d) (*Redemption at the option of the Issuer*) or (c) that such Covered Bonds will be redeemable at the option of the Covered Bondholders, as provided in Condition 7 (*Redemption and Purchase*), letter (f) (*Redemption at the option of Covered Bondholders*) and in the applicable Final Terms.

Covered Bonds may be redeemable in accordance with the provisions of Condition 7 (*Redemption and Purchase*) and the relevant Final Terms but in any case the redemption amount shall be at least equal to par value. The applicable Final Terms may provide that the Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as indicated in the Final Terms.

**Extended Maturity Date**

The applicable Final Terms relating to each Series of Covered Bonds issued may indicate that the Guarantor's obligations under the Covered Bond Guarantee to pay Guaranteed Amounts equal to the Final Redemption Amount of the applicable Series of Covered Bonds on their Maturity Date may be deferred until the Extended Maturity Date. The 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 does not pay the Guaranteed Amounts corresponding to the 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. Interest will continue to accrue and be payable on the unpaid amount up to the Extended Maturity Date. If the duration of the Covered Bond is extended, the Extended Maturity Date shall be the date indicated in the Final Terms.

For further details, see Condition 7(b) (*Extension of maturity*).

**Extended Instalment Date**

If a Series of Covered Bonds is to be redeemed in instalments, the applicable Final Terms may indicate that the Guarantor's obligations under the Covered Bond Guarantee to pay a Covered Bond Instalment Amount and all subsequently payable Covered Bond Instalment Amounts may be deferred as defined in the relevant Final Terms until their relevant Extended Instalment Dates. The deferral will occur automatically if the Issuer fails to pay a Covered Bond Instalment Amount on its Covered Bond Instalment Date and if the Guarantor does not pay such Covered Bond Instalment Amount (for example, because the Guarantor has insufficient funds) by the Covered Bond Instalment Extension Determination Date. Interest will continue to accrue and be payable on the unpaid amount up to the relevant Extended Instalment Date, which shall be the date indicated in the Final Terms.

Each Covered Bond Instalment Amount may be deferred when falling due no more than once. At such time, each subsequent but not yet due Covered Bond Instalment Amount will also be deferred, so it is possible that a Covered Bond Instalment Amount may be deferred more than once but it may never be deferred to a date falling after the Maturity Date for the relevant Series.

For further details see Condition **Errore. L'origine riferimento non è stata trovata.Errore. L'origine riferimento non è stata trovata.** (*Extension of principal instalments*)

**Statutory Tests and Tests**

The Programme provides that the assets of the Guarantor are subject to the statutory tests provided for under Article 3 of Decree No. 310, which are intended to ensure that the Guarantor can meet its obligations under the Covered Bond Guarantee. Accordingly, for so long as Covered Bonds remain outstanding, the Seller and the Issuer must always ensure that the following tests are satisfied on each Calculation Date:

(i) the Nominal Value Test;

(ii) the Net Present Value Test;

(iii) the Interest Coverage Test,

(the "**Statutory Tests**"); and

(iv) the Asset Coverage Test.

Further to the Statutory Tests and the Asset Coverage Test, the Amortisation Test is intended to ensure that if, following an Issuer Event of Default and service of an Issuer Default Notice on the Issuer and the Guarantor (but prior to service on the Guarantor of a Guarantor Default Notice), the assets of the Guarantor available to meet its obligations under the Covered Bond Guarantee fall to a level where Covered Bondholders may not be repaid, a Guarantor Event of Default will occur and all obligations owing under the Covered Bond Guarantee may be accelerated. Under the Cover Pool Management Agreement, the Guarantor must ensure that, on each Test Calculation Date following service of an Issuer Default Notice and on any date on which the Amortisation Test is to be performed) (provided that, in case the Issuer Event of Default consists of an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 Event Cure Notice), on the Issuer and the Guarantor, but prior to a Guarantor Event of Default and service of a Guarantor Default Notice, the Amortisation Test Aggregate Loan Amount will be

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| | in an amount at least equal to the aggregate principal amount of the Covered Bonds as calculated on the relevant Test Calculation Date. For further details on the above, see "*Credit Structure*" below |
| **Asset Monitor** | Pursuant to an engagement letter the Issuer will appoint the Asset Monitor in order to perform, subject to receipt of the relevant information from the Issuer, specific monitoring activities concerning, *inter alia*, (i) the compliance with the issuing criteria set out in Decree No. 310 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 compliance with the limits on the transfer of the Eligible Assets and Top-Up Assets set out under Decree No. 310; (iv) 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 Statutory Tests; (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. Furthermore, under the terms of the Asset Monitor Agreement entered into between the Issuer, the Test Calculation Agent, the Asset Monitor, the Guarantor and the Representative of the Covered Bondholders, the Asset Monitor has agreed with the Issuer and, upon delivery of an Issuer Default Notice, with the Guarantor, to verify, subject to due receipt of the information to be provided by the Test Calculation Agent to the Asset Monitor, the arithmetic accuracy of the calculations performed by the Test Calculation Agent under the Statutory Tests, the Asset Coverage Test and the Amortisation Test carried out pursuant to the Cover Pool Management Agreement, with a view to confirming whether such calculations are accurate. |
| **Issue Price** | Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis, as specified in the relevant Final Terms. |
| **Interest** | Interest (if any) will be calculated on the principal amount outstanding of the relevant Covered Bonds and may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms). Interest on Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s). |
| **Fixed Rate Covered Bonds** | Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable on such date or dates as may be agreed between the Issuer |

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| | 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:<br>(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<br>(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or<br>(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),<br>in each case, as set out in the applicable Final Terms.<br>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. |
| **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 set out in Condition 9 (*Taxation*) including deductions on account of Italian substitute tax pursuant to Decree No. 239.<br>Under the Covered Bond Guarantee, the Guarantor will not be liable to pay any such additional amounts.<br>For further detail, 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 of itself give rise to an Issuer Event of Default. In addition, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default, *provided however that*, where a Guarantor Event of Default occurs and the Representative of the Covered Bondholders serves a Guarantor Default Notice upon the Guarantor, such Guarantor Default Notice will accelerate each Series of outstanding Covered Bonds issued under the Programme.<br>For further detail, see Condition 10 (a) (*Issuer Events of Default*). |
| **Listing and admission to trading** | Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base 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.

**Governing Law**

The Covered Bonds and any non-contractual obligations arising out of, or in connection, thereof will be governed by Italian law or by any other law as set out in the relevant Final Terms. The Programme Documents and any non-contractual obligations arising out of, or in connection, thereof will be governed by Italian law, except for the Swap Agreements and Deed of Charge, which will be governed by English law.

**THE GUARANTOR AND THE COVERED BOND GUARANTEE**

**Covered Bond 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 Default Notice has been served on the Issuer and on the Guarantor or, if earlier, a Guarantor Event of Default has occurred and a Guarantor Default Notice has been served on the Guarantor.

The obligations of the Guarantor will accelerate once the Guarantor Default Notice mentioned above has been delivered to the Guarantor. The obligations of the Guarantor under the Covered Bond Guarantee constitute direct, unconditional and unsubordinated obligations of the Guarantor collateralised by the Cover Pool and recourse against the Guarantor is limited to such assets.

For further detail, see "*Overview of the Programme Documents – Covered Bond Guarantee*".

**Suspension of Payments**

If a resolution pursuant to Article 74 of the Consolidated Banking Act is passed in respect of the Issuer (the "**Article 74 Event**"), the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the Guaranteed Amounts due and payable within the entire period in which the suspension continues (the "**Suspension Period**").

Following an Article 74 Event:

(i) the Representative of the Covered Bondholders will serve an Issuer Default Notice on the Issuer and the Guarantor, specifying that an Article 74 Event has occurred and that such event may be temporary; and

(ii) in accordance with Decree No. 310, the Guarantor shall be responsible for payment of the amounts due and payable under the Covered Bonds during the Suspension Period at their relevant due dates, *provided that* it shall be entitled to claim any such amounts from the Issuer.

The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders of a notice to the Issuer, the Guarantor and the Asset Monitor (the "**Article 74 Event Cure Notice**"), informing such parties that the Article 74 Event has been revoked.

Upon the termination of the Suspension Period the Issuer shall again be responsible for meeting the payment obligations under the Covered Bonds.

**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 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 obligation*: a material breach by the Issuer of any obligation under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Programme Documents to which it is a party occurs which is not remedied within 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer; or

(iii) *Cross-default*: any of the events described in paragraphs (i) to (ii) above occurs in respect of any other Series of Covered Bonds; or

(iv) *Insolvency*: an Insolvency Event occurs with respect to the Issuer; or

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

(vi) *Cessation of business*: the Issuer ceases to carry on its primary business; or

(vii) *Breach of Tests*: the Tests are breached and are not remedied within the Test Grace Period,

then the Representative of the Covered Bondholders shall serve an Issuer Default Notice on the Issuer and the Guarantor demanding payment under the Covered Bond Guarantee, and specifying, in case of the Issuer Event of Default referred to under item (v) (*Article 74 resolution*) above, that the Issuer Event of Default may be temporary.

Upon service of an Issuer Default Notice on the Issuer and the Guarantor:

(i) *No further Series of Covered Bonds*: the Issuer may not issue any further Series of Covered Bonds;

(ii) *Covered Bond Guarantee:*

(a) 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 Covered Bond Guarantee and the Priority of Payments;

(b) the Guarantor (or the Representative of the Covered Bondholders pursuant to the Intercreditor Agreement) shall be entitled to request from the Issuer an amount up to the Guaranteed Amounts and any sum so received or recovered from the Issuer will be used to make payments in accordance with the Covered Bond Guarantee;

(c) if (i) the right of the Guarantor under letter (b) above is in any way challenged or revoked and (ii) a Programme Resolution of the Covered Bondholders has been passed to this effect, the Covered Bonds will become immediately due and payable by the Issuer, at their Early Termination Amount together with accrued interest thereon and the Guarantor will no longer be entitled to request from the Issuer the amount set out under letter (b) above;

(iii) *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,

*provided that*, in case of the Issuer Event of Default referred to under item (v) (*Article 74 resolution*) above, the effects listed in items (i) (*No further Series of Covered Bonds*), (ii) (*Covered Bond Guarantee*) and (iii) (*Disposal of Assets)* above will only apply for as long as the Suspension Period 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.

For further details, see Condition 10 (a) (*Issuer Events of Default*).

**Guarantor Events of Default**

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

(i) *Non-payment*: following delivery of an Issuer Default Notice, the Guarantor fails to pay any interest and/or principal due and payable under the Covered Bond 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 letter (i) above) which is not remedied within 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Guarantor; or

(iv) *Breach of Amortisation Test*: following the service of an Issuer Default Notice (provided that, in case the Issuer Event of Default consists of an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 event Cure Notice), the Amortisation Test is breached and is not remedied within the Test Grace Period; or

(v) *Invalidity of the Covered Bond Guarantee*: the Covered Bond Guarantee is not in full force and effect or it is claimed by the Guarantor not to be in full force and effect,

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

Upon service of a Guarantor Default Notice upon the Guarantor:

(i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Termination Amount together, if appropriate, with any accrued interest;

(ii) *Covered Bond Guarantee*: subject to and in accordance with the terms of the Covered Bond Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Termination 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 Priority of Payments;

(iii) *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

(iv) *Enforcement*: the Representative of the Covered Bondholders may, at its discretion and without further notice subject to having been indemnified and/or secured to its satisfaction, 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 Covered Bondholders.

**Guarantor Available Funds**

Prior to service of an Issuer Default Notice on the Issuer and the Guarantor under the Covered Bond Guarantee the Guarantor will:

- apply Interest Available Funds to pay interest due on the Subordinated Loan, but only after payment of certain items ranking higher in the Pre-Issuer Event of Default Interest Priority of Payments (including, but not limited to, the Reserve Fund Amount to be credited to the Reserve Fund Account). For further details of the Pre-Issuer Event of Default Interest Priority of Payments, see "*Cashflows*" below; and
- apply Principal Available Funds towards (subject to compliance with the Tests) repaying the Subordinated Loan but only after payment of certain items ranking higher in the relevant Pre-Issuer Event of Default Principal Priority of Payments. For further details of the Pre-Issuer Event of Default Principal Priority of Payments, see "*Cashflows*" below.

Following service on the Issuer and the Guarantor of an Issuer Default Notice (but prior to a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor) the Guarantor will use all monies to pay Guaranteed Amounts in respect of the Covered Bonds and payments to the Other Issuer Creditors when due for payment subject to paying certain higher ranking obligations of the Guarantor in the Guarantee Priority of Payments. In such circumstances, the Seller will only be entitled to receive payment from the Guarantor of interest and repayment of principal under the Subordinated Loan after all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds and the Other Issuer Creditor have been paid in full (or sufficient funds have been set aside for such purpose).

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

**Cover Pool**

The Covered Bond Guarantee will be collateralised by the Cover Pool constituted by (i) the Portfolio comprised of Mortgage Loans and related collateral assigned to the Guarantor by the Seller in accordance with the terms of the Master Loans Purchase Agreement and (ii) 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 the Portfolio, 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 paid in the context of a liquidation of the Issuer.

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

**Limited recourse**

The obligations owed by the Guarantor to the Covered Bondholders and, in general, to the Seller, the Other Issuer Creditors and the Other Creditors are limited recourse obligations of the Guarantor, which will be paid in accordance with the applicable Priority of Payments. The Covered Bondholders, the Seller, the Other Issuer Creditors and the Other Creditors will have a claim against the Guarantor only to the extent of the Guarantor Available Funds, including any amount realised with respect to the Cover Pool, in each case subject to and as provided in the Covered Bond Guarantee and the other Programme Documents.

**Subordinated Loan**

The Seller has granted, or shall grant, to the Guarantor a Subordinated Loan with a maximum amount equal to the Commitment Limit for the purpose of funding the purchase from the Seller of the Eligible Assets included in the initial Cover Pool. Subsequently, the Seller will grant further Subordinated Loan to the Guarantor for the purposes of funding the purchase from the Seller of Eligible Assets and Top-Up Assets in order to remedy a breach of the Tests or Eligible Assets to support further issues of Covered Bonds. The Guarantor will pay interest in respect of the Subordinated Loan but will have no liability to gross up for withholding. Payments from the Guarantor to the Seller under the Subordinated Loan Agreement will be limited recourse and subordinated and paid in accordance with the Priorities of Payments to the extent the Guarantor has sufficient Guarantor Available Funds.

For further detail, see "*Overview of the Programme Documents – Subordinated Loan Agreement*".

**Excess Receivables and support for further issues**

To support the issue of further Series of Covered Bonds, (i) Excess Receivables may be retained in the Portfolio or (ii) Eligible Assets may be acquired from the Seller with the proceeds of new or amended Subordinated Loan Agreement entered into by the same Seller in order to ensure that the Cover Pool both before and after the issue of the new Series of Covered Bonds complies with the Tests. The Receivables which have been assigned to the Guarantor may also be repurchased by the Seller in accordance with and subject to the conditions provided in the Master Loans Purchase Agreement and the Cover Pool Management Agreement.

**Segregation of Guarantor's rights and collateral**

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

In accordance with Article 7-*bis* of the Securitisation and Covered Bond Law, prior to and following a winding-up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Covered Bond 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 Covered Bondholders, to the Swap Providers under the Swap Agreements entered into in the context of the Programme, the Other Issuer Creditors and to the Other Creditors in satisfaction of the transaction costs.

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 Covered Bond Guarantee or cancellation thereof.

**Cross-collateralisation**

All Eligible Assets and Top-Up Assets transferred from the Seller to the Guarantor from time to time or otherwise acquired by the Guarantor and the proceeds thereof form the collateral supporting the Covered Bond Guarantee in respect of all Series of Covered Bonds.

**Claim under Covered Bonds**

The Representative of the Covered Bondholders, for and on behalf of the Covered Bondholders, may submit a claim to the Guarantor and make a demand under the Covered Bond Guarantee in case of an Issuer Event of Default or Guarantor Event of Default.

**Guarantor cross-default**

Where a Guarantor Event of Default occurs, the Representative of the Covered Bondholders will serve on the Guarantor a Guarantor Default Notice, thereby accelerating the Covered Bond 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 detail, see Condition 10(d) (*Guarantor Events of Default*).

**Disposal of assets included in the Cover Pool**

After the service of an Issuer Default Notice on the Issuer and the Guarantor, but prior to the service of a Guarantor Default Notice, the Guarantor (also through the Servicer, pursuant to the Servicing Agreement) will be obliged to sell, refinance or otherwise liquidate Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to pre-emption and other rights of the Seller in respect of the Eligible Assets and, if applicable, Top-Up Assets pursuant to Master Loans Purchase Agreement. The proceeds from any such sale will be applied as set out in the applicable Priority of Payments.

For further detail, see Condition 10(d) (*Guarantor Events of Default*).

**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.

**Certain restrictions**

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

## INFORMATION INCORPORATED BY REFERENCE

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

(a) the press release dated 10 February 2016 regarding the Issuer's consolidated preliminary results for the year ended 31 December 2015 (the "**2016 Press Release**");

(b) Issuer's condensed interim consolidated financial statements as at 30 September 2015;

(c) Issuer's condensed interim consolidated financial statements as at and for the six months ended on 30 June 2015;

(d) Issuer's audited consolidated and separate (non-consolidated) annual financial statements as at and for the year ended on 31 December 2014;

(e) Guarantor's Financial Statements and the relevant audited report as at and for the year ended on 31 December 2014;

(f) Issuer's audited consolidated and separate (non-consolidated) annual financial statements as at and for the year ended on 31 December 2013;

(g) Guarantor's Financial Statements as at and for the year ended on 31 December 2013;

(h) Guarantor's Audited report in respect to the Financial Statements as at the 31 December 2013.

The table below sets out the relevant page references for, *inter alia* (i) the 2016 Press Release; (ii) the notes, the balance sheet, the income statement and the accounting policies relating to the condensed interim consolidated financial statements of the Issuer as at 30 September 2015; (iii) the notes, the balance sheet, the income statement and the accounting policies relating to the condensed interim consolidated financial statements of the Issuer as at and for six months ended on 30 June 2015 (iv) the notes, the balance sheet, the income statement, the auditor's report and the accounting policies relating to the consolidated financial statements of the Issuer for the years ended on and as at 31 December 2014 and 2013; and (v) the notes, the balance sheet, the income statement, the auditor's report and the accounting policies relating to the financial statements of the Guarantor for the years ended on and as at 31 December 2014 and 31 December 2013.

The audited consolidated financial statements and the press release referred to above, together with the audit reports thereon, are available both in the original in Italian language and in English language. The English language versions represent a direct translation from the Italian language documents. The Issuer and the Guarantor are responsible for the English translations of the financial reports incorporated by reference in this Base Prospectus as applicable and declare that such is an accurate and not misleading translation in all material respects of the Italian language version of the Issuer's and Guarantor's financial reports.

Copies of the the Issuer's financial statements and the 2016 Press Release incorporated by reference into this Base Prospectus may be obtained from the registered office of the Issuer and the Issuer's website (http://www.popso.it). This Base Prospectus and the documents incorporated by reference will also be available on the Luxembourg Stock Exchange's web site (*www.bourse.lu*).

### Cross-reference List

The following table shows, *inter alia*, the information required under Annex XI of Commission Regulation (EC) No. 809/2004 (in respect of the Issuer) and under Annex IX of Commission Regulation (EC) No. 809/2004 (in respect of the Guarantor) that can be found in the above-mentioned financial statements incorporated by reference into this Base Prospectus.

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**Issuer's Reports and Accounts**

***Condensed interim consolidated financial statements of the Issuer as at 30 September 2015***

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***Condensed interim consolidated financial statements of the Issuer for six months ended 30 June 2015***

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The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Base Prospectus Regulation.

The Issuer, being the person responsible for the financial information included in the 2016 Press Release, approves such financial information.

KPMG S.p.A., as independent auditors of the Issuer, have agreed that this financial information included in the 2016 Press Release, which has not been audited, is substantially consistent with the final figures to be published in the next annual audited consolidated financial statements of the Issuer for the year ended 31 December 2015.

The Profit Estimate made by the Issuer and published on 10 February 2016 by means of the 2016 Press Release refers to a 12-month period ended on 31 December 2015 and therefore there are no assumptions or factors which the members of the administrative, management or supervisory bodies can influence.

## SUPPLEMENT TO THE BASE PROSPECTUS

The Issuer has undertaken, in connection with the listing of the Covered Bonds on the official list of the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuer or any change in the information set out under “Terms and Conditions of the Covered Bonds”, that is material in the context of issuance of Covered Bonds under the Programme, the Issuer will prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus, for use in connection with any subsequent issue by the Issuer of Covered Bonds to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions of the Covered Bonds (the "**Conditions**" and, each of them, a "**Condition**"). In these Conditions, references to the "**holder**" of Covered Bonds and to the "**Covered Bondholders**" are to the ultimate owners of the Covered Bonds. The Covered Bond will be held by Monte Titoli (as defined below) on behalf of the Covered Bondholders until redemption and cancellation for the account of each relevant Monte Titoli Account Holder. Monte Titoli shall act as depository for Clearstream and Euroclear. The Covered Bonds will at all times be in book entry form and title to the bonds be evidenced by book entries with Monte Titoli in accordance with the provisions of (i) Italian Legislative Decree No. 58 of 24 February 1998 and (ii) the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented from time to time.*

*The Covered 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 Covered Bondholders attached to, and forming part of, these Conditions. In addition, the applicable Final Terms in relation to any Tranche of Covered Bonds may specify issue-specific details not known on the date of approval which shall, to the extent so specified or to the extent inconsistent with the Conditions, complete the Conditions for the purpose of such Tranche.*

### 1. Introduction

(a) ***Programme***

Banca Popolare di Sondrio S.c.p.A. (“**BPS**” or the "**Issuer**") has established a Covered Bond Programme (the "**Programme**") for the issuance of up to Euro 5,000,000,000 in aggregate principal amount of covered bonds (the "**Covered Bonds**") guaranteed by POPSO Covered Bond S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to Article 7-*bis* of Law No. 130 of 30 April 1999, as amended and supplemented from time to time (the "**Securitisation and Covered Bond Law**"), Ministerial Decree No. 310 of the Ministry for the Economy and Finance of 14 December 2006, as amended and supplemented from time to time ("**Decree No. 310**") and 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**").

(b) ***Final Terms***

Covered Bonds are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Covered Bonds. Each Tranche is the subject of final terms (the "**Final Terms**") which completes these Conditions. The terms and conditions applicable to any particular Tranche of Covered Bonds are these Conditions as completed by the relevant Final Terms..

(c) ***Covered Bond Guarantee***

Each Series of Covered Bonds is the subject of a guarantee dated 22 July 2014 (the "**Covered Bond Guarantee**") entered into by the Guarantor for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series issued under the Programme and to the Other Issuer Creditors. The Covered Bond Guarantee will be collateralised by a cover pool constituted by certain assets assigned from time to time to the Guarantor pursuant to the Master Loans Purchase Agreement (as defined below) and in accordance with the provisions of the Securitisation and Covered Bond Law, Decree No. 310 and the Bank of Italy Regulations.

(d) ***Programme Agreement and Subscription Agreement***

In respect of each Tranche of Covered Bonds issued under the Programme, the Relevant Dealer(s) (as defined below) has or have agreed to subscribe for the Covered Bonds and pay the Issuer the issue price specified in the Final Terms for the Covered Bonds on the Issue Date under the terms of a programme agreement dated 22 July 2014 (the "**Programme Agreement**") between the Issuer, the Guarantor, the Seller, the Representative of the Covered Bondholders and the dealer(s) named therein (the "**Dealers**"), as supplemented (if applicable) by a subscription agreement entered into by the Issuer, the Guarantor and the Relevant Dealer(s) (as defined below) on or around the date of the relevant Final Terms (the "**Subscription Agreement**"). In the Programme Agreement, the Dealers have appointed Securitisation Services S.p.A. as representative of the Covered Bondholders (in such capacity, the "**Representative of the Covered Bondholders**"), as described in Condition 12 (*Representative of the Covered Bondholders*).

(e) ***Monte Titoli Mandate Agreement***

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

(f) ***Master Definitions Agreement***

In a master definitions agreement dated 22 July 2014 (the "**Master Definitions Agreement**") between certain of the parties to each of the Programme Documents (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 Tranche of Covered Bonds issued under the Programme which remains outstanding from time to time.

(h) ***Rules of the Organisation of the Covered Bondholders***

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

(i) ***Summaries***

Certain provisions of these Conditions are summaries of the Programme Documents and are subject to their detailed provisions. Covered Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Programme Documents and the Rules of the Organisation of the Covered Bondholders applicable to them. Copies of the Programme Documents are available for inspection by the Covered Bondholders during normal business hours at the registered office of the Representative of the Covered Bondholders from time to time and, where applicable, at the Specified Offices of the Issuer Paying Agent (as defined below).

## 2. Definitions and Interpretation

(j) ***Definitions***

Unless defined under Condition 1 (*Introduction*) above, in these Conditions the following expressions have the following meanings:

"**Accounts**" means, collectively, the Guarantor Payments Account, the Collection Account, the Reserve Fund Account, the Collateral Cash Swap Account, the Collateral Securities Swap Account and any other account opened from time to time in connection with the Programme.

"**Account Bank**" means BNP Paribas Securities Services, Milan Branch, in its capacity as account bank, or any other depositary institution that may be appointed as such pursuant to the Cash Allocation, Management and Payments Agreement.

"**Account Bank Report**" means the report to be prepared and delivered by the Account Bank to the Guarantor, the Seller, the Representative of the Covered Bondholders, the Servicer, the Issuer and the Guarantor Calculation Agent, in accordance with the Cash Allocation, Management and Payments Agreement.

**"Account Bank Report Date"** means the date falling on the $5^{th}$ Business Day of each month.

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

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

"**Adjusted Outstanding Principal Balance**" has the meaning ascribed to such term in clause 2.3.1 (*Nominal Value*) of the Cover Pool Management Agreement.

"**Agents**" means each of the Account Bank, the Cash Manager, the Guarantor Calculation Agent, the Test Calculation Agent, the Issuer Paying Agent, the Guarantor Paying Agent and the Corporate Servicer.

"**Amortisation Test**" means the test which will be carried out pursuant clause 3 (*Amortisation Test*) of the Cover Pool Management Agreement in order to ensure, inter alia, that, on each Test Calculation Date following the delivery of an Issuer Default Notice (but prior to the service of a Guarantor Default Notice), the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the principal amount of the issued Covered Bonds as calculated on the relevant Test Calculation Date.

"**Amortisation Test Aggregate Loan Amount**" has the meaning ascribed to such term in clause 3.2 (*Amortisation Test Aggregate Loan Amount*) of the Cover Pool Management Agreement.

"**Arrangers**" means BNP Paribas and Finanziaria Internazionale Securitisation Group S.p.A..

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

"**Article 74 Event Cure Notice**" means the notice to be served by the Representative of the Covered Bondholders to the Issuer, the Seller, the Guarantor and the Asset Monitor informing that an Article 74 Event has been revoked.

**"Asset Monitor"** means BDO Italia S.p.A., acting in its capacity as asset monitor, or any other entity that may be appointed as such pursuant to the Asset Monitor Agreement.

"**Asset Monitor Agreement**" means the asset monitor agreement entered into on or about the date hereof between, *inter alios*, the Asset Monitor and the Issuer.

"**Asset Swap Agreements**" means any asset swap agreement that may be entered into between the Guarantor and a counterparty under the Asset Swap Agreement.

“**Asset Swap Provider”** means counterparty under the Asset Swap Agreement that may be entered into.

“**Banca Popolare di Sondrio Group**” means a banking group whose structure includes Banca Popolare di Sondrio S.c.p.A. as parent company.

"**Bank of Italy Regulations**" (*Regolamento della Banca d’Italia*) means the regulations relating to covered bonds contained in Part III, Chapter 3 of “*Disposizioni di vigilanza per le banche*” (*Circolare* No. 285 of 17 December 2013), as amended and supplemented from time to time .

"**Bankruptcy Law**" means Royal Decree No. 267 of 16 March 1942 as amended from time to time.

“**Base Interest**” means the interest payable by the Guarantor to the Subordinated Lender in accordance with the Subordinated Loan Agreement.

"**Base Prospectus**" means the Base Prospectus prepared in connection with the issue of the Covered Bonds and the establishment and any update of the Programme, as supplemented from time to time.

"**Beneficiaries**" means the Covered Bondholders and the Other Issuer's Creditors as beneficiaries of the Covered Bond Guarantee.

“**Business Day**” means any day on which the Trans-European Automated Real Time Gross Transfer System (TARGET 2) (or any successor thereto) is open.

“**Business Day Convention**”, in relation to any particular date, has the meaning 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 back to the first preceding day that is a Business Day;

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

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

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

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

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

"**Calculation Amount**" has the meaning given 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.

“**Calculation Period**” means each Collection Period and, after the delivery of a Test Performance Report assessing that a breach of Test has occurred, each period beginning on (and including) the first day of the month and ending on (and including) the last day of the same calendar month until such time the relevant breach of Test has been cured or otherwise remedied in accordance with the Cover Pool Management Agreement).

"**Cash Allocation, Management and Payments Agreement**" means the cash allocation, management and payments agreement, entered into on or about the date hereof between, *inter alios*, the Guarantor, the Representative of the Covered Bondholders, the Issuer Paying Agent, the Cash Manager, the Guarantor Paying Agent, the Guarantor Calculation Agent, the Test Calculation Agent and the Account Bank.

"**Clearstream**" means Clearstream Banking, société anonyme, Luxembourg.

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

"**Collection Account**" means the Euro denominated account established in the name of the Guarantor with the Account Bank, IBAN IT 54 L 03479 01600 000800951300, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

“**Collection Date**" means the last calendar day of March, June, September and December of each year.

“**Collection Period**” means each quarterly period commencing on (and including) the first calendar day of January, April, July and October of each year and ending on (and including) the last calendar day of March, June, September and December and, in the case of the first Collection Period, commencing on (and including) the Initial Valuation Date and ending on (and including) the last day of September 2014 (included).

"**Collections**" means all amounts received or recovered by the Servicer in respect of the Receivables comprised in the Cover Pool.

"**Commercial Assets**" means the Real Estate Assets with respect to Commercial Mortgage Loans.

"**Commercial Mortgage Loan**" means “*crediti ipotecari commerciali*” – as defined under article 1, sub-paragraph 1, letter (c) of Decree 310 – having the features set forth under article 2, sub-paragraph 1, letter (b) of Decree 310.

"**Commercial Mortgage Loan Agreement**" means any mortgage loan agreement out of which Receivables arise and secured by mortgage over Commercial Assets.

"**Commingling Amount**" means (a) if no Issuer Downgrading Event has occurred or is outstanding an amount equal to 0 (zero) or (b) if an Issuer Downgrading Event has occurred and is outstanding, an amount calculated by the Issuer on a monthly basis equal to the maximum of the total amount of Collections and Recoveries expected to be credited to the Collection Account on the following 6 (six) calendar months and considering a 10 per cent cumulative prepayment ratio.

"**Commission Regulation No. 809/2004**" means the Commission Regulation (EC) No. 809/2004 of 29 April 2004, implementing the Prospectus Directive, as supplemented and amended from time to time.

"**Conditions**" means this terms and conditions of the Covered Bonds and "**Condition**" means a clause of them.

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

"**Consolidated Banking Act**" means Legislative Decree No. 385 of 1 September 1993, as amended and supplemented from time to time.

"**Corporate Services Agreement** means the corporate services agreement entered into on or about 30 May 2014, between the Guarantor and the Corporate Servicer, pursuant to which the Corporate Servicer will provide certain administration services to the Guarantor.

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

"**Covered Bond Guarantee**" means the guarantee issued by the Guarantor for the purpose of guaranteeing the payments due by the Issuer to the Covered Bondholders and the Other Issuer's Creditors, in accordance with the provisions of the Securitisation and Covered Bond Law, Decree No. 310 and the Bank of Italy Regulations.

"**Covered Bondholders**" means the holders from time to time of Covered Bonds, title to which is evidenced in the manner described in Condition 3 (*Form, Denomination and Title*).

"**Covered Bond Instalment Amount**" means the principal amount of a Series of Covered Bonds to be redeemed on a Covered Bond Instalment Date as specified in the relevant Final Terms;

"**Covered Bond Instalment Date**" means a date on which a principal instalment is due on a Series of Covered Bonds as specified in the relevant Final Terms;

"**Covered Bond Instalment Extension Determination Date**" means, with respect to any Covered Bond Instalment Date, the date falling seven Business Days after such Covered Bond Instalment Date;

"**Cover Pool**" means the cover pool constituted by, collectively, any Eligible Assets and Top-Up Assets held by the Guarantor in accordance with the provisions of the Securitisation and Covered Bond Law, the Decree No. 310 and the Bank of Italy Regulations.

"**Cover Pool Management Agreement**" means the cover pool management agreement entered into, on or about the date hereof between, *inter alios*, the Issuer, the Guarantor, the Seller, the Guarantor Calculation Agent, the Test Calculation Agent, the Asset Monitor and the Representative of the Covered Bondholders;

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended and supplemented from time to time.

"**Credit and Collection Policy**" means the procedures for the management, collection and recovery of the Receivables attached as Schedule 1 (*Procedure di Riscossione*) to the Servicing Agreement.

"**Dealer(s)**" means BNP Paribas, London Branch and any other entity which may be nominated as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 6 (*Form of Dealer Accession Letter)* to the Programme Agreement.

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the "**Relevant 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:

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

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

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

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

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

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ 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:

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

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

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

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

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

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case $D_2$ 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:

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

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

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

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

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

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

"**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 pursuant to a Mortgage Loan Agreement under an *accollo*, or otherwise.

"**Decree No. 239**" means Italian Legislative Decree number 239 of 1 April 1996.

"**Decree No. 310**" means the ministerial decree No. 310 of 14 December 2006 issued by the Ministry of the Economy and Finance.

"**Deed of Charge**" means the English law deed of charge that may be entered into between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and the Other Creditors) in order to charge the rights arising under the Swap Agreements.

"**Deed of Pledge**" means the Italian law deed of pledge entered into, on or about the date hereof, between, *inter alios*, the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and of the Other Creditors).

"**Defaulted Receivable**" means any Receivables which has been for at least 180 consecutive days In Arrears, or which has been classified as a *credito in sofferenza* pursuant to the Servicing Agreement.

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

"**Delinquent Loan**" means any Mortgage Loan in relation to which there are 1 (one) or more Delinquent Receivables.

"**Delinquent Receivable**" means any Receivable in respect of which there are 1 (one) or more Instalments due and not paid by the relevant Debtor for more than 30 days and which has not been classified as Defaulted Receivable.

"**Determination Date**" has the meaning given to it in the applicable Final Terms.

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

“**Early Redemption Amount (Tax)**” means, in respect of any Series of Covered Bonds, the principal amount of such Series.

“**Early Termination Amount**” means, in respect of any Series of Covered Bonds, the principal amount of such Series.

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

(i) the Residential Mortgage Loans;

(ii) the Commercial Mortgage Loans;

(iii) the Public Entity Receivables; and

(iv) the Public Entity Securities.

“**Eligible Institution**” means any bank organised under the laws of any country 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 – standardised approach), **(i)** whose short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "F1" by Fitch and **(ii)** whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least “A" by Fitch or any other lower rating that do not affect the current rating of the outstanding Covered Bonds, *provided however that* any such bank qualifies for the “credit quality step 1” pursuant to article 129, let. (c) of the CRR unless (a) it is an entity in the european union and (b) the exposure vis-à-vis such bank have a maturity not exceeding 100 (one-hundred) days, in which case it may qualify for the “credit quality step 2” pursuant to Article 129, let. (c) of the CRR.

"**Eligible Investment**" means any senior (unsubordinated) debt securities or other debt instruments (including without limitation, commercial paper, certificate of deposits and bonds) which:

a) are denominated in Euro;

b) have a maturity not exceeding the next following Eligible Investment Maturity Date or which are repayable on demand at par together with accrued and unpaid interest, without penalty;

c) (except in case of deposits) are in the form of bonds, notes, commercial papers or other financial instruments (i) rated at least A and/or F1 by Fitch, if the relevant maturity is up to the earlier of the next Eligible Investment Maturity Date and 30 calendar days, or (ii) rated AA- and/or F1+ by Fitch, if the relevant maturity is up to mature the earlier of the next Eligible Investment Maturity Date and 365 calendar days; or

d) in the case of a deposits, to the extent that such deposit are held by (i) an Eligible Institution at its branch located in the Republic of Italy or in the United Kingdom if the relevant maturity is up to the earlier of the next Eligible Investment Maturity Date and 30 calendar days or (ii) any depository institution located in the Republic of Italy or in the United Kingdom rated AA- and/or F1+ by Fitch, if the relevant maturity is up to mature the earlier of the next Eligible Investment Maturity Date and 365 calendar days,

*provided that* (i) such Eligible Investment shall not prejudice the rating assigned to each Series of Covered Bond and shall provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount), (ii) in any event such debt securities or other debt instruments do not consist, in whole or in part, actually or potentially of credit-linked notes or similar claims nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in asset-backed securities, irrespective of their subordination, status, or ranking at any time, and (iii) the relevant exposure qualifies for the "credit quality step 1" pursuant to article 129, let. (c) of the CRR or, in case of exposure *vis-à-vis* an entity in the european union which has a maturity not exceeding 100 (one-hundred) days, it may qualify for "credit quality step 2" pursuant to Article 129, let. (c) of the CRR.

"**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 single currency of member states of the European Union which adopt the single currency introduced in accordance with the treaty establishing the European Community.

"**Euroclear**" means Euroclear Bank S.A./N.V..

"**Euro Equivalent**" means has the meaning ascribed to such term in clause 1.2 (*Other Definitions*) of the Cover Pool Management Agreement.

"**European Economic Area**" means the region comprised of member states of the European Union which adopt the Euro in accordance with the Treaty.

"**Excess Receivables**" means, in relation to the Cover Pool and on each Test Calculation Date, those Receivables the aggregate Outstanding Principal of which is equal to: (i) any amount by reason of which the Portfolios comprised in the Cover Pool are in excess (as nominal value, interest coverage and net present value) of any Eligible Assets necessary to satisfy all Tests on the relevant Test Calculation Date; minus (ii) the aggregate Outstanding Principal of those Receivables indicated by the Servicer as Affected Receivables pursuant to the provisions of clause 8.1 (*Payment of Indemnity*) of the Warranty and Indemnity Agreement.

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

"**Expenses**" means any documented fees, costs, expenses and taxes required to be paid to any third party creditors (other than the Covered Bondholders, the Other Issuer's Creditors and the Other Creditors) arising in connection with the Programme, and required to be paid (as determined in accordance with the Corporate Services Agreement) in order to preserve the existence of the Guarantor or to comply with applicable laws and legislation.

"**Expenses Account**" means the Euro denominated account established in the name of the Guarantor with the Expenses Account Bank, IBAN IT 12 V 01030 61621 000001331796, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Expenses Account Bank**" means Banca Monte dei Paschi di Siena S.p.A. in its capacity of account bank for the Expenses Account and the Quota Capital Account or any such other depositary institution as may be appointed pursuant to the Programme Documents.

"**Extended Instalment Date**" means the date on which a principal instalment in relation to a Series of Covered Bonds becomes due and payable pursuant to the extension of the relevant Covered Bond Instalment Date as specified in the relevant Final Terms;

"**Extended Maturity Date**" means the date on which final redemption payments in relation to a specific Series of Covered Bonds becomes due and payable pursuant to the extension of the relevant Maturity Date in accordance with the relevant Final Terms.

"**Extension Determination Date**" means, with respect to any Series of Covered Bonds, the date falling seven Business Days after (and including) the Maturity Date of such Series of Covered Bonds.

"**Extraordinary Resolution**" has the meaning ascribed to such term in the Rules of Organisation of the Covered Bondholders attached to these Conditions.

“**Final Maturity Date**” means the date on which all the Series of Covered Bond are redeemed in full or cancelled.

“**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 Issue Date of the applicable Series of Covered Bonds.

“**Financial Law Consolidation Act**” means Legislative Decree number 58 of 24 February 1998 as amended from time to time.

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

“**First Issue Date**” means the date of issuance of the first Series of Covered Bonds.

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

“**Guaranteed Amounts**” means the amounts due from time to time from the Issuer to (i) the Covered Bondholders with respect to each Series of Covered Bonds (excluding any additional amounts payable to the Covered Bondholders under Condition 9(a) (*Gross-up by the Issuer*)) and (ii) the Other Issuer Creditors pursuant to the relevant Programme Documents.

“**Guaranteed Obligations**” means the Issuer's payments obligations with respect to the Guaranteed Amounts.

"**Guarantee Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied, on each Guarantor Payment Date following the delivery of an Issuer Default Notice, but prior to the delivery of a Guarantor Default Notice, in accordance with the terms of the Intercreditor Agreement.

“**Guarantor**" means POPSO Covered Bond S.r.l., acting in its capacity as guarantor pursuant to the Covered Bond Guarantee.

“**Guarantor Available Funds**” means, collectively, the Interest Available Funds and the Principal Available Funds.

“**Guarantor Calculation Agent**” means Securitisation Services S.p.A. acting as guarantor calculation agent, or any such other institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement;

“**Guarantor Default Notice**” means the notice to be delivered by the Representative of the Covered Bondholders to the Guarantor upon the occurrence of a Guarantor Event of Default.

“**Guarantor Event of Default**” has the meaning given to it in Condition 10(d) (*Guarantor Events of Default*).

"**Guarantor Paying Agent**" means BNP Paribas Securities Services, Milan Branch, acting in its capacity as guarantor paying agent, or any such other institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement.

“**Guarantor Payment Date**” means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 22nd day of January, April, July and October of each year or, if such day is not a Business Day, the immediately following Business Day and the First Guarantor Payment Date will be 22 October 2014; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Covered Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Final Terms and the Intercreditor Agreement.

“**Guarantor Payment Period**” means any period commencing on (and including) a Guarantor Payment Date and ending on (but excluding) the immediately following Guarantor Payment Date.

“**Guarantor Payments Account**” means the Euro denominated account established in the name of the Guarantor and held with the Account Bank, IBAN IT 08 N 03479 01600 000800951302 or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

“**In Arrears**” means, in respect of any Mortgage Loans, any amount which has become due and payable by the relevant obligor or guarantor but has remained unpaid for more than five consecutive Business Days.

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

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

(i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition 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 Covered 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 or corporation or such proceedings are otherwise initiated against such company, entity or corporation and, in the opinion of the Representative of the Covered 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 or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the 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 Italian Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation, merger, corporate reorganization or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered 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.

"**Insolvency Official**" means the official receiver appointed in the context of any insolvency procedure which may be opened following the occurrence of an Insolvency Event.

"**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 or consists of an Interest Instalment only.

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

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

"**Intercreditor Agreement**" means the intercreditor agreement entered into, on or about the date hereof between the Guarantor and the Other Creditors.

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

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

(a) interest collected by the Servicer in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Calculation Date;

(b) all recoveries in the nature of interest and fees received by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Calculation Date;

(c) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts (excluding the Swap Collateral Cash Account and the Swap Collateral Securities Account) during the Collection Period preceding the relevant Calculation Date;

(d) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;

(e) any payment received on or immediately prior to such Guarantor Payment Date from any Swap Provider other than any Swap Collateral Excluded Amounts and any principal payments under the Swap Agreements;

(f) all interest amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;

(g) the Reserve Fund Amount standing to the credit of the Reserve Fund Account; and

(h) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds and other than any principal amounts) received by the Guarantor from any party to the Programme Documents; and

(i) interest amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

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

"**Interest Coverage Test**" has the meaning ascribed to such term in clause 2.2.3 (*Interest Coverage Test*) of the Cover Pool Management Agreement.

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

"**Interest Instalment**" means the interest component of each Instalment.

"**Interest Payment Date**" means 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).

“**Investors Report Date**” means 2 Business Days after each the Guarantor Payment Date.

"**Investors Report**" means the report to be prepared and delivered by the Guarantor Calculation Agent on or prior to the Investors Report Date, to the Issuer, the Guarantor, the Seller, the Representative of the Covered Bondholders, the Rating Agency, the Servicer, the Guarantor Paying Agent and the Issuer Paying Agent, setting out certain information with respect to the Covered Bond and the Cover Pool.

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

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

"**Issue Date**" has the meaning ascribed to such term, with respect to each Series of Covered Bonds, in the relevant Final Terms.

“**Issuer**” means Banca Popolare di Sondrio S.c.p.A., acting in its capacity as issuer pursuant to the Programme Agreement.

"**Issuer Default Notice**" means the notice to be delivered by the Representative of the Covered Bondholders to the Issuer and the Guarantor upon the occurrence of an Issuer Event of Default;

"**Issuer Event of Default**" has the meaning given to it in Condition 10(a) (*Issuer Events of Default*).

"**Liability Swap Agreements**" means the swap agreements that may be entered into on or about each Issue Date between the Guarantor and a Liability Swap Provider.

"**Liability Swap Provider**" means any entity acting as a liability swap provider to the Guarantor pursuant to a Liability Swap Agreement.

"**LTV**" means, with respect to a Mortgage Loan, the Loan-to-Value ratio, determined as the ratio between the value of the relevant Mortgage Loan and the value of a Real Estate Asset as calculated in accordance with the applicable Prudential Regulations.

"**Luxembourg Listing Agent**" means BNP Paribas Securities Services, Luxembourg Branch.

"**Mandate Agreement**" means the mandate agreement entered into, on or about the date hereof between the Representative of the Covered Bondholders and the Guarantor.

"**Margin**" has the meaning given in the relevant Final Terms.

"**Master Loans Purchase Agreement**" means the master loans purchase agreement entered into on 30 May 2014 between the Guarantor and the Seller.

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

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

"**Member State**" means a member State of the European Union.

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

"**Monte Titoli**" means Monte Titoli S.p.A., a *società per azioni* having its registered office at Piazza 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 Law Consolidated Act.

"**Monte Titoli Mandate Agreement**" means the agreement entered into on or about the First Issue Date between the Issuer and Monte Titoli.

"**Monthly Servicer's Report**" means the monthly report prepared by the Servicer on each Monthly Servicer's Report Date and containing details on the Collections of the Receivables during the relevant Collection Period, prepared in accordance with the Servicing Agreement and delivered by the Servicer, *inter alios*, to the Guarantor and the Asset Monitor.

"**Monthly Servicer's Report Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the tenth calendar day of each month of each year, or if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Covered Bondholders.

"**Mortgage Loan Agreement**" means any Residential Mortgage Loan Agreement or Commercial Mortgage Loan Agreement, as the case may be, out of which the Receivables arise.

"**Mortgage Loan**" means a Residential Mortgage Loan or a Commercial Mortgage Loan, as the case may be.

“**Mortgages**” means the mortgage security interests (*ipoteche*) created on the Real Estate Assets or the Commercial Assets, as the case may be, pursuant to Italian law in order to secure claims in respect of the Receivables.

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of 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 “0.5%” or such higher percentage procured by the Issuer on behalf of the Guarantor and notified to the Representative of the Covered Bondholders and to the Test Calculation Agent.

“**Net Present Value Test**” has the meaning ascribed to such term in clause 2.2.2 (*Net Present Value Test*) of the Cover Pool Management Agreement.

“**Net Present Value**” has the meaning ascribed to such term in clause 2.4 (*Net Present Value Test*) of the Cover Pool Management Agreement.

"**New Portfolio**" means any portfolio of Receivables (other than the Initial Portfolio), comprising Eligible Assets and Top-Up Assets, which may be purchased by the Guarantor from the Seller pursuant to the terms and subject to the conditions of the Master Loans Purchase Agreement.

“**Nominal Value**” has the meaning ascribed to such term in clause 2.3.1 (*Nominal Value*) of the Cover Pool Management Agreement.

“**Nominal Value Test**” has the meaning ascribed to such term in clause 2.2.1 (*Nominal Value Test*) of the Cover Pool Management Agreement.

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

“**Offer Date**" means, with respect to each New Portfolio, the date falling 5 (five) Business Days prior to each Transfer Date, pursuant to clause 3.1 (*Offerta*) of the Master Loans Purchase Agreement.

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

“**Optional Redemption Amount (Call)**” means, in respect of any Series of Covered Bonds, the principal amount of such Series.

"**Optional Redemption Amount (Put)**" means, in respect of any Series of Covered Bonds, the principal amount of such Series.

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

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

"**Organisation of the Covered Bondholders**" means the association of the Covered Bondholders, organised pursuant to the Rules of the Organisation of the Covered Bondholders;

"**Other Creditors**" means the Issuer, the Seller, the Subordinated Lender, the Servicer, the Representative of the Covered Bondholders, the Guarantor Calculation Agent, the Test Calculation Agent, the Corporate Servicer, the Issuer Paying Agent, the Guarantor Paying Agent, the Account Bank, the Asset Monitor, the Asset Swap Providers, the Liability Swap Provider, the Portfolio Manager (if any), the Cash Manager and any other creditors which may, from time to time, be identified as such in the context of the Programme.

"**Other Issuer Creditors**" means any entity - other than the Issuer - acting as Issuer Paying Agent, any Liability Swap Provider, the Asset Monitor and any other Issuer's creditor which may from time to time be identified as such in the context of the Programme.

"**Outstanding Principal**" means, on any given date and in relation to any Receivable, the sum of all (i) Principal Instalments due but unpaid at such date; and (ii) the Principal Instalments not yet due at such date.

"**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:

(i) the principal amount of such Series or, where applicable, all such Series upon issue; *minus*

(ii) the aggregate amount of all principal which has been repaid prior to such date in respect of such Series or, where applicable, all such Series and, solely for the purposes of Title II (*Meetings of the Covered Bondholders*) of the Rules of the Organisation of Covered Bondholders, the principal amount of any Covered Bonds in such Series of (where applicable) all such Series held by, or by any Person for the benefit of, the Issuer or the Guarantor.

“**Outstanding Principal Balance**” means on any date, (i) 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 at such date, and (ii) in relation to the Covered Bonds, the aggregate nominal principal amount outstanding of such Covered Bonds at such date as the case may be.

"**Paying Agents**" means the Issuer Paying Agent and the Guarantor Paying Agent.

"**Payments Report**" means the report to be prepared and delivered by the Guarantor Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement on each Calculation Date.

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

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

“**Portfolio**” means, collectively, the Initial Portfolio and any New Portfolio which has been purchased and will be purchased by the Guarantor pursuant to the Master Loans Purchase Agreement.

“**Portfolio Manager**” means the entity appointed as such in accordance with clause 5.6 (*Portfolio Manager*) 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 on each Guarantor Payment Date, following the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

“**Potential Set-Off Amount**” means (a) if no Issuer Downgrading Event has occurred or is outstanding an amount equal to 0 (zero) or (b) if an Issuer Downgrading Event has occurred and is outstanding, an amount of the Cover Pool that could potentially be set-off by the relevant Debtors against any credit owed by any such Debtor towards the Seller. Such amount will be calculated by the Test Calculation Agent (based on the aggregate information provided by the Servicer) on a quarterly basis on each Test Calculation Date and/or Monthly Test Calculation Date and/or on each other date on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Management Agreement or any other Programme Documents.

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

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

"**Premium Interest**" means the premium payable by the Guarantor to the Seller in accordance with the Subordinated Loan Agreement, as determined thereunder.

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

(a) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Collection Account net of the amounts applied to purchase Eligible Assets and Top-Up Assets during the Collection Period preceding the relevant Calculation Date;

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

(c) all principal amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;

(d) the proceeds of any disposal of Eligible Assets and any disinvestments of Top-Up Assets;

(e) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;

(f) 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;

(g) any principal payment payable under the Swap Agreements other than any Swap Collateral Excluded Amounts;

(h) any amount paid under the Subordinated Loan and not repaid, standing to the credit of the Collection Accounts;

(i) all the amounts allocated pursuant to item *Sixth* of the Pre-Issuer Event of Default Interest Priority of Payments ; and

(j) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

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

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

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

"**Principal Instalment**" means the principal component of each Instalment.

“**Priority of Payments**” means each of the Pre-Issuer Event of Default Interest Priority of Payments, the Pre-Issuer Event of Default Principal Priority of Payments, the Guarantee Priority of Payments and the Post-Enforcement Priority of Payments.

“**Privacy Law**” means the Italian Legislative Decree No. 196 of 30 June 2003, as subsequently amended, modified or supplemented, together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*.

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

“**Programme Agreement**” means the programme agreement entered into on or about the date hereof between, *inter alios*, the Guarantor, the Seller, the Issuer, the Representative of the Covered Bondholders and the Dealers.

“**Programme Amount**” means €5,000,000,000.

“**Programme Documents**” means the Master Loans Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Programme Agreement, each Subscription Agreement, the Cover Pool Management Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Covered Bond Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Conditions, each Final Terms, the Deed of Charge, the Deed of Pledge, the Master Definitions Agreement and any other agreement entered into from time to time in connection with the Programme.

"**Programme Resolution**" has the meaning given in the Rules of the Organisation of Covered Bondholders attached to these Conditions;

"**Prospectus Directive**" means Directive 2003/71/EC of 4 November 2003, as amended from time to time.

"**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 amended and supplemented from time to time.

"**Public Entities**" means:

(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 per cent is applicable in accordance with the Bank of Italy's prudential regulations for banks — standardised approach;

(ii) public entities, located outside the European Economic Area or Switzerland, for which 0 (zero) per cent 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 per cent is applicable in accordance with the Bank of Italy's prudential regulations for banks — standardised approach.

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

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

"**Purchase Price**" means, in relation to the Initial Portfolio and each New Portfolio transferred by the Seller, the consideration paid by the Guarantor to such Seller for the transfer thereof, calculated in accordance with the Master Loans Purchase Agreement.

"**Put Option Notice**" means a notice of exercise relating to the put option contained in Condition 7 (f) (*Redemption at the option of the Covered Bondholders*), substantially in the form set out in schedule 5 to the Cash Allocation, Management and Payments Agreement, or such other form which may, from time to time, be agreed between the Issuer and the Issuer Paying Agent or Guarantor Paying Agent, as the case may be;

“**Put Option Receipt**” means a receipt issued by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, to a depositing Covered Bondholder upon deposit of Covered Bonds with the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

“**Quotaholders' Agreement**” means the agreement entered into on or about the date hereof, between Banca Popolare di Sondrio S.c.p.A., SVM Securitisation Vehicles Management S.r.l., the Guarantor and the Representative of the Covered Bondholders;

“**Quotaholders**” means each of SVM Securitisation Vehicles Management S.r.l. and Banca Popolare di Sondrio S.c.p.A..

"**Quota Capital**" means the quota capital of the Guarantor, equal to Euro 10,000.00.

“**Quota Capital Account**” means the Euro denominated account established in the name of the Guarantor with the Expenses Account Bank, IBAN IT 16 T 01030 61621 000001317709 for the deposit of the Quota Capital.

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

“**Real Estate Assets**” means the real estate properties which have been mortgaged in order to secure the Receivables and each of them the “**Real Estate Asset**”.

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

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

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

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

(iv) all rights in relation to any amount paid pursuant to any Insurance Policy or guarantee in respect of the Mortgage Loans of which the Seller is the beneficiary or is entitled pursuant to any liens (*vincoli*);

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

“**Receiver**” means any receiver, manager or administrative receiver appointed in accordance with clause 7 (*Appointment of Receiver*) of the Deed of Charge.

“**Records**” means the records prepared pursuant to clause 10.1 (*Duty to maintain Records*) of the Cash Allocation, Management and Payments Agreement.

“**Recoveries**” means any amounts received or recovered by the Servicer, in accordance with the terms of the Servicing Agreement, in relation to any Defaulted Receivable and any Delinquent Receivable.

"**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.

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

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

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

"**Regular Period**" means:

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

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

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

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

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

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

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

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

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

"**Representative of the Covered Bondholders**" means Securitisation Services S.P.A., acting in its capacity as representative of the Covered Bondholders pursuant to the Intercreditor Agreement, the Programme Agreement, the Deed of Pledge, the Deed of Charge, the Conditions and the Final Terms of each Series of Covered Bonds.

"**Reserve Fund Account**" means the Euro denominated account established in the name of the Guarantor with the Account Bank IBAN IT 31 M 03479 01600 000800951301, or such other substitute account as may be opened in accordance with the Cash Allocation Management and Payments Agreement.

"**Reserve Fund Amount**" means, on each Guarantor Payment Date, an amount equal to the sum of:

(i) (A) interest accruing in respect of all outstanding Series of Covered Bonds during the immediately following Guarantor Payment Period (such that, (a) if Liability Swap Agreements are in place for a Series of Covered Bonds, such interest amounts accruing will be the higher of the amount due to the Liability Swap Provider or the amount due to the Covered Bondholders of such Series, (b) if Liability Swap Agreements are not in place for a Series of Covered Bonds, such interest amounts accruing will be the amount due the Covered Bondholders of such Series and (c) if Liability Swap Agreements are in place for a portion of a Series of Covered Bonds, such interest amounts accruing will be the sum of (i) for the portion of the Series covered by the Liability Swap Agreement, the higher of the amount due to the Liability Swap Provider and the amount due to the Covered Bondholders of such Series, and (ii) for the remaining portion, the interest amounts accruing will be the proportional amount due the Covered Bondholders of such Series) as calculated by the Guarantor Calculation Agent on or prior to each Calculation Date, *plus* (B) prior to the service of an Issuer Default Notice, the aggregate amount to be paid by the Guarantor on the second Guarantor Payment Date following the relevant Calculation Date in respect of the items (*First)(a)* to (*Third*) of the Pre- Issuer Event of Default Interest Priority of Payments, as calculated by the Guarantor Calculation Agent; *plus*

(ii) any additional amount that the Issuer has voluntarily resolved to accumulate as reserve in order to create an additional stock to procure that the Statutory Tests are met with respect to the Cover Pool.

"**Residential Assets**" means the Real Estate Assets with respect to Residential Mortgage Loans.

“**Residential Mortgage Loan**" means “*crediti ipotecari residenziali*” – as defined under article 1, sub-paragraph 1, letter (b) of Decree 310 – having the features set forth under article 2, sub-paragraph 1, letter (a) of Decree 310.

“**Residential Mortgage Loan Agreement**” means any mortgage loan agreement out of which Receivables arise and secured by mortgage over Residential Assets.

“**Rules of the Organisation of the Covered Bondholders**” or "**Rules**" means the rules of the Organisation of the Covered Bondholders attached as exhibit to the Conditions of the Covered Bonds.

“**Secured Creditors**” means, collectively, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Issuer, the Seller, the Subordinated Lender, the Servicer, the Guarantor Calculation Agent, the Test Calculation Agent, the Corporate Servicer, the Issuer Paying Agent, the Guarantor Paying Agent, the Account Bank, the Asset Monitor, any Asset Swap Provider(s), any Liability Swap Provider(s), the Portfolio Manager (if any), the Cash Manager, together with any other entity acceding to the Intercreditor Agreement.

“**Securities Account**” means the account which will be opened in the name of the Guarantor with the Account Bank, upon purchase by the Guarantor from the Seller of Eligible Assets and/or Top-Up Assets represented by bonds, debentures, notes or other financial instruments in book entry form in accordance with and subject to the conditions of the Cash, Allocation and Payments Agreement.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended and supplemented from time to time.

“**Securitisation and Covered Bond Law**” means Italian Law No. 130 of 30 April 1999 as amended from time to time.

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

“**Security Interest**” means:

(a) any mortgage, charge, pledge, lien, privilege (*privilegio speciale*) or other security interest securing any obligation of any person;

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

(c) any other type or preferential arrangement having a similar effect.

“**Seller**” means BPS pursuant to the Master Loans Purchase Agreement.

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

“**Servicer**” means Banca Popolare di Sondrio S.c.p.A. in its capacity servicer pursuant to the Servicing Agreement.

"**Servicer Termination Event**" means any of the events set out under clause 8.1 (*Casi di revoca del mandato del Servicer*) of the Servicing Agreement, which allows the Guarantor to terminate the Servicer's appointment and appoint a Substitute Servicer pursuant to the Servicing Agreement.

"**Servicing Agreement**" means the servicing agreement entered into on 30 May 2014 between the Guarantor, the Issuer and the Servicer.

"**Sole Affected Party**" means an Affected Party as defined in the relevant Swap Agreement which at the relevant time is the only Affected Party under such Swap Agreement.

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

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

"**Specified Office**" means with respect to the Account Bank and Guarantor Paying Agent Via Ansperto, 5, 20123 Milan, Italy, with respect to the Cash Manager, Test Calculation Agent and Issuer Paying Agent Piazza Garibaldi, 16, 23100 Sondrio, Italy, and with respect to the Guarantor Calculation Agent and Corporate Servicer Via V. Alfieri, 1, 31015 Conegliano (TV), Italy.

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

"**Stabilisation Manager**" means each Dealer or any other person acting in such capacity in accordance with the terms of the Programme Agreement.

"**Statutory Tests**" means such tests provided for under article 3 of Decree No. 310 and namely: (i) the Nominal Value Test, (ii) the Net Present Value Test and (iii) the Interest Coverage Test, as further defined under Clause 2 (*Statutory Tests and Asset Coverage Tests*) of the Cover Pool Agreement.

"**Stock Exchange**" means the Luxembourg Stock Exchange.

"**Subordinated Lender"** means the Seller, in its capacity as subordinated lender pursuant to the Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into between the Subordinated Lender and the Guarantor.

"**Subscription Agreements**" means each subscription agreement entered into on or about the Issue Date of each Series of Covered Bonds between each Dealer and the Issuer.

"**Substitute Servicer**" means the successor to the Servicer which may be appointed by the Guarantor, upon the occurrence of a Servicer Termination Event, pursuant to clause 8.4 (*Sostituto del Servicer*) of the Servicing Agreement.

"**Subsidiary**" has the meaning ascribed to such term it in Article 2359 of the Italian Civil Code.

"**Swap Agreements**" means, collectively, each Asset Swap Agreement, Liability Swap Agreement and any other swap agreement that may be entered into in connection with the Programme.

"**Swap Basic Term Modification**" means any amendment to any of the Programme Documents aimed at: (i) altering the Priority of Payments by affecting the position of the Swap Provider if compared to the position of the Covered Bondholders, (ii) changing a payment date under the Swap Agreement; (iii) providing a reduction or cancellation or increase in the payments due under the Swap Agreement; (iv) altering the currency for each relevant payment under the Swap Agreement; (v) extending the termination date under the Swap Agreement and (vi) modifying this definition.

“**Swap Collateral**” means the collateral which may be transferred by the Swap Providers to the Guarantor in support of its obligations under the Swap Agreements.

“**Swap Collateral Accounts**” means collectively the Swap Collateral Cash Account, the Swap Collateral Securities Account and any swap collateral cash account, any swap collateral securities account and any other collateral account that may be opened, in name and on behalf of the Guarantor, with an account bank on which each Swap Collateral in the form of cash and/or securities and will be posted in accordance with the relevant Swap Agreement.

“**Swap Collateral Cash Account**” means the Euro denominated collateral account established in the name of the Guarantor with the Account Bank, IBAN IT 36 Q 03479 01600 000800951305, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Swap Collateral Excluded Amounts**" means at any time, the amounts of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor or, as the case may be, the Issuer including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.

"**Swap Collateral Securities Account**" means the Euro denominated account established in the name of the Guarantor with the Account Bank, No. 951301, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

“**Swap Providers**” means, collectively, the Asset Swap Providers, the Liability Swap Providers and the providers of any other swap agreements entered into in connection with the Programme.

“**TARGET 2 Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System is open.

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

“**Term Loan**” means the term loan to be granted by each Subordinated Lender pursuant to the terms of clause 2 (*Il Finanziamento Subordinato*) of the Subordinated Loan Agreement.

“**Test Calculation Agent**” means Banca Popolare di Sondrio S.c.p.A., acting as test calculation agent or any other institution that, from time to time, may be appointed as such pursuant to the Cash Allocation, Management and Payments Agreement.

"**Test Calculation Date**" means the date which falls 3 (three) Business Days prior to each Guarantor Payment Date or, if that day is not a Business Day, the immediate following Business Day. The first Test Calculation Date will fall on October 2014.

"**Test Grace Period**" means the period starting from the Test Calculation Date on which the breach of a test is notified by the Test Calculation Agent and ending on the immediately following Test Calculation Date.

"**Tests**" means, collectively, the Statutory Tests, the Asset Coverage Test and the Amortisation Test.

"**Top-Up Assets**" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree 310, each of the following assets:

(i) deposits held with banks which qualify as Eligible Institution and have their registered office in the European Economic Area or Switzerland or in a country for which a 0 per cent 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 1 (one) year.

"**Trade Date**" means the date on which the issue of the relevant Series of Covered Bonds is priced.

"**Tranche**" means the tranche of Covered Bonds issued under the Programme to which each Final Terms relates, each such tranche forming part of a Series.

"**Transfer Agreement**" means any subsequent transfer agreement for the purchase of each New Portfolio entered into in accordance with the terms of the relevant Master Loans Purchase Agreement.

"**Transfer Date**" means: (a) with respect to the Initial Portfolio, the date designated by the Seller in the Master Loan Purchase Agreement; and (b) with respect to the New Portfolios, the date designated by the Seller in the relevant Transfer Notice.

"**Transfer Notice**" means, in respect to each New Portfolio, such transfer notice which will be sent by the Seller and addressed to the Guarantor in the form set out in the Master Loans Purchase Agreement.

"**Treaty**" means the treaty establishing the European Community.

"**Warranty and Indemnity Agreement**" means each warranty and indemnity agreement entered into on 30 May 2014 between the Seller and the Guarantor.

(b) ***Interpretation***

In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 9 (*Taxation*), any premium payable in respect of a Series of Cover Bonds and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Covered Bonds;

(iv) any reference to a Programme Document shall be construed as a reference to such Programme Document, as amended and/or supplemented up to and including the Issue Date of the relevant Covered Bonds;

(v) any reference to a party to a Programme Document (other than the Issuer and the Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Programme Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a single Tranche only; and

(vi) any reference in any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

**3. Form, Denomination and Title**

The Covered Bonds are in the Specified Denomination(s), which may include a minimum denomination of Euro 100,000 (or, where Specified Currency is a currency other than Euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, in each case as specified in the relevant Final Terms. The Covered Bonds will be issued in bearer form and in dematerialised form (*emesse in forma dematerializzata*) and will be wholly and exclusively deposited with Monte Titoli in accordance with Article 83-*bis* of Italian Legislative Decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in Article 83-*quater* of such legislative decree. The Covered Bonds will at all times be evidenced by, and title thereto will be transferable by means of, book entries in accordance with the provisions of Article 83-*bis* of Italian Legislative Decree No. 58 of 24 February 1998 and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as amended and supplemented from time to time. The Covered Bonds will be held by Monte Titoli on behalf of the Covered Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. Monte Titoli Account Holder will be act as depository for Clearstream and Euroclear. No physical documents of title will be issued in respect of the Covered Bonds. The rights and powers of the Covered Bondholders may only be exercised in accordance with these Conditions and the Rules of the Organisation of the Covered Bondholders.

**4. Status and Guarantee**

(a) ***Status of the Covered Bonds***

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

(b) ***Status of the Covered Bond Guarantee***

The payment of Guaranteed Amounts in respect of each Series of Covered Bonds when due for payment will be unconditionally and irrevocably guaranteed by the Guarantor in the Covered Bond Guarantee.

(c) ***Priority of Payments***

Amounts due from the Issuer pursuant to these Conditions or from the Guarantor pursuant to the Covered Bond Guarantee shall be paid in accordance with the Priority of Payments, as set out in the Intercreditor Agreement.

**5. Fixed Rate Provisions**

(a) ***Application***

This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

The Covered Bonds bear interest on their Outstanding Principal Balance from (and including) the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 8 (*Payments*) up to (and excluding) the Maturity Date or, as the case may be, the Extended Maturity Date. Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Fixed Coupon Amount***

The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) ***Calculation of interest amount***

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

## 6. Floating Rate Provisions

(a) **Application**

This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

The Covered Bonds bear interest on their Outstanding Principal Balance from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Screen Rate Determination***

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Guarantor Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Guarantor Calculation 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 Guarantor Calculation 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 Guarantor Calculation 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 Guarantor Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Guarantor Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Guarantor Calculation 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 Guarantor Calculation 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 Guarantor Calculation Agent under an interest rate swap transaction if the Guarantor Calculation Agent were acting as Guarantor Calculation 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, then the Issuer Paying Agent or the Guarantor 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 Issuer Paying Agent or the Guarantor Paying Agent in the manner specified in the relevant Final Terms.

(h) ***Publication***

The Issuer Paying Agent or the Guarantor Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer and the Guarantor Calculation Agent, as the case may be, 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 Covered Bondholders. The Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Issuer Paying Agent or the Guarantor 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 Issuer Paying Agent or the Guarantor Paying Agent will (in the absence of manifest error, wilful default or gross negligence) be binding on the Issuer, the Guarantor, the Servicer, the Guarantor Calcualtion Agent, the Corporate Servicer, the Covered Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Issuer Paying Agent or the Guarantor Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## 7. Redemption and Purchase

(a) ***Scheduled redemption***

Unless previously redeemed or purchased and cancelled in accordance with the Conditions and the relevant Final Terms, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in this Condition 7 (*Redemption and Purchase*) and Condition 8 (*Payments*).

(b) ***Extension of maturity***

If an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the relevant Final Terms and the Guarantor or the Guarantor 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 Covered Bond Guarantee shall be deferred until the Extended Maturity Date *provided that* any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

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

The Guarantor or the Guarantor Paying Agent, as the case may be shall notify the relevant holders of the Covered Bonds (in accordance with Condition 16 (*Notices*), any relevant Swap Provider(s) and the Representative of the Covered Bondholders, as the case may be, as soon as reasonably practicable and in any event at least three Business Days prior to the Maturity Date 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 Covered Bond Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall 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 partial 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 and be payable on each Interest Payment Date during such extended period up to (and including) the Extended Maturity Date or, if earlier, the Interest Payment Date on which the Final Redemption Amount is paid in full.

(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 Covered 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 date of issue of the first Tranche of the Covered Bonds; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

1. where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or

2. where the Covered Bonds may be redeemed only on an 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, with a copy to the Luxembourg Listing Agent and the Representative of the Covered 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 7(c), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 7(c).

(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 Covered Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) ***Partial redemption and instalment redemption***

If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 7(d) (*Redemption at the option of the Issuer*) or if they are redeemed in instalments pursuant to the relevant Final Terms and the Conditions, the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Covered Bondholders referred to in Condition 7(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 Covered Bondholders***

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Covered Bondholder redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 7(f), the Covered Bondholder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, a duly completed Put Option Notice (which notice shall be irrevocable) in the form obtainable from the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be. The Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, shall deliver a duly completed Put Option Receipt to the depositing Covered Bondholder. Once deposited in accordance with this Condition 7(f), 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, shall mail notification thereof to the Covered Bondholder at such address as may have been given by such Covered Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be in accordance with this Condition 7(f), the Covered Bondholder and not the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 this Condition 7 and 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 or resold or may be surrendered in accordance with Condition 7(h) (Cancellation). The Guarantor shall not purchase any Covered Bonds at any time.

(i) ***Cancellation***

All Covered Bonds so redeemed or purchased by the Issuer or any such Subsidiary and subsequently surrendered for cancellation shall be cancelled and may not be reissued or resold.

(j) ***Extension of principal instalments***

If an Extended Instalment Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds whose principal is payable in instalments and the Issuer has failed to pay a Covered Bond Instalment Amount on the applicable Covered Bond Instalment Date specified in the relevant Final Terms and the Guarantor or the Guarantor 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 such Covered Bond Instalment Amount in full on the applicable Covered Bond Instalment Extension Determination Date, then (subject as provided below), payment by the Guarantor under the Covered Bond Guarantee of each of (a) such Covered Bond Instalment Amount and (b) all subsequently due and payable Covered Bond Instalment Amounts shall be deferred until the Extended Instalment Date *provided that* no Covered Bond Instalment Amount may be deferred to a date falling after the Extended Maturity Date for the relevant Series.

The Issuer shall confirm to the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, as soon as reasonably practicable and in any event at least four Business Days prior to the applicable Covered Bond Instalment Date as to whether payment will or will not be made in full of the relevant Covered Bond Instalment Amount on its Covered Bond Instalment Date. Any failure by the Issuer to notify the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, shall not affect the validity or effectiveness of the extension.

The Guarantor or the Guarantor Calculation Agent on its behalf, shall notify the relevant holders of the Covered Bonds (in accordance with Condition 16 (*Notices*), any relevant Swap Provider(s), the Representative of the Covered Bondholders and the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, as soon as reasonably practicable and in any event at least three Business

Days prior to a Covered Bond Instalment Date of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the relevant Covered Bond Instalment Amount pursuant to the Covered Bond Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on each Interest Payment Date following the applicable Covered Bond Instalment Extension Determination Date until the applicable Extended Instalment Date, pursuant to the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priority of Payments) *pro rata* towards payment of an amount equal to the relevant Covered Bond Instalment Amount together with interest accrued thereon up to (and including) such date.

Interest will continue to accrue on any unpaid amount during such extended period and shall be payable on each Interest Payment Date from the relevant Covered Bond Instalment Date until the Extended Instalment Date or, if earlier, the date on which the deferred Covered Bond Instalment Amount is paid in full.

Failure by the Issuer to pay the Covered Bond Instalment Amount on its Covered Bond Instalment Date will (subject to any applicable grace period) be an Issuer Event of Default. Failure by the Guarantor to pay the deferred Covered Bond Instalment Amount on the related Extended Instalment Date will (subject to any applicable grace period) be a Guarantor Event of Default.

Each Covered Bond Instalment Amount may be deferred when due no more than once. At such time, each subsequent but not yet due Covered Bond Instalment Amount will also be deferred, so it is possible that a Covered Bond Instalment Amount may be deferred more than once but it may never be deferred to a date falling after the Extended Maturity Date for the relevant Series.

(k) ***Redemption due to illegality***

The Covered Bonds of all Series or Tranche may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Representative of the Covered Bondholders and Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, and, in accordance with Condition 16 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Covered Bondholders immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series or Tranche, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date

## 8. Payments

(a) ***Payments through clearing systems***

Payment of interest and repayment of principal in respect of the Covered Bonds will be credited, in accordance with the instructions of Monte Titoli, by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, on behalf of the Issuer or the Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.

(b) ***Payments subject to fiscal laws***

All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to Covered Bondholders in respect of such payments.

(c) ***Payments on business days***

If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Covered Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

**9. Taxation**

(a) **Gross up by Issuer**

All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed (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, published in the Official Gazette – general series No. 155, on 7 July 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 Covered Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

(i) in relation to any payment or deduction of any interest or principal on account of *imposta sostitutiva* pursuant to Decree No. 239, as amended from time to time with respect to any Covered Bonds and in all circumstances in which the procedures set forth in Decree No. 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(ii) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or any other amount is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or

(iii) where the Covered Bondholder would have been able to lawfully avoid (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complies, with any statutory requirements;

(iv) held by or on behalf of a Covered 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

(v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Directive 2003/48/EC, Amending Directive or any law or agreement implementing or complying with, or introduced in order to conform to, such Directives; or

(vi) 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, in a Member State of the EU; or

(vii) held by or on behalf of a 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

(viii) 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 Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders.

**10. Events of Default**

(a) ***Issuer Events of Default:***

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

(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 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 or redemption, as the case may be; or

(ii) *Breach of other obligation*: a material breach by the Issuer of any obligation under or in respect of the Covered Bond (of any Series or Tranche outstanding) or any of the Programme Documents to which it is a party occurs which is not remedied within 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer; or

(iii) *Cross-default*: any of the events described in paragraphs (i) to (ii) above occurs in respect of any other Series of Covered Bonds; or

(iv) *Insolvency*: an Insolvency Event occurs with respect to the Issuer; or

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

(vi) *Cessation of business*: the Issuer ceases to carry on its primary business; or

(vii) *Breach of Tests*: the Tests are breached and are not remedied within the Test Grace Period,

then the Representative of the Covered Bondholders shall serve an Issuer Default Notice on the Issuer and the Guarantor demanding payment under the Covered Bond Guarantee, and specifying, in case of the Issuer Event of Default referred to under item (v) (*Article 74 resolution*) above, that the Issuer Event of Default may be temporary.

(b) ***Effect of an Issuer Default Notice:***

Upon service of an Issuer 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) *Covered Bond Guarantee:*

(a) interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under these Conditions, subject to and in accordance with the terms of the Covered Bond Guarantee and the Priority of Payments;

(b) the Guarantor (or the Representative of the Covered Bondholders pursuant to the Intercreditor Agreement) shall be entitled to request from the Issuer an amount up to the Guaranteed Amounts and any sum so received or recovered from the Issuer will be used to make payments in accordance with the Covered Bond Guarantee;

(c) if (i) the right of the Guarantor under Condition 10(b)(ii)(b) is in any way challenged or revoked and (ii) a Programme Resolution of the Covered Bondholders has been passed to this effect, the Covered Bonds will become immediately due and payable by the Issuer, at their Early Termination Amount together with accrued interest thereon and the Guarantor will no longer be entitled to request from the Issuer the amount set out under Condition 10(b)(ii)(b);

(iii) *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,

*provided that*, in case of the Issuer Event of Default referred to under item (v) (*Article 74 resolution*) above, the effects listed in items (i) (*No further Series of Covered Bonds*), (ii) (*Covered Bond Guarantee*) and (iii) (*Disposal of Assets)* 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**"). 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.

(c) ***Issuer cross-default***

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 of itself give rise to an Issuer Event of Default. In addition, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default, *provided however that*, where a Guarantor Event of Default occurs and the Representative of the Covered Bondholders serves a Guarantor Default Notice upon the Guarantor, such Guarantor Default Notice will accelerate each Series of outstanding Covered Bonds issued under the Programme.

(d) ***Guarantor Events of Default:***

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

(i) *Non-payment*: following delivery of an Issuer Default Notice, the Guarantor fails to pay any interest and/or principal due and payable under the Covered Bond 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 or redemption, 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 letter (i) above) which is not remedied within 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Guarantor; or

(iv) *Breach of Amortisation Test*: following the service of an Issuer Default Notice (provided that, in case the Issuer Event of Default consists of an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 event Cure Notice), the Amortisation Test is breached and is not remedied within the Test Grace Period; or

(v) *Invalidity of the Covered Bond Guarantee*: the Covered Bond Guarantee is not in full force and effect or it is claimed by the Guarantor not to be in full force and effect,

then the Representative of the Covered Bondholders shall or, in the case of the Guarantor Event of Default under Condition 10(d)(iii) (*Breach of other obligation*) shall, if so directed by a Programme Resolution, serve a Guarantor Default Notice on the Guarantor.

(e) ***Effect of a Guarantor Default Notice:***

Upon service of a Guarantor Default Notice upon the Guarantor:

(i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Termination Amount together, if appropriate, with any accrued interest;

(ii) *Covered Bond Guarantee*: subject to and in accordance with the terms of the Covered Bond Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Termination 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*)) in accordance with the Priority of Payments;

(iii) *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

(iv) *Enforcement*: the Representative of the Covered Bondholders may, at its discretion and without further notice subject to having been indemnified and/or secured to its satisfaction, 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 Covered Bondholders.

(f) ***Guarantor cross-default***

Where a Guarantor Event of Default occurs, the Representative of the Covered Bondholders will serve on the Guarantor a Guarantor Default Notice, thereby accelerating the Covered Bond 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.

(g) ***Determinations, etc***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10 by the Representative of the Covered Bondholders shall (in the absence of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*)) be binding on the Issuer, the Guarantor and all Covered Bondholders and (in such absence as aforesaid) no liability to the Covered Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Covered Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

## 11. Prescription

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

## 12. Representative of the Covered Bondholders

(a) Organisation of the Covered Bondholders:

The Organisation of the Covered Bondholders shall be established upon, and by virtue of, the issuance of the first Series of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of the Covered Bonds of any Series. Pursuant to the Rules of the Organisation of the Covered Bondholders, for as long as the Covered Bonds are outstanding, there shall at all times be a Representative of the Covered Bondholders. The appointment of the Representative of the Covered Bondholders as legal representative of the Organisation of the Covered Bondholders is made by the Covered Bondholders subject to and in accordance with the Rules of the Organisation of the Covered Bondholders.

(b) ***Initial appointment***

In the Programme Agreement, the Relevant Dealer(s) has or have appointed the Representative of the Covered Bondholders to perform the activities described in the Programme Agreement, in these Conditions (including the Rules of the Organisation of Covered Bondholders), in the Intercreditor Agreement, in the Mandate Agreement and in the other Programme Documents, and the Representative of the Covered Bondholders has accepted such appointment for the period commencing on the Issue Date of the first Series of Covered Bonds and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds have been cancelled or redeemed in accordance with these Conditions and the relevant Final Terms.

(c) ***Acknowledgment by Covered Bondholders***

Each Covered Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Covered Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Representative of the Covered Bondholders in such capacity as if such Covered Bondholder were a signatory thereto; and

(ii) acknowledges and accepts that the Relevant Dealer(s) shall not be liable in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Covered Bondholders as a result of the performance by the Representative of the Covered Bondholders of its duties or the exercise of any of its rights under the Programme Documents.

**13. Agents**

In acting under the Cash Allocation Management and Payments Agreement and in connection with the Covered Bonds, the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, acts solely as an agent of the Issuer and, following service of an Issuer Default Notice or a Guarantor Default Notice, as an agent of the Guarantor and does not assume any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders.

The Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, and its initial Specified Offices are set out in these Conditions. The Guarantor Calculation Agent (if not the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be or) is 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, and to appoint a successor Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or the Guarantor Calculation Agent; *provided*, *however*, *that*:

(i) the Issuer and the Guarantor shall at all times maintain a Issuer Paying Agent or the Guarantor Paying Agent, as the case may be; and

(ii) the Issuer and the Guarantor shall at all times procure that the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, operates in an EU member state such that it will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000; and

(iii) if a Guarantor Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Guarantor Calculation Agent; and

(iv) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent in any particular place, the Issuer and the Guarantor shall maintain a paying agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be or in its Specified Offices shall promptly be given to the Covered Bondholders.

## 14. Further Issues

The Issuer may from time to time, without the consent of the Covered Bondholders, create and issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

## 15. Limited Recourse and Non Petition

(a) ***Limited Recourse***

The obligations of the Guarantor under the Covered Bond Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the Securitisation and Covered Bond Law, Decree No. 310 and the Bank of Italy Regulations. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the assets comprised in the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Covered Bondholders.

(b) ***Non Petition***

Only the Representative of the Covered Bondholders may pursue the remedies available under the general law or under the Programme Documents to obtain payment of the Guaranteed Amounts or enforce the Covered Bond Guarantee and/or the Security and no Covered Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Covered Bond Guarantee and/or the Security. In particular:

(i) no Covered Bondholder (nor any person on its behalf) is entitled, otherwise than as permitted by the Programme Documents, to direct the Representative of the Covered Bondholders to enforce the Covered Bond Guarantee and/or the Security or (except for the Representative of the Covered Bondholders) take any proceedings against the Guarantor to enforce the Covered Bond Guarantee and/or the Security;

(ii) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) shall, save as expressly permitted by the Programme Documents, have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any amount due from the Guarantor;

(iii) at least until the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or *pari passu* thereto, no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

(iv) no Covered Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priorities of Payments not being complied with.

## 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 through Luxembourg Stock Exchange***

Any notice regarding the Covered Bonds, as long as the Covered Bonds are admitted to trading on the regulated market of the Luxembourg Stock Exchange and the rules of such exchange so require, shall be deemed to have been duly given if published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication in made in accordance with the rules and regulation of the Luxembourg Stock Exchange.

(c) ***Other publication***

The Representative of the Covered Bondholders shall be at liberty to sanction any other method of giving notice to Covered Bondholders if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to trading and *provided that* notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Covered Bondholders shall require.

**17. Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent being rounded up to 0.00001 per cent), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

**18. Governing Law and Jurisdiction**

(a) ***Governing law***

These Covered Bonds and any non-contractual obligations arising out of, or in connection, thereof are governed by Italian law. All other Programme Documents and any non-contractual obligations arising out of, or in connection, thereof are governed by Italian law, save for the Swap Agreements and the Deed of Charge, which are governed by English law.

(b) ***Jurisdiction***

The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.

(c) ***Relevant legislation***

Anything not expressly provided for in these Conditions will be governed by the provisions of the Securitisation and Covered Bond Law and, if applicable, Article 58 of the Consolidated Banking Act, the Bank of Italy Regulations and Decree No. 310.

## RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS

## TITLE I

## GENERAL PROVISIONS

1. **GENERAL**

1.1 The Organisation of the Covered Bondholders in respect of all Covered Bonds of whatever Series issued under the Programme by Banca Popolare di Sondrio S.c.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series to be issued and is governed by these Rules of the Organisation of the Covered Bondholders ("**Rules**").

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds (the "**Conditions**") 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be:

(a) certifying that specified Covered Bonds are held to the order of the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or under its control or have been blocked in an account with a clearing system and will not be released until a the earlier of:

(i) a specified date which falls after the conclusion of the Meeting; and

(ii) the surrender to the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, which is to be issued not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption), of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, to the Issuer and Representative of the Covered Bondholders certifying that the Holder of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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;

(b) listing the aggregate principal amount of such specified Blocked Covered Bonds, distinguishing between those amounts in respect of which instructions have been given to vote for, and against, each resolution; and

(c) authorising a named individual to vote in accordance with such instructions;

"**Blocked Covered Bonds**" means Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, for the purpose of obtaining from the Issuer

Paying Agent or the Guarantor Paying Agent, as the case may be, 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*);

"**Cover Pool**" has the meaning given to it in the Master Definitions Agreement;

"**Event of Default**" means an Issuer Event of Default or a Guarantor Event of Default;

"**Extraordinary Resolution**" means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast or, in the case of a resolution pursuant to Condition 10(b)(ii)(c) (*Effect of an Issuer Default Notice – Covered Bond Guarantee*), by a majority of not less than 50 per cent. of the Outstanding Principal Amount of the Covered Bonds of the relevant Series then outstanding;

"**Holder**" or "**holder**" means in respect of Covered Bonds, the ultimate owner of such Covered Bonds;

"**Liabilities**" means losses, liabilities, inconvenience, costs, expenses, damages, claims, actions or demands;

"**Meeting**" means a meeting of Covered Bondholders (whether originally convened or resumed following an adjournment);

"**Monte Titoli Account Holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-*quarter* of the Financial Law Consolidated Act;

"**Ordinary Resolution**" means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50 per cent. of the votes cast;

"**Programme Resolution**" means an Extraordinary Resolution passed at a single meeting of the Covered Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules (ii) to direct the Representative of the Covered Bondholders to take action pursuant to Condition 10(b)(ii)(c) (*Effect of an Issuer Default Notice – Covered Bond Guarantee*), Condition 10(d)(iii) (*Guarantor Event of Default – Breach of other obligation*) or Condition 10(d)(iv) (*Guarantor Event of Default – Enforcement*) or to appoint or remove the Representative of the Covered Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (ii) to direct the Representative of the Covered Bondholders to take 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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;

"**Resolutions**" means the Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolutions, collectively;

"**Swap Rate**" means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in any Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if there is no exchange rate specified or if the Swap Agreement has terminated, the applicable spot rate;

"**Transaction Party**" means any person who is a party to a 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 the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 22 February 2008, as amended from time to time; or

(b) a certificate issued by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, stating:

(i) that Blocked Covered Bonds will not be released until the earlier of:

(A) a specified date which falls after the conclusion of the Meeting; and

(B) the surrender of such certificate to the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be; 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 the holders of at least 75 per cent of the Outstanding Principal Amount of the Covered Bonds for the time being outstanding, the holders of which at any relevant time are entitled to participate in a Meeting in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Covered Bondholders;

"**24 hours**" means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and the places where the Issuer Paying Agent has its Specified Office; and

"**48 hours**" means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the Conditions to which these Rules are attached.

2.2 ***Interpretation***

In these Rules:

2.2.1 any reference herein to an "**Article**" shall, except where expressly provided to the contrary, be a reference to an article of these Rules of the Organisation of the Covered Bondholders;

2.2.2 a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any 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 Covered Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (Purpose of the Organisation) to 25 (Meetings and Separate Series) and Articles 28 (Duties and Powers of the Representative of the Covered Bondholders) to 35 (Powers to Act on behalf of the Guarantor) shall apply mutatis mutandis separately and independently to the Covered Bonds of each Series. However, for the purposes of this Clause 2.3:

2.3.1 Articles 26 (*Appointment, Removal and Resignation*) and 27 (*Resignation of the Representative of the Covered Bondholders*); and

2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "**Covered Bonds**" and "**Covered Bondholders**" shall be construed accordingly.

## 3. PURPOSE OF THE ORGANISATION

3.1 Each Covered Bondholder, whatever Series of the Covered Bonds he holds, is a member of the Organisation of the Covered Bondholders.

3.2 The purpose of the Organisation of the Covered Bondholders is to co-ordinate the exercise of the rights of the Covered Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Covered Bondholders.

## TITLE II

## MEETINGS OF THE COVERED BONDHOLDERS

## 4. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

4.1 A Covered Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time; or

4.2 A Covered Bondholder may also obtain a Voting Certificate from the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or require the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be to issue a Block Voting Instruction by arranging for Covered Bonds to be (to the satisfaction of the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be) 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 issued pursuant to this Article 4 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 the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be), and any Proxy named therein (in the case of a Block Voting Instruction issued by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

4.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.

4.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

## 5. VALIDITY OF BLOCK VOTING INSTRUCTIONS AND VOTING CERTIFICATE

A Block Voting Instruction or a Voting Certificate shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Issuer Paying Agent, or the Guarantor Paying Agent, as the case may be, or at any other place approved by the Representative of the Covered Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Covered 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 Holder or Proxy named in a Voting Certificate shall be produced at the Meeting but the Representative of the Covered Bondholders shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or 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 Covered 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 Outstanding Principal Amount of the Covered Bonds for the time being outstanding convene a meeting of the Covered Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting upon requisition by the Covered Bondholders the same may be convened by the Representative of the Covered Bondholders or the requisitionists. The Representative of the Covered 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 Covered Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, or separate meetings if in its opinion there is a conflict of interest among 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 Covered 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 Covered Bondholders.

7. **NOTICE**

7.1 ***Notice of Meeting***

At least 21 days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Covered Bondholders and the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Covered Bondholders, or with a copy to the Representative of the Covered Bondholders and the Guarantor, where the Meeting is convened by the Issuer.

7.2 ***Content of notice***

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Voting Certificates for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time and that for the purpose of obtaining Voting Certificates from the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or appointing Proxies under a Voting Certificate or a Block Voting Instruction, Covered Bondholders must (to the satisfaction of the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be) be held to the order of or placed under the control of the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

7.3 ***Validity notwithstanding lack of notice***

A Meeting is valid notwithstanding that the formalities required by this Article 7 are not complied with if the Holders of the Covered Bonds constituting all the Outstanding Principal Amount of the Covered Bonds, the Holders of which are entitled to attend and vote are represented at such Meeting and the Issuer and the Representative of the Covered Bondholders are present.

8. **CHAIRMAN OF THE MEETING**

8.1 ***Appointment of Chairman***

An individual (who may, but need not be, a Covered Bondholder), nominated by the Representative of the Covered Bondholders may take the chair at any Meeting, but if:

8.1.1 the Representative of the Covered 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 Covered Bondholders.

9. **QUORUM**

9.1 The quorum at any Meeting will be:

9.1.1 in the case of an Ordinary Resolution, two or more persons holding or representing at least one third of the Outstanding Principal Amount of the Covered Bonds for the time being outstanding, the holders of which are entitled to attended and vote or, at an adjourned Meeting, two or more persons being or representing Covered Bondholders entitled to attend and vote, whatever the Outstanding Principal Amount of the Covered Bonds so held or represented; or

9.1.2 in the case of an Extraordinary Resolution or a Programme Resolution (subject as provided below), two or more persons holding or representing at least 50 per cent. of the Outstanding Principal Amount of the Covered Bonds for the time being outstanding, the holders of which are entitled to attend and vote or, at an adjourned Meeting, two or more persons being or representing Covered Bondholders entitled to attend and vote, whatever the Outstanding Principal Amount of the Covered Bonds so held or represented; or

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 31.4 (*Obligation to act*) and Article 32.4 (*Obligation to exercise powers*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(b) alteration of the currency in which payments under the Covered Bonds are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Covered Bond Guarantee or the Deeds of Pledge or the Deed of Charge (except in a manner determined by the Representative of the Covered Bondholders not to be materially prejudicial to the interests of the Covered Bondholders of any Series);

(e) the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and

(f) alteration of this Article 9.1.3;

(each a "**Series Reserved Matter**"), the quorum shall be two or more persons being or representing holders of not less than two-thirds of the aggregate Outstanding Principal Amount 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 Outstanding Principal Amount of the Covered Bonds of such Series for the time being outstanding.

*provided that*, if in respect of any Covered Bonds the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be has received evidence that ninety per cent (90 per cent.) of the Outstanding Principal Amount of Covered Bonds then outstanding is held by a single Holder and the Voting Certificate or Block Voting Instruction so states, then a single Voter appointed in relation thereto or being the Holder of the Covered Bonds thereby represented shall be deemed to be two Voters for the purpose of forming a quorum.

## 10. ADJOURNMENT FOR WANT OF QUORUM

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 convened upon the requisition of Covered Bondholders, the Meeting shall be dissolved; and

10.1.2 in any other case, the Meeting shall be adjourned (i) until such date (which shall be not less than 14 days and not more than 42 days later) and to such place as the Chairman determines or (ii) on the date and at the place indicated in the notice convening the Meeting (if such notice sets out the date and place of any adjourned Meeting); provided that, in any case:

(a) a 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 Covered Bondholders together so decide.

10.2 If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either (with the approval of the Representative of the Covered Bondholders) dissolve such meeting or adjourn the same for such period, being not less than 13 clear days (but without any maximum number of clear days), and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Representative of the Covered Bondholders.

## 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***

Except in the case of a Meeting to consider an Extraordinary Resolution, it shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 10 (*Adjournment for Want of Quorum*).

13. **PARTICIPATION**

The following categories of persons may attend and speak at a Meeting:

13.1 Voters;

13.2 the directors and the auditors of the Issuer and the Guarantor;

13.3 representatives of the Issuer, the Guarantor and the Representative of the Covered Bondholders;

13.4 financial advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders;

13.5 legal advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders; and

13.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Covered 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 Covered Bondholders or any one or more-Voters, whatever the Outstanding Principal Amount 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 Voter who is present shall have one vote in respect of each Euro 1,000 or such other amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Covered Bondholders in its absolute discretion may stipulate) in the Outstanding Principal Amount 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 Covered Bondholders or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

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 Covered 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 Covered Bondholders, the Covered 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 Covered Bondholders, the Issuer, the Guarantor, the Covered 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 Representative of the Covered Bondholders and/or any other party thereto;

18.2.3 assent to any modification of the provisions of these Rules or the Programme Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Covered Bondholders or of any Covered Bondholder;

18.2.4 direct the Representative of the Covered Bondholders to issue an Issuer Default Notice as a result of an Event of Default pursuant to Condition 10(a) (*Issuer Event of Default*) or a Guarantor Default Notice as a result of a Guarantor Event of Default pursuant to Condition 10(d) (*Guarantor Event of Default*);

18.2.5 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Covered Bondholders from any Liability in relation to any act or omission for which the Representative of the Covered Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Programme Document;

18.2.6 waive any breach or authorise any proposed breach by the Issuer, the Guarantor or (if relevant) any other Transaction Party of its obligations under or in respect of these Rules, the Covered Bonds or any other Programme Document or any act or omission which might otherwise constitute an Event of Default;

18.2.7 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

18.2.8 authorise and ratify the actions of the Representative of the Covered Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Programme Document;

18.2.9 to appoint any persons (whether Covered Bondholders or not) as a committee to represent the interests of the Covered Bondholders and to confer on any such committee any powers which the Covered Bondholders could themselves exercise by Extraordinary Resolution; and

18.2.10 authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

18.3 ***Programme Resolutions***

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Covered Bondholders to take action pursuant to Condition 10(b)(ii)(c) (*Issuer Event of Default – Covered Bond Guarantee*) or Condition 10(c)(iii) (*Guarantor Event of Deafault – Breach of other obligation*) or Condition 10(d)(iv) (*Guarantor Event of Default – Enforcement*) or to appoint or remove the Representative of the Covered Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) or to take any other action required by the Conditions or any Programme Documents 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 Covered Bondholders of any Series duly convened and held in accordance with these Rules shall be binding upon all Covered Bondholders of any such Series, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

19.2 ***Notice of voting results***

Notice of the results of every vote on a resolution duly considered by Covered Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be (with a copy to the Issuer, the Guarantor and the Representative of the Covered Bondholders within 14 days of the conclusion of each Meeting).

20. **CHALLENGE TO RESOLUTIONS**

Any absent or dissenting Covered Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. **MINUTES**

Minutes shall be made of all resolutions and proceedings of each Meeting and entered in books provided by the Issuer for that purpose. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. **WRITTEN RESOLUTION**

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. **INDIVIDUAL ACTIONS AND REMEDIES**

Each Covered Bondholder has accepted and is bound by the provisions of Condition 15 (*Limited Recourse and Non Petition*) and, accordingly, if any Covered Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Covered Bond Guarantee (hereinafter, a "**Claiming Covered Bondholder**"), then such Claiming Covered Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Covered Bondholders of his/her intention. The Representative of the Covered Bondholders shall inform the other Covered Bondholders in accordance with Condition 16 (*Notices*) 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 Covered Bondholders' notification and not less than 10 days after such notification. If Covered Bondholders representing 5 per cent. or more of the aggregate Outstanding Principal Amount of the Covered Bonds then outstanding object to such prospective individual actions and remedies, then the Claiming Covered 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 Covered Bondholders pursuant to the terms of this Article 23).

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 Covered Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

24.1.2 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;

24.1.3 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;

24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Covered Bondholders of all Series; and

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 Covered Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

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 the meeting or any adjourned such Meeting or any poll resulting therefrom or any such request or Written Resolution) the Outstanding Principal Amount of such Covered Bonds shall be the equivalent in Euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each Euro 1.00 (or such other Euro amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate) of the Outstanding Principal Amount 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 Covered Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Covered Bondholders in its sole discretion may decide.

## TITLE III

## THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

26. **APPOINTMENT, REMOVAL AND REMUNERATION**

26.1 ***Appointment***

The appointment of the Representative of the Covered 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 Covered Bondholders which will be Securitisation Services S.p.A..

26.2 ***Identity of Representative of the Covered Bondholders***

The Representative of the Covered Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 106 of Italian Legislative Decree No. 385 of 1993; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Covered Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Covered Bondholders and, if appointed as such, they shall be automatically removed.

26.3 ***Duration of appointment***

Unless the Representative of the Covered Bondholders is removed by Programme Resolution of the Covered Bondholders pursuant to Article 18.3 (*Programme Resolution*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Covered 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 Covered Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Covered Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Covered Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Covered Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 ***Remuneration***

The Issuer, failing which the Guarantor, shall pay to the Representative of the Covered Bondholders an annual fee for its services as Representative of the Covered Bondholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day-to-day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions.

## 27. RESIGNATION OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

The Representative of the Covered Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Covered Bondholders shall not become effective until a new Representative of the Covered Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Covered Bondholders has accepted its appointment, *provided that* if Covered Bondholders fail to select a new Representative of the Covered Bondholders within three months of written notice of resignation delivered by the Representative of the Covered Bondholders, the Representative of the Covered Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Covered Bondholders*).

## 28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

28.1 ***Representative of the Covered Bondholders as legal representative***

The Representative of the Covered Bondholders is the legal representative of the Organisation of the Covered Bondholders and has the power to exercise the rights conferred on it by the Programme Documents in order to protect the interests of the Covered Bondholders.

28.2 ***Meetings and resolutions***

Unless any Resolution provides to the contrary, the Representative of the Covered Bondholders is responsible for implementing all resolutions of the Covered Bondholders. The Representative of the

Covered Bondholders has the right to convene and attend Meetings (together with its advisers) to propose any course of action which it considers from time to time necessary or desirable.

28.3 ***Delegation***

The Representative of the Covered Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Programme Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Covered Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Covered Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Article 28.3.1 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Covered Bondholders may think fit in the interest of the Covered Bondholders. The Representative of the Covered Bondholders shall not be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, *provided that* the Representative of the Covered Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Covered Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 ***Judicial proceedings***

The Representative of the Covered Bondholders is authorised to represent the Organisation of the Covered Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 ***Consents given by Representative of Covered Bondholders***

Any consent or approval given by the Representative of the Covered Bondholders under these Rules and any other Programme Document may be given on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Programme Documents, such consent or approval may be given retrospectively.

28.6 ***Discretions***

Save as expressly otherwise provided herein, the Representative of the Covered Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Covered Bondholders by these Rules or by operation of law. The Representative of the Covered Bondholders shall not be responsible for any loss, costs, damages, expenses or other liabilities that may result from the exercise or non-exercise thereof except insofar as the same are incurred as a result of its gross negligence (*colpa grave*) or wilful misconduct (*dolo*).

28.7 ***Obtaining instructions***

In connection with matters in respect of which the Representative of the Covered Bondholders is entitled to exercise its discretion hereunder, the Representative of the Covered Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Covered Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Covered Bondholders shall be entitled to request that the Covered Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

28.8 ***Remedy***

The Representative of the Covered Bondholders may in its sole discretion determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Programme Documents may be remedied, and if the Representative of the Covered Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Covered Bondholders, the other creditors of the Guarantor and any other party to the Programme Documents.

## 29. EXONERATION OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

29.1 ***Limited obligations***

The Representative of the Covered Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Programme Documents.

29.2 ***Specific limitations***

Without limiting the generality of the Article 29.1, the Representative of the Covered Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Issuer Event of Default or a Guarantor Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Covered Bondholders hereunder or under any other Programme Document, has occurred and, until the Representative of the Covered Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Issuer Event of Default or a Guarantor Event of Default or such other event, condition or act has occurred;

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 Covered 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 rights created or purported to be created hereby or thereby or pursuant hereto or thereto or request and/or obtain any legal opinion in connection therewith, 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Covered 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 Covered Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Mortgage Loans contained in the Cover Pool or any part thereof;

29.2.11 shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;

29.2.12 shall not be responsible for or have any Liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any 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

Covered Bondholders, have regard to the overall interests of the Covered Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Covered Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Covered Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;

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 Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders holding not less than 50 per cent. of the Outstanding Principal Amount of the Covered Bonds of the relevant Series then outstanding;

29.2.17 shall, as regards at the powers, trusts, authorities and discretions vested in it by the Programme Documents, except where expressly provided therein, have regard to the interests of both the Covered Bondholders and the other creditors of the Issuer or the Guarantor but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between their interests the Representative of the Covered Bondholders will have regard solely to the interest of the Covered Bondholders;

29.2.18 shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be under any obligation to disclose to any Covered Bondholders, any Other Creditor or any other person any confidential, financial, price sensitive or other information made available to the Representative of the Covered Bondholders by the Issuer, by the Guarantor or any other person in connection with these Rules, the Covered Bonds or any other Programme Documents, and none of the Covered Bondholders, Other Creditors nor any other person shall be entitled to take any action to obtain from the Representative of the Covered Bondholders any such information;

29.2.19 shall be entitled to assume, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interest of the Covered Bondholders if, along with other factors, it has accessed the view of, and, in any case, with prior written notice to, the Rating Agency, and has ground to believe that the then current rating of the Covered Bonds would not be adversely affected by such exercise. If the Representative of the Covered Bondholders, in order to properly exercise its rights or fulfil its obligations, deems it necessary to obtain the valuation of the Rating Agency regarding how a specific act would affect the rating of the Covered Bonds, the Representative of the Covered Bondholders shall so inform the Issuer and the Guarantor, which will have to obtain the valuation at Issuer's expense on behalf of the Representative of the Covered Bondholders, unless the Representative of the Covered Bondholders wishes to seek and obtain the valuation itself;

29.2.20 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 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 Covered Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and

29.2.21 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 Covered Bondholder, any Other Creditor or any other person as a result of any determination, any act, matter or thing that will not be materially prejudicial to the interests of the Covered Bondholders as a whole or the interests of the Covered Bondholders of any Series.

29.3 ***Covered Bonds held by Issuer***

The Representative of the Covered Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer or the Guarantor.

29.4 ***Illegality***

No provision of these Rules shall require the Representative of the Covered Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Covered Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or Liabilities which it may incur as a consequence of such action. The Representative of the Covered Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. **RELIANCE ON INFORMATION**

30.1 ***Advice***

The Representative of the Covered Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Covered Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Covered Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic and, in circumstances where in the opinion of the Representative of the Covered Bondholders to obtain such advice on any other basis is not practicable, notwithstanding any limitation of or cap on liability in respect thereof.

30.2 ***Certificates of Issuer and/or Guarantor***

The Representative of the Covered Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter *prima facie* within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Covered Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 ***Resolution or direction of Covered Bondholders***

The Representative of the Covered Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Covered Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Covered Bondholders.

30.4 ***Certificates of Monte Titoli Account Holders***

The Representative of the Covered Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 ***Clearing Systems***

The Representative of the Covered Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Covered Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 ***Certificates of Parties to Programme Document***

The Representative of the Covered Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Programme Document,

30.6.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Programme Document;

30.6.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.6.3 as to such party's opinion with respect to any issue

and the Representative of the Covered Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any Liabilities incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.7 ***Auditors***

The Representative of the Covered Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. **AMENDMENTS AND MODIFICATIONS**

31.1 ***Modification***

The Representative of the Covered Bondholders may at any time and from time to time and without the consent or sanction of the Covered 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 Covered 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 sole opinion of the Representative of the Covered Bondholders, it may be expedient to make *provided that* the Representative of the Covered Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series; and

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 Covered Bondholders, is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders.

31.2 ***Swap Basic Term Modification***

Any modification to the Swap Basic Term Modification must be previously approved in writing by the Liability Swap Provider. The Liability Swap Provider agrees to subscribe any other amendment of the Programme Documents to which is party which have been agreed with the Representative of the Covered Bondholders in accordance with these Rules.

31.3 ***Binding Nature***

Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders may determine, shall be binding upon the Covered Bondholders and, unless the Representative of the Covered Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

31.4 ***Establishing an error***

In establishing whether an error has occured as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to any of the following:

31.4.1 a certificate from the Arrangers:

(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; and

31.4.2 confirmation from the relevant credit rating agencies 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.

31.5 ***Obligation to act***

The Representative of the Covered 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 a Programme Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32. **WAIVER**

32.1 ***Waiver of Breach***

The Representative of the Covered Bondholders may at any time and from time to time without the consent or sanction of the Covered 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 Covered Bond Guarantee these Rules or the other Programme Documents; or

32.1.2 determine that any Issuer Event of Default or Guarantor Event of Default shall not be treated as such for the purposes of the Programme Documents,

without any consent or sanction of the Covered Bondholders.

32.2 ***Binding Nature***

Any authorisation, or, waiver or determination may be given on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders may determine, shall be binding on all Covered Bondholders and, if the Representative of the Covered Bondholders so requires, shall be notified to the Covered Bondholders and the Other 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 Covered Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by a Programme Resolution, but so that no such direction shall affect any authorisation, waiver or determination previously given or made.

32.4 ***Obligation to exercise powers***

The Representative of the Covered 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 Issuer Event of Default or Guarantor Event of Default shall not be treated as such if it is so directed by a Programme Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32.5 ***Notice of waiver***

If the Representative of the Covered Bondholders so requires, the Issuer shall cause any such authorisation, waiver or determination to be notified to the Covered Bondholders and the Other Creditors, as soon as practicable after it has been given or made in accordance with Condition 16 (*Notices*).

33. **INDEMNITY**

Pursuant to the Programme Agreement, each Subscription Agreement and other document been agreed between the Issuer and the Relevant Dealer(s), the Issuer, failing which 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 Covered Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands (including without limitation legal fees and any applicable value added tax or similar taxes) properly incurred by or made against the Representative of the Covered Bondholders or any entity to which the Representative of the Covered 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 the preparation and execution of 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 Covered Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Covered Bondholders pursuant to the Programme Documents against the Issuer or the Guarantor, 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 Covered Bondholders.

34. **LIABILITY**

Notwithstanding any other provision of these Rules, the Representative of the Covered Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Programme Documents, the Covered Bonds, the Conditions or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

35. **SECURITY DOCUMENTS**

35.1 ***The Deed of Pledge***

The Representative of the Covered Bondholders shall have the right to exercise all the rights granted by the Guarantor to the Covered 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 Representative of the Covered Bondholders***

35.2.1 The Representative of the Covered 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 any 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 any such 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 Covered Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the 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 COVERED BONDHOLDERS AFTER SERVICE OF AN NOTICE

### 36. POWERS TO ACT ON BEHALF OF THE GUARANTOR

It is hereby acknowledged that, upon service of a Guarantor Default Notice or, prior to service of a Guarantor Default Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Mandate Agreement the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, shall be entitled (also in the interests of the Other Issuer Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, will be authorised, pursuant to the terms of the 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, subject to any necessary amendments, will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.*

**Final Terms dated** [●]

**Banca Popolare di Sondrio S.c.p.A.**
**Issue of** [*Aggregate Nominal Amount of Tranche*] [*Description*] **Covered Bonds due** [*Maturity*]

**Guaranteed by**
**POPSO Covered Bond S.r.l.**

**under the Euro 5,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 23 February 2016 [and the supplement[s] to the base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Directive 2003/71/EC, (as amended from time to time the "**Prospectus Directive**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms, published on [•], contain the final terms of the Covered Bonds and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, 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 on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). [This Final Terms will be published on website of the Luxembourg Stock Exchange at *www.bourse.lu]*.

(*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*)

| | | | |
|---|---|---|---|
| 1. | (i) | Series Number: | [•] |
| | (ii) | Tranche Number: | [•] |
| | (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 the [Series [●] Tranche [●] Covered Bonds due [●] issued on [●], ISIN Code [●]] on the Issue 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: | | [•] %. 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 [•]] (as referred to under Condition 3) (*Include the wording in square brackets where the Specified Denomination is €100,000 or equivalent plus multiples of a lower principal amount*.) |
| | (ii) | Calculation Amount: | [•] |
| 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. | (i) | Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Covered Bonds Guarantee: | [Not applicable / *Specify date or* (*for Floating Rate Covered Bonds*) *Interest Payment Date falling in or nearest to the relevant month and year*] (as referred to in Condition 3 |
| | (i) | Extended Instalment Date of Guaranteed Amounts corresponding to Covered Bond Instalment Amounts under the Covered Bond Guarantee: | [Not Applicable/ Applicable] |
| 9. | Interest Basis: | | [[•] % Fixed Rate]<br>[[•]+/– [•] % Floating Rate]<br>(further particulars specified in [14]/[15]/[16] below) |
| 10. | Redemption/Payment Basis: | | [Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at [100] % at least of their nominal amount]<br>[Instalment] [The Covered Bonds shall be redeemed in the Covered Bond Instalment Amounts and on the Covered Bond Instalment Dates set out in paragraph [•] below.] |

| | | |
|---|---|---|
| 11. | Change of Interest | [●] / [Not Applicable]<br>[Change of interest rate may be applicable in case an Extended Maturity Date is specified as applicable, as provided for in Condition 7] |
| 12. | Put/Call Options: | [Not Applicable]<br>[Investor Put (as referred in Condition 7)]<br>[Issuer Call (as referred in Condition 7)][(further particulars specified in paragraph [17]/[18]below)] |
| 13. | [Date of [Board] approval for issuance of Covered Bonds [and Covered Bonds Guarantee] [respectively]] obtained: | [●] [and [●], respectively]<br>*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Covered Bonds Guarantee)*] |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | |
|---|---|---|
| 14. | **Fixed Rate Provisions** | [Applicable/Not Applicable (as referred in Condition [5])]<br>*(If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| | (i) Rate(s) of Interest: | [●]% per annum payable in arrear 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)<br>Actual/Actual (ISDA)<br>Actual/365 (Fixed)<br>Actual/360<br>30/360<br>30E/360 or Eurobond Basis<br>30E/360 (ISDA)] |

| | | |
|---|---|---|
| | (vi) [Determination Date(s): | [[•] in each year/Not Applicable]]<br>(*Only relevant where Day Count Fraction is Actual/Actual (ICMA).)* |
| 15. | **Floating Rate Provisions** | [Applicable/Not Applicable (as referred to in Condition 6)]<br>*(If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| | (i) Interest Period(s): | [●] |
| | (ii) Specified Period: | [●]<br>*(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) Payment Dates: | [●]<br>*(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")* |
| | (iv) First Interest Payment Date: | [●] |
| | (v) Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] |
| | (vi) Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| | (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Paying Agent): | [[*Name*] shall be the Guarantor Calculation Agent *(no need to specify if the Fiscal Agent is to perform this function)*] |
| | (viii) Screen Rate Determination: | |
| | • Reference Rate: | Reference Rate:[•] month [LIBOR/EURIBOR] |
| | • Interest Determination Date(s): | [●] |

| | | | |
|---|---|---|---|
| | • | Relevant Screen Page: | [*For example*, *Reuters LIBOR 01/ EURIBOR 01*] |
| | • | Relevant Time: | [*For example, 11.00 a.m. London time/Brussels time*] |
| | • | Relevant Financial Centre: | [*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*] |
| | (ix) | ISDA Determination: | |
| | • | Floating Rate Option: | [•] |
| | • | Designated Maturity: | [•] |
| | • | Reset Date: | [•] |
| | (x) | Margin(s): | [+/-][•]% per annum |
| | (xi) | Minimum Rate of Interest: | [•]% per annum |
| | (xii) | Maximum Rate of Interest: | [•]% per annum |
| | (xiii) | Day Count Fraction: | [Actual/Actual (ICMA)<br>Actual/Actual (ISDA)<br>Actual/365 (Fixed)<br>Actual/360<br>30/360<br>30E/360 or Eurobond Basis<br>30E/360 (ISDA)] |

**PROVISIONS RELATING TO REDEMPTION**

| | | | |
|---|---|---|---|
| 16. | **Call Option** | | [Applicable/Not Applicable](as referred in Condition 7)<br>*(If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| | (i) | Optional Redemption Date(s): | [•] |
| | (ii) | Optional Redemption Amount(s) of Covered Bonds and method, if any, of calculation of such amount(s): | [•] per Calculation Amount |
| | (iii) | If redeemable in part: | |
| | | Minimum Redemption Amount: | [•] per Calculation Amount |
| | | Maximum Redemption Amount | [•] per Calculation Amount |
| | (iv) | Notice period: | [•] |

| | | |
|---|---|---|
| 17. | **Put Option** | [Applicable/Not Applicable](as referred in Condition 7)<br>*(If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| | (i) Optional Redemption Date(s): | [●] |
| | (ii) Optional Redemption Amount(s) of each Covered Bonds: | [●] per Calculation Amount |
| | (iii) Notice period: | [●] |
| 18. | **Final Redemption Amount of Covered Bonds** | [●] per Calculation Amount (as referred in Condition 7)] |
| | (i) Minimum Final Redemption Amount: | [●] per Calculation Amount |
| | (ii) Maximum Final Redemption Amount: | [●] per Calculation Amount |
| 19. | **Early Redemption Amount**<br>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](as referred in Condition 7) |

**GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

| | | |
|---|---|---|
| 20. | Additional Financial Centre(s): | [Not Applicable/[●]] |
| 21. | Details relating to Covered Bonds for which principal is repayable in instalments: amount of each instalment, date on which each payment is to be made: | [Not Applicable/ The Covered Bonds shall be redeemed on each instalment date set out below in the instalment amounts set out below] |

| Instalment date | Instalment amount |
|---|---|
| [●] | [●] |
| [●] | [●] |
| Maturity Date | [All outstanding instalment amounts not previously redeemed] |

[**Third party information**

[(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]]

Signed on behalf of Banca Popolare di Sondrio S.c.p.A.

By: __________________________
Duly authorised

Signed on behalf of POPSO Covered Bond S.r.l.

By: __________________________
Duly authorised

## PART B – OTHER INFORMATION

| | | |
|---|---|---|
| **1.** | **LISTING AND ADMISSION TO TRADING** | |
| | (i) Listing | [Official List of the Luxembourg Stock Exchange/*Other*]/[Not applicable] |
| | (ii) Admission to trading | Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the regulated market of the [Luxembourg Stock Exchange/*Other* with effect from [•] / Not Applicable].<br>*(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*. |
| | - Estimate of total expenses related to admission to trading: | [•] |
| **2.** | **RATINGS** | |
| | Ratings: | [Not Applicable]/[The Covered Bonds to be issued [[have been]/[are expected]] to be rated]/[The following ratings assigned to the Covered Bonds of this type issued under the Programme generally:]<br>[Fitch]: [•]]<br>[●]: [•]]<br>[The credit ratings included or referred to in these Final Terms have been issued by Fitch, which is established in the European Union and is registered under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011 and Regulation(EU) No. 462/2013 on credit rating agencies (as amended from time to time, the "**CRA Regulation**") as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation (for more information please |

| | |
|---|---|
| | visit the European Securities and Markets Authority webpage http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).]have not been issued or endorsed by any credit rating agency which is established in the European Union and registered under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011 and Regulation(EU) No. 462/2013 on credit rating agencies (as amended from time to time, the "**CRA Regulation**")]. |

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[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 Offering Circular under Article 16 of the Prospectus Directive.*)]

**4. *Fixed Rate Covered Bonds only* – YIELD**

| | |
|---|---|
| Indication of yield: | [•]/[Not Applicable |

**5. *Floating Rate Covered Bonds only* - HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/*specify other Reference Rate*] rates can be obtained from [Reuters] /[Not Applicable]

**6. OPERATIONAL INFORMATION**

| | |
|---|---|
| ISIN Code: | [•] |
| Common Code: | [•] |
| Any Relevant Clearing System(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société | [Not Applicable/*give name(s), address(es) and number(s)*] |

| | |
|---|---|
| anonyme and the relevant identification number(s): | |
| Delivery: | Delivery [against/free of] payment |
| Names and Specified Offices of additional Paying Agent(s) (if any): | [•] |
| [Deemed delivery of clearing system notices for the purposes of Condition 16 (*Notices*): | Any notice delivered to Covered Bondholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.] |
| Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes][No][Not Applicable]<br><br>[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 article 83-*bis* of Italian Legislative Decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in article 83-*quater* of such legislative decree) and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] |

**DISTRIBUTION**

| | | | |
|---|---|---|---|
| **7.** | (i) | Method of distribution: | [Syndicated/Non-syndicated] |
| | (ii) | If syndicated, names of Managers: | [Not Applicable/*give names and business address*] |
| | (iii) | Stabilising Manager(s) (if any): | [Not Applicable/ *give names and business address*] |

| | | |
|---|---|---|
| **8.** If non-syndicated, name of Dealer: | | [Not Applicable/*give names and business address*] |
| **9.** U.S. Selling Restrictions: | | [Not Applicable/Compliant with Regulation S under the U.S. Securities Act of 1933] |

## USE OF PROCEEDS

The net proceeds of the sale of the Covered Bonds will be used by the Issuer for general funding purposes of the Banca Popolare di Sondrio Group.

# THE ISSUER

## 1. History and development of the Issuer

Banca Popolare di Sondrio is the parent company (the "**Parent Company**") of the Banca Popolare di Sondrio Group and, inspired by principles of small-scale retail lending, provides savings deposit and lending services in various forms, as well as private and investment banking, merchant banking, asset management, leasing, bancassurance and consumer credit services to its own shareholders and to non-shareholders, focusing special attention on the territories where its subsidiaries have historically been established, with a special focus on serving families and small and medium-sized businesses and cooperatives.

Within the Banca Popolare di Sondrio Group, the Issuer, which is an operating Parent Company performing guidance, governance and control functions for the Banca Popolare di Sondrio Group, essentially engages in the following business operations:

- guidance, coordination and control, through the determination of the Banca Popolare di Sondrio Group's guidelines, of business and financial planning, the organizational structure, strategic objectives, administration and accounting, credit management policies and human resources management policies. The Issuer also performs activities aimed at the management and control of risks deriving from the business operations of the Banca Popolare di Sondrio Group's companies;
- hub for the coordination and oversight of policies for the management of the structural items comprising assets and liabilities, both its own and those of the other companies belonging to the Banca Popolare di Sondrio Group, aimed at optimizing available capital, identifying transactions and funding structures for the Banca Popolare di Sondrio Group, through initiatives on the domestic and international markets, as well as oversight of liquidity requirements and trends in the same;
- offer of support, control and guidance services for the Banca Popolare di Sondrio Group's business operations, with a view to facilitating business development and allowing for effective services to be provided to customers.

**Company name**

The Issuer's company name is Banca Popolare di Sondrio S.c.p.A.

**Place of registration of the Issuer and its registration number**

The Issuer is on the Companies Register of Sondrio, Italy, at no. 00053810149. The Issuer is also on the Register of Banks held by the Bank of Italy at no. 842.

**Date of incorporation and length of life of the Issuer, except where indefinite**

The Issuer is a co-operative limited by shares (*società cooperativa per azioni*) incorporated by deed of Giambattista Caimi, Notary public, registered in Sondrio on 6 March 1871 with no. 315.

The Issuer is the Parent Company of the Banca Popolare di Sondrio Group.

The duration of the Issuer is set, pursuant to Article 3 of its Articles of Association, up to 31 December 2050 and may be extended.

**Domicile and legal form of the Issuer, legislation under which the Issuer operates, its country of incorporation, website address and address and telephone number of its registered office.**

Banca Popolare di Sondrio is a co-operative limited by shares (*società cooperativa per azioni*) incorporated in Sondrio, Italy and operating under the Italian law. The address of the Issuer's registered office is Piazza Garibaldi, 16, 23100 Sondrio, Italy, phone +39 (0342)528.111, website address www. popso.it.

## 2. BUSINESS OVERVIEW

### A brief description of the Issuer's principal activities and principal categories of products sold and/or services provided

Banca Popolare di Sondrio engages in traditional credit brokerage services in the territories covered and offers related financial services to private individuals, businesses and institutions. As regards private individuals and businesses, the bank's operations are especially focused on the development of products and services in the following areas:

- products and services for families: in particular, bank accounts, consumer credit, loans, payment instruments (credit and debit cards), insurance and pension products and on-line services;
- savings/investment products and services: such as, for example, the offer of bonds, managed savings, life insurance, other investment instruments;
- products and services for businesses: in particular, bank accounts, investment and loan products, insurance products and payment instruments; in addition, the Bank has promoted a number of initiatives to support businesses aimed at supporting businesses facing the aggravation of the economic downturn and overcoming the current economic climate, ensuring businesses which present positive economic prospects, the availability of adequate economic resources;
- products and services for internationalization: the bank supports companies which operate with foreign counterparties, offering a broad range of support services, both for its traditional commercial banking segment, and for more value-added products and services, such as products and services related to commercial exchanges with foreign counterparties or derivative products for the hedging of corporate risks.
- home banking, remote banking, POS, Mobile products and services.

**Asset management**

In the context of asset management, the bank proposes both traditional and innovative investment solutions to private individuals, businesses and institutional investors. The offer includes, among other things, portfolio advisory services, the wealth management services, which are provided by a qualified and experienced team of internal specialized professionals within the bank, derivatives trading and trading of structured products.

For asset management through mutual investment funds, the Banca Popolare di Sondrio Group has concluded trade agreements with Arca SGR S.p.A. since 1983; and also Etica SGR S.p.A., which establishes and promotes exclusively socially responsible mutual investment in which the selection of assets is carried out on the basis of criteria of social and environmental responsibility.

In this segment, the Swiss subsidiary Banca Popolare di Sondrio (SUISSE) founded, in 1999, Popso (Suisse) Investment Fund SICAV, a mutual investment fund organized under Luxembourgish law comprised of fifteen segments.

**Bancassurance and supplementary pensions**

In the context of bancassurance, the bank operates in the life insurance segment, through the company Arca Vita. In the damages segment, Arca Assicurazioni's products are offered. The insurance solutions proposed, mainly oriented towards private individuals and small/medium-sized businesses, aim to meet clients' security requirements, protecting their health, family and home. The offer on the matter of supplementary pensions is provided through the open-end pension fund Arca Previdenza of Arca SGR, aimed at those who intend to benefit from a complementary pension.

**Factoring**

The bank offers its customers factoring products through the subsidiary Factorit S.p.A., which provides a complete range of solutions for the factoring of trade receivables: *pro solvendo* (with recourse) factoring, *pro soluto* (non-recourse) financial factoring without notification, *pro soluto* (non-recourse) factoring with notification, pro soluto (non-recourse) non-financial factoring without notification, maturity factoring and payment on a certain date, export factoring, import factoring, as well as financing products, transfers of future receivables and "indirect factoring".

**Leasing**

The leasing operations are conducted through trade agreements with Alba Leasing S.p.A., which is capable of perfecting financial leasing transactions in various sectors: the services offered include real estate leasing, instrumental leasing, auto-vehicles leasing, aircraft and ship leasing and railway leasing, as well as in the renewables energies, nautical and public administrations sectors.

**Other services**

To complete the services directly offered, Banca Popolare di Sondrio has entered into distribution agreements with Agos Ducato, a subsidiary of the international group Credit Agricole, and with Compass of the Mediobanca group for the placement of personal loans and loans granted in exchange for the transfer of one-fifth of the borrower's salary or pension. A partnership is also in place with ING Direct in the context of mortgage loans for families.

**Merchant and Corporate Banking**

Banca Popolare di Sondrio offers to corporate clients a range of high value-added financial products and services in the following macro-areas: corporate lending, structured finance and related services (such as certifications of economic-fiancial plans for project financing, acquisition financing, hedging, etc.), corporate finance (advisory services for extraordinary financial transactions and for corporate restructurings aimed at generational transfers, private equity searches for companies interested in risk capital opportunities, etc.) and capital markets (only with respect to the structuring of minibond issues).

## 3. ORGANIZATIONAL STRUCTURE

**Brief description of the Banca Popolare di Sondrio Group of which the Issuer is part and of the Issuer's position within the Banca Popolare di Sondrio Group**

As of the date of the Prospectus, the Banca Popolare di Sondrio Group is comprised of the following companies:

- *Parent Company:*

  Banca Popolare di Sondrio

- *Companies belonging to the Banca Popolare di Sondrio Group:*

  - Banca Popolare di Sondrio (SUISSE) SA – Lugano, Switzerland.

    The Parent Company holds the entire share capital of 180,000,000 Swiss Francs.

  - Factorit S.p.A. - Milan.

The Parent Company holds 60.5% of the share capital of Euro 85,000,002.

- Sinergia Seconda S.r.l. - Milan.

  The Parent Company holds the entire corporate capital of Euro 60,000,000.

- POPSO Covered Bond S.r.l. – Conegliano (TV).

  The Parent Company holds 60% of the corporate capital of Euro 10,000.

- *Other subsidiary Compenies:*
  - Pirovano Stelvio S.p.A. - Sondrio.

    The Parent Company holds the entire share capital of Euro 2,064,000.

  - Rajna Immobiliare S.r.l., - Sondrio

    The Parent Company holds 50% (joint control) of the corporate capital of Euro 20,000.

***Sector-specific disclosure***

The sector-specific disclosure is prepared in accordance with the provisions of IFRS8 and the following segments are identified:

- businesses: this segment includes «non-financial companies» and «producer families», for which the results deriving from loan operations and signatory credit disbursement, acceptance of deposits from the public, leasing, the performance of services. In this context, revenues from transactions in foreign currency with resident and non-resident customers are particularly noteworthy;
- private parties and other customers: this segment includes «consumer families», the «public administrations», «financial companies», «non-profit institutions»; the Banca Popolare di Sondrio Group states the results deriving from standard business transactions with this category of customers, attributable to the acceptance of savings and brokerage of savings, medium/long-term loans and consumer loans, collections and payments, the issuance of debit and credit cards and collateral residual functions;
- securities segment: this includes results from transactions with customers related to the trading of securities as a direct counterparty, the acceptance of orders, the placement of financial instruments and insurance and pension products, and management of securities portfolios;
- central structure: for this segment, the Banca Popolare di Sondrio Group presents the results deriving from the management of its portfolio of owned securities and shareholdings, exchange transactions concluded on its own account, and the exercise of treasury functions. In addition, it aggregates a number of residual business operations not allocated to the foregoing segments since, on the basis of the amount of revenues achieved, they fall under the relevance thresholds provided under the relevant legal framework.

As of 31 December 2015, the Banca Popolare di Sondrio Group had a total of 354 branches.

In Italy, the Banca Popolare di Sondrio Group operates through the Parent Company's distribution network which is characterized by strong roots in its "historic" territories, as well as the on-line channel developd by the same.

Distribution of the Banca Popolare di Sondrio Group's branches as of 31 December 2015:

| | no. branches | % |
|---|---|---|
| Banca Popolare di Sondrio | 333 | 94.1 |
| Banca Popolare di Sondrio (SUISSE) | 21 | 5.9 |
| Total | 354 | 100 |

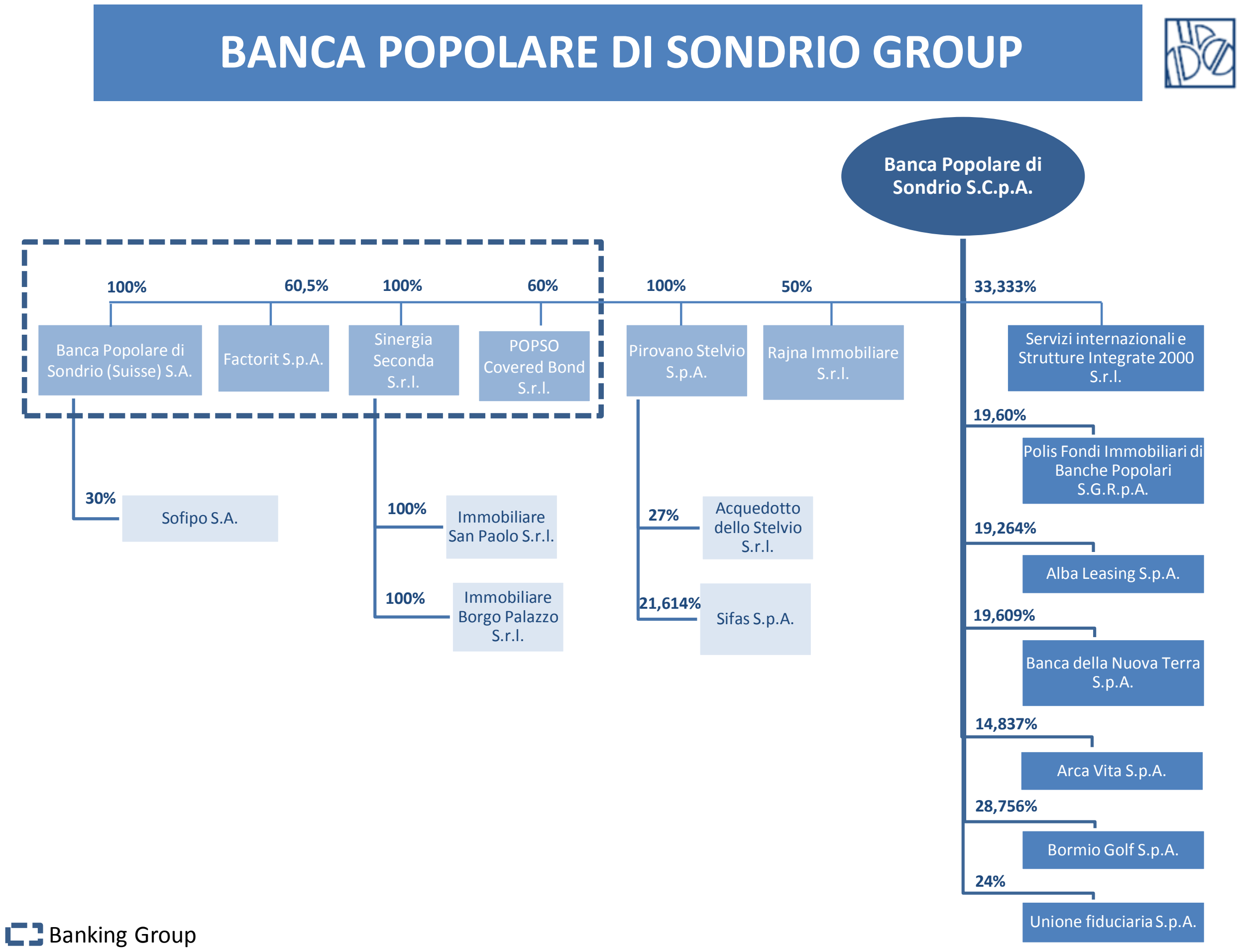
As regards the Issuer, the branches are organized in twelve territorial areas on the basis of criteria of geographical consistency. Each branch has operating autonomy and, as a rule, accounting autonomy. The coordination of the business operations of the branches of each area is entrusted to a Coordinator, to whom the managers of the area branches report from a hierarchical standpoint. In order to better serve high-level customers, the bank has established its own network of financial brokers, who support the branches, coordinated by the financial promotion office of the central headquarters. The network of broker is comprised of 59 professionals who, for all intents and purposes, are included within the bank's organizational structure as employees.

In the context of the offer of electronic multi-channel products and services aimed at private individuals, businesses and institutions, Banca Popolare di Sondrio also operates through the following on-line channels: Home banking, Trading On Line, Mobile, Remote Banking, POS and ATM. The structure includes the “Virtual Unit”, an operating structure that manages - through on-line channels - relationships with customers who are resident in areas not served by traditional branches. The customers of the Virtual Unit are mainly professionals to whom dedicated products are offered.

At the international level, the Banca Popolare di Sondrio Group is present with branches in Switzerland and in the Principality of Monaco and with representative offices in Shanghai and Hong Kong (shared with other bank partners).

**Brief description of the Banca Popolare di Sondrio Group of which the Issuer is the Parent Company**

An organizational chart showing the structure of the Banca Popolare di Sondrio Group as at the date of approval of the Base Prospectus is given below.




## 4. PROFIT FORECAST OR ESTIMATE

This Base Prospectus does not include any profit forecasts or estimates.

## 5. DIRECTORS, SENIOR MANAGERS AND MEMBERS OF THE SUPERVISORY BODIES

**Members of the administrative, management and supervisory bodies**

The list of the members of the administrative, management and supervisory bodies of the Issuer as at the date of approval of the Base Prospectus and the offices held in other companies.

**Board of Directors**

| NAME AND SURNAME | OFFICE HELD IN BPS | PRINCIPAL OFFICES HELD IN OTHER COMPANIES |
|---|---|---|
| **Francesco Venosta*** | **Chairperson** | – |
| **Lino Enrico Stoppani**** | **Deputy Chairperson** | – Factorit S.p.A. (Director);<br>– Immobiliare Borgo Palazzo S.r.l. (Sole Director); |

| | | |
|---|---|---|
| | | – Immobiliare San Paolo S.r.l. (Sole Director);<br>– Sinergia Seconda S.r.l. (Sole Director);<br>– FIPE Federazione Italiana Pubblici Esercizi (Director);<br>– EPAM Associazione Pubblici Esercizi di Milano e Provincia (Director). |
| **Mario Alberto Pedranzini**** | **Chief Executive Officer and Managing Director** | – Factorit S.p.A. (Director);<br>– Banca Popolare di Sondrio (SUISSE) SA (Chairperson of the Board of Directors);<br>– IEO Istituto Europeo di Oncologia (Director);<br>– Associazione Bancaria Italiana (Member of Executive Committee);<br>– Consorzio Banche Popolari (Director). |
| **Credaro Loretta***** | **Director** | – Sondrio Servizi al Terziario S.r.l. (Director). |
| **Paolo Biglioli**** | **Director** | – |
| **Federico Falck*** | **Director** | – Falck Renewables S.p.A. (Director);<br>– Falck S.p.A. (Director);<br>– Italcementi S.p.A. (Director). |
| **Attilio Piero Ferrari***** | **Director** | – |
| **Giuseppe Fontana***** | **Director** | – Lobo S.p.A. (Chairperson of the Board of Directors);<br>– Fontana Finanziaria S.p.A. (Deputy Chairperson);<br>– Loris Fontana & C. sapa (Deputy Chairperson);<br>– Società per azioni Villa d’Este (Deputy Chairperson);<br>– Bulloneria Briantea S.p.A. (Chief Executive Officer);<br>– Fontana Luigi S.p.A. (Chief Executive Officer);<br>– Industria Bullonerie Speciali S.r.l. (Chief Executive Officer). |

| | | |
|---|---|---|
| **Cristina Galbusera*** | **Director** | – Confindustria Sondrio Servizi S.r.l (Director);<br>– Esprinet S.p.A. (Director);<br>– Galbusera S.p.A. (Director). |
| **Nicolò Melzi di Cusano*** | **Director** | – |
| **Adriano Propersi***** | **Director** | – IMI Fabi S.p.A. (Chairperson of the Board of Directors);<br>– Accademia S.p.A. (Chairperson of the Board of Auditors);<br>– Certiquality S.r.l. (Chairperson of the Board of Auditors);<br>– SC Sviluppo Chimica S.p.A. (Chairperson of the Board of Auditors);<br>– Tecnocasa Franchising S.p.A. (Chairperson of the Board of Auditors);<br>– Tecnocasa Partecipazioni S.p.A. (Chairperson of the Board of Auditors). |
| **Annalisa Rainoldi**** | **Director** | – Rainoldi Mac S.r.l. (Chairperson of the Board of Directors / Quotaholder)<br>– Proenergia S.r.l. (Director)<br>– Rainoldi Legnami S.r.l. (Director) |
| **Renato Sozzani***** | **Director** | – Pirovano Stelvio S.p.A. (Chairperson of the Board of Directors) |
| **Domenico Triacca*** | **Director** | – |

*These Directors shall be in office until the approval of the Annual Report for the year 2015.

**These Directors shall be in office until the approval of the Annual Report for the year 2016.

***These Directors shall be in office until the approval of the Annual Report for the year 2017.

**Board of Auditors**

| NAME AND SURNAME | OFFICE HELD IN BPS | OFFICES HELD IN OTHER COMPANIES |
|---|---|---|
| Piergiuseppe Forni | **Chairperson of the Board of Auditors** | – Pirovano Stelvio S.p.A. (Chairperson of the Board of Auditors);<br>– Sinergia Seconda S.r.l. (Auditor); Standing auditor<br>– Società di Sviluppo Locale S.p.A. (Auditor). |

| | | |
|---|---|---|
| Donatella Depperu | **Standing Auditor** | – |
| Mario Vitali | **Standing Auditor** | – Società Elettrica in Morbegno scpa (Deputy Chairperson);<br>– Sinergia Seconda S.r.l. (Chairperson of the Board of Auditors);<br>– Alba Leasing S.p.A. (Auditor);<br>– Factorit S.p.A. (Auditor);<br>– Ring Mill S.p.A. (Auditor). |
| Bruno Garbellini | **Alternate Auditor** | – Industria Legnami Tirano S.r.l. (Chairperson of the Board of Auditors);<br>– Azienda Energetica Valtellina Valchiavenna S.p.A. (Auditor). |
| Daniele Morelli | **Alternate Auditor** | – Giamarca S.r.l. (Auditor);<br>– Pirovano Stelvio S.p.A. (Auditor). |

*All the Auditors listed above shall be in office until the approval of the Annual Report for the year 2017.

All members of the Board of Directors and of the Board of Auditors meet the integrity and professional requirements provided for by the legislation and regulations currently in force.

All members of the Board of Auditors are on the Register of Auditors.

**General Management**

| NAME AND SURNAME | OFFICE HELD IN BPS | OFFICES HELD IN OTHER COMPANIES |
|---|---|---|
| **Mario Alberto Pedranzini** | **Chief Executive Officer and General Manager** | – Factorit S.p.A. (Director);<br>– Banca Popolare di Sondrio (SUISSE) SA (Chairperson of the Board of Directors);<br>– IEO Istituto Europeo di Oncologia (Director);<br>– Associazione Bancaria Italiana (Member of Executive Committee);<br>– Consorzio Banche Popolari (Director). |
| **Giovanni Ruffini** | **Deputy Vicar General Manager** | – Arca Assicurazioni S.p.A. (Deputy Chairperson);<br>– Arca Vita S.p.A. (Deputy Chairperson);<br>– Banca Popolare di Sondrio (SUISSE) SA |

| | | |
|---|---|---|
| | | (Director);<br>– Unione Fiduciaria S.p.A. (Director). |
| **Mario Erba** | **Deputy General Manager** | – Arca Assicurazioni S.p.A. (Director);<br>– Arca Vita S.p.A. (Director);<br>– Arca SGR S.p.A. (Director);<br>– Servizi Internazionali e Strutture Integrate 2000 S.r.l. (Director) |
| **Milo Gusmeroli** | **Deputy General Manager** | – |
| **Cesare Poletti** | **Deputy General Manager** | – |

The business address of each member of the Board of Directors, Board of Auditors and General Management is Banca Popolare di Sondrio S.c.p.A., Piazza Garibaldi, 16, 23100 Sondrio, Italy.

**Conflicts of interests of the administration, management and control bodies**

To the knowledge of the Issuer, as at the date of approval of the Base Prospectus, there are no conflicts of interest between any of the Board of Directors', Board of Auditors' or General Management's duties to the Issuer and their private interests or other duties.
For related parties with administration, management and control functions, there is a special approval procedure for the granting of bank credit laid down in art. 136 of the Legislative Decree no. 385 of 1 September 1993 (please, refered to "*Regolamento in materia di operazioni con parti correlate*" and to "*Regolamento in materia di operazioni con soggetti collegati*", published on the website of the Issuer). This makes the "more material transaction" subject to the unanimous approval of the Board of Directors having obtained the prior opinion of the dedicated Comittee. In case of negative opionion of the Comitee**,** the consent of all members of the Board of Statutory Auditors is also needed. For the details of assets, liabilities, income, expenses, guarantees issued and received to related party, please make reference to the table contained in Part H of the relevant notes to the Annual Report for the years 2013 and 2012.

## 6. MAJOR SHAREHOLDERS

**Entities controlling the Issuer**

As at the date of approval of the Base Prospectus, according to the register of shareholders and other information available to the Issuer, no shareholder holds shares exceeding 2% of the share capital of the Issuer. No person or entity directly or indirectly controls the Issuer, as it is a cooperative bank in the context of which each member expresses only one vote at the meeting, regardless of the ownership of shares.
No arrangements, the operation of which may at a subsequent time result in a change in control of the Issuer are known to the same Issuer.

## 7. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFIT AND LOSSES

The financial statements set out below have been extracted without material adjustment from the most recently published audited annual accounts of the Banca Popolare di Sondrio Group as at and for the years ending 31 December 2014 and 31 December 2013 and from the unaudited interim accounts as at 30 September 2015 and 30 September 2014. The annual accounts have been audited by KPMG S.p.A. The accounts have been prepared in accordance with International Accounting Standards.

We confirm that neither the 31 December 2014 nor the 31 December 2013 accounts have been refused nor do they contain any qualifications or disclaimers.

The following is a summary of the audited consolidated financial statements of the Banca Popolare di Sondrio Group as at, and for the years ended, 31 December 2014 and 31 December 2013, and a summary of the unaudited condensed interim consolidated financial statements of the Banca Popolare di Sondrio Group as at, and for the nine months ended 30 September 2015 and 30 September 2014.

**Consolidated Statement of Financial Position (in €/thousands)**

| | **30/09/15** | **31/12/14** | **31/12/13** | **30/09/2015-31/12/2014** | **31/12/2014-31/12/2013** |
|---|---|---|---|---|---|
| 10. Cash and cash equivalents | 745,920 | 264,482 | 196,517 | 182.03% | 34.58% |
| 20. Financial assers held for trading | 1,994,296 | 2,338,630 | 3,154,594 | -14.72% | -25.87% |
| 30. Financial assets valued at fair value | 90,274 | 84,702 | 79,226 | 6.58% | 6.91% |
| 40. Available-for-sale financial assets | 6,550,337 | 6,498,605 | 3,375,500 | 0.80% | 92.52% |
| 50. Financial assets held to maturity | 136,497 | 148,620 | 182,621 | -8.16% | -18.62% |
| 60. Due from banks | 972,129 | 1,088,388 | 733,954 | -10.68% | 48.29% |
| 70. Loans to customers | 24,390,255 | 24,011,925 | 23,904,559 | 1.58% | 0.45% |
| 80. Hedging derivatives | - | - | 2,923 | - | - n.s. |
| 100. Shareholding | 152,268 | 155,986 | 156,404 | -2.38% | -0.27% |
| 120. Tangible assets | 325,863 | 254,303 | 245,962 | 28.14% | 3.39% |
| 130. Intangible assets | 23,749 | 21,572 | 21,865 | 10.09% | -1.34% |
| of which: | | | | | |
| - *Goodwill* | 7,847 | 7,847 | 8,959 | - | -12.41% |
| 140. Tax assets | 421,329 | 403,851 | 342,310 | 4.33% | 17.98% |
| a) *current* | 1 | 10,691 | 33,478 | -n.s. | - 68.07% |
| b) *prepaid* | 421,328 | 393,160 | 308,832 | 7.16% | 27.31% |
| b1) *pursuant to Law n. 214 of 2011* | 368,221 | 346,451 | 269,858 | 6.28% | 28.38% |
| 160. Other assets | 303,405 | 347,783 | 373,493 | -12.76% | -6.88% |
| **Total assets** | **36,106,322** | **35,618,847** | **32,769,928** | **1.37%** | **8.69%** |

| | **30/09/15** | **31/12/14** | **31/12/13** | **30/09/2015-31/12/2014** | **31/12/2014-31/12/2013** |
|---|---|---|---|---|---|
| 10. Due to banks | 2,376,648 | 2,314,035 | 3,067,978 | 2.71% | -24.57% |
| 20. Due to customers | 26,347,460 | 26,310,842 | 23,710,352 | 0.14% | 10.97% |
| 30. Outstanding securities | 3,236,112 | 3,406,198 | 2,964,974 | -4.99% | 14.88% |
| 40. Financial liabilities held for trading | 53,533 | 56,136 | 36,550 | -4.64% | 53.59% |
| 60. Hedging derivatives | 58,749 | 45,562 | 27,580 | 28.94% | 65.20% |
| 80. Tax liabilities | 97,666 | 61,778 | 36,889 | 58.09% | 67.47% |
| a) *current* | 30,828 | 2,104 | 662 | -n.s. | 217.82% |

| | | | | | |
|---|---|---|---|---|---|
| b) *deferred* | 66,838 | 59,674 | 36,227 | 12.01% | 64.72% |
| 100. Other liabilities | 1,023,625 | 722,835 | 720,873 | 41.61% | 0.27% |
| 110. Staff termination indemnities | 45,207 | 44,915 | 40,527 | 0.65% | 10.83% |
| 120. Provisions for risks and charges | 168,798 | 166,849 | 152,593 | 1.17% | 9.34% |
| a) *pensions and similar* | 118,504 | 117,043 | 100,539 | 1.25% | 16.42% |
| b) *other provisions* | 50,294 | 49,806 | 52,054 | 0.98% | -4.32% |
| 140. Valuation reserves | 125,850 | 47,941 | 16,782 | 162.51% | 185.67% |
| 170. Reserves | 940,693 | 829,959 | 794,781 | 13.34% | 4.43% |
| 180. Share premium reserve | 79,005 | 79,005 | 171,450 | - | -53.92% |
| 190. Share capital | 1,360,157 | 1,360,157 | 924,444 | - | 47.13% |
| 200. Treasury shares (-) | -25,322 | -25,031 | -24,316 | 1.16% | 2.94% |
| 210. Minority interests (+/-) | 83,513 | 82,463 | 75,438 | 1.27% | 9.31% |
| 220. Profit (loss) for the period | 134,628 | 115,203 | 53,033 | 16.86% | 117.23% |
| **Total liabilities and shareholders' equity** | **36,106,322** | **35,618,847** | **32,769,928** | **1.37%** | **8.69%** |

## Consolidated Income Statement (in €/thousands)

| Voci | 30/09/15 | 30/09/14 | 30/09/2015-30/09/2014 | 31/12/14 | 31/12/13 | 31/12/2014-31/12/2013 |
|---|---|---|---|---|---|---|
| 10. Interest oincome and similar revenues | 610,612 | 730,647 | -16.43% | 959,077 | 1,018,114 | -5.80% |
| 20. Interest expenses and similar charges | -197,395 | -283,759 | -30.44% | -368,154 | -458,952 | -19.78% |
| **30. Interest margin** | **413,217** | **446,888** | **-7.53%** | **590,923** | **559,162** | **5.68%** |
| 40. Commission income | 239,155 | 236,246 | 1.23% | 322,022 | 305,579 | 5.38% |
| 50. Commission expense | -15,891 | -16,064 | -1.08% | -22,001 | -22,578 | -2.56% |
| **60. Net Commissions** | **223,264** | **220,182** | **1.40%** | **300,021** | **283,001** | **6.01%** |
| 70. Dividends and similar revenues | 2,663 | 3,256 | -18.21% | 3,524 | 2,699 | 30.57% |
| 80. Net result from trading activities | 60,696 | 84,180 | -27.90% | 99,818 | 111,055 | -10.12% |
| 90. Net result from hedging activities | -138 | -49 | 181.63% | 129 | -45 | -n.s. |
| 100. Profit (loss) from sale and repurchase of: | 93,095 | 69,985 | 33.02% | 94,154 | 52,720 | 78.59% |
| b) *available-for-sale financial assets* | 94,052 | 71,362 | 31.80% | 95,505 | 52,518 | 81.85% |
| c) *financial assets held to maturity* | - | - | - | - | 55 | -n.s. |
| d) *financial liabilities* | -957 | -1,377 | -30.50% | -1,351 | 147 | -n.s. |
| 110. Net result from financial assets and liabilities valued at fair value | 2,277 | 4,124 | -44.79% | 5,187 | 5,387 | -3.71% |
| **120. Operating income** | **795,074** | **828,566** | **-4.04%** | **1,093,756** | **1,013,979** | **7.87%** |
| 130. Net value adjustments/write-backs due to impairment of: | -269,418 | -353,611 | -23.81% | -481,895 | -490,285 | -1.71% |
| a) *loans* | -250,034 | -348,213 | -28.20% | -464,084 | -463,866 | 0.05% |
| b) *available-for-sale financial assets* | -8,111 | -6,913 | 17.33% | -19,308 | -12,881 | 49.90% |
| c) *financial assets held to maturity* | -7,665 | - | -n.s. | - | - | - |
| d) *other financial transactions* | -3,608 | 1,515 | -338.15% | 1,497 | -13,538 | -111.06% |
| **140. Net income from banking activities** | **525,656** | **474,955** | **10.67%** | **611,861** | **523,694** | **16.84%** |
| **170. Net income from banking and insurance activities** | **525,656** | **474,955** | **10.67%** | **611,861** | **523,694** | **16.84%** |
| 180. Administrative costs: | -355,973 | -340,757 | 4.47% | -457,273 | -441,175 | 3.65% |
| a) *personnel costs* | -174,664 | -166,132 | 5.14% | -223,125 | -219,088 | 1.84% |
| b) *other administrative costs* | -181,309 | -174,625 | 3.83% | -234,148 | -222,087 | 5.43% |

| | | | | | | |
|---|---|---|---|---|---|---|
| 190. Net provisions for risks and charges | -4,608 | -1,711 | 169,32% | 1,934 | -2,850 | -n.s. |
| 200. Net value adjustments/write-backs to tangible assets | -13,382 | -12,596 | 6.24% | -17,037 | -17,056 | -0.11% |
| 210. Net value adjustments/write-backs to intangible assets | -9,833 | -9,169 | 7.24% | -13,357 | -12,360 | 8.07% |
| 220. Other operating income/charges | 58,470 | 56,233 | 3.98% | 73,849 | 73,465 | 0.52% |
| **230. Operating costs** | **-325,326** | **-308,000** | **5.63%** | **-411,884** | **-399,976** | **2.98%** |
| 240. Net profit (loss) from equity investments | 6,455 | 4,484 | 43.96% | 6,715 | 1,620 | 314.51% |
| 250. Net fair value losses on property, equipment and intangible assets measured at fair value | -458 | - | -n.s. | - | - | - |
| 260. Adjustments to goodwill | - | - | - | -1,112 | - | -n.s. |
| 270. Profit (loss) from disposal of investments | 6 | 29 | -79.31% | 27 | 10 | 170.00% |
| **280. Profit (loss) before from continuing operations** | **206,333** | **171,468** | **20.33%** | **205,607** | **125,348** | **64.03%** |
| 290. Taxes on income from continuing operations | -66,626 | -68,412 | -2.61% | -80,325 | -64,671 | 24.21% |
| **300. Profit (loss) after tax from continuing operations** | **139,707** | **103,056** | **35.56%** | **125,282** | **60,677** | **106.47%** |
| **320. Profit (loss) for the period** | **139,707** | **103,056** | **35.56%** | **125,282** | **60,677** | **106.47%** |
| 330. Profit (loss) attributable to minority interests | -5,079 | -8,624 | -41.11% | -10,079 | -7,644 | 31.86% |
| **340. Profit (loss) attributable to the parent company** | **134,628** | **94,432** | **42.57%** | **115,203** | **53,033** | **117.23%** |

## Auditing of the annual financial report and accounts

*Statement that the financial report and accounts referring to past years and contained in this Base Prospectus have been audited*

The Issuer states that both the separate and consolidated financial statements as at 31 December 2014, approved by the Board of Directors on 17 March 2015 and by the Shareholders' Meeting on 18 April 2015, have been audited by the Independent Auditors, which expressed their opinion and made no remarks through specific reports on 27 March 2015.

The Issuer states that both the separate and consolidated financial statements as at 31 December 2013, approved by the Board of Directors on 25 March 2014 and by the Shareholders' Meeting on 26 April 2014, have been audited by the Independent Auditors, which expressed their opinion and made no remarks through specific reports on 4 April 2014.

## Indication of other information in the Base Prospectus which has been audited by the Independent Auditors

The Base Prospectus contains financial information that has been audited by the Independent Auditors taken from the Banca Popolare di Sondrio Group consolidated financial statements as at 31 December 2014 and 2013.

In particular, the audited annual accounts of the Banca Popolare di Sondrio Group as at and for the years ending 31 December 2014 and 31 December 2013 have been audited by KPMG S.p.A. The accounts have been prepared in accordance with International Accounting Standards.

## Data contained in the Base Prospectus which have been taken from sources other than the Issuer's financial statements

The Base Prospectus does not contain information taken from sources other than the Banca Popolare di Sondrio Group consolidated financial statements as at 31 December 2014 and 2013 and from the interim consolidated financial statements as at and for the nine months ended 30 September 2015 and 30 September 2014.

**Age of the latest financial information and accounts contained in the Base Prospectus**

The latest audited financial information referring to the Issuer and included in Base Prospectus have been taken from the Banca Popolare di Sondrio Group consolidated financial statements as at 31 December 2014.

The Base Prospectus contains also the consolidated interim financial statements as at and for the nine months ended 30 September 2015.

**Interim financial reporting**

After the date of publication of the annual consolidated financial statements as at 31 December 2014 the Issuer has published (i) the consolidated interim financial statements as at and for the six months ended 31 June 2015, and (ii) the consolidated interim financial statements as at and for the nine months ended 30 September 2015.

**Legal and arbitration proceedings**

Banca Popolare di Sondrio and the companies belonging to the Banca Popolare di Sondrio Group are the recipients of a number of court, legal and administrative rulings related to the conduct of their core business operations. Set forth below is a brief description of the legal proceedings pending against the Issuer and the other companies belonging to the Banca Popolare di Sondrio Group which are considered the most important in the Issuer's opinion.

*Legal proceedings initiated against the Issuer*

As of the Date of the Prospectus, the legal proceedings pending against the Issuer and the companies belonging to the Banca Popolare di Sondrio Group are, in the Issuer's opinion, to be considered ordinary in nature and, generally speaking, modest considering the business operations conducted and the size of the Banca Popolare di Sondrio Group, the risks inherent in the supply of banking and investment services. In any case, there remains the risk that the Issuer and its subsidiaries may incur losses in connection with the proceedings currently pending, including those concerning the matter of compound interest/usury.

In line with the likelihood of losses of this type and with applicable accounting standards in force, the Issuer's consolidated quarterly report states, as of 30 September 2015, a prudential reserve set aside to cover risks related to pending lawsuits, including the tax proceedings, of Euro 32.74 million which the Issuer finds congruous.

*Litigation on the matter of compound interest/usury*

As of the Date of the Prospectus, the total number of lawsuits pending against the Banca Popolare di Sondrio Group on the matter of compound interest remains at levels considered ordinary by the Issuer and the related risk is, in any case, covered by prudential reserves set aside for risks and costs. As of 30 September 2015, prudential reserves covering risks related to compound interest and usury total of Euro 4 million, to cover a modest number of disputes. For a portion of such claims, the claimants did not define the *petitum* (amount of the claims), since the determination of the same was requested of the court. The *petitum* (amount of the claims) already identified and requested for the two types amounts to a total of Euro 7.35 million.

*Legal proceedings pending with the Tax Authorities*

As for the banking Banca Popolare di Sondrio Group's tax situation, it should be noted that, with regard to the Issuer, all tax years through 2009 are to be deemed definitively settled. For years 2006, 2007 and 2008, the Parent Company received notices of assessment from the Revenues Agency on IRES and IRAP concerning the deductibility of liabilities-side interest paid to counterparties (both customers and banks) who are residents in countries offering a privileged tax regime. The related appeals against such claims have been prepared for years 2006, 2007 and 2008, and, as of the Date of the Prospectus, the dispute has been closed because the Parent Company previously decided to join a Tax Authorities settlement proposal.

The Parent Company received notices of assessment for VAT purposes for the failure to apply VAT to fees received as depositary bank. The claim concerns years 2006, 2007, 2008 and 2009. In this regard, it should be noted that, considering the complexity of the dispute and the numerous interpretational doubts and since it involves a claim raised against the entire category of financial intermediaries which engage in depositary bank operations, reflecting a radical change in the practice that has essentially always been implemented, the Revenues Agency, through Resolution No. 97/E of 17 December 2013 formalized a settlement solution that provides for the partial application, on a lump-sum/all-inclusive basis, of VAT to such fees and no application of sanctions for the previous years covered by the assessment. The Parent Company, after having carefully assessed the change, decided to settle the assessment related to VAT for years 2008 and 2009 and paid the amount requested, while for years 2006 and 2007, the Company paid after having formulated to the Tax Authorities a settlement proposal, in light of the above-mentioned resolution that does not provide for the application of sanctions and reduces the amount requested. In November 2015, the Company received, on this matter, notices of assessment related to year 2010 and it is deemed likely that requests of the same type will be received through year 2013.

With reference to the legal proceedings which could arise with the Tax Authorities on the matter of VAT applicable to fees received as a depositary bank for years 2010 through 2013, the claims of which have been, through Resolution No. 97/E substantially reduced and the proceedings already pending, and the proceedings which could be brought concerning IRES and IRAP for interest paid to residents in countries offering a privileged tax regime, the Parent Company is of the view that the reserves set aside in the amount of Euro 2 million included in the legal proceedings reserve are sufficient to cover any costs that may derive from the same.

In years 2013 and 2014, assessments have been served concerning substitutive taxes on medium/long-term loans granted through banking syndicates together with other banks, the agreements of which were entered into abroad. The Revenues Agency, in a new departure from past practice, claims that such agreements were prepared in Italy even if they were entered into abroad and are therefore subject to substitutive tax. Virtually all such agreements provide for the possibility to charge back the greater taxes to the counterparty borrowers. The Parent Company has engaged its legal advisors to forward the related appeals after consulting with the other banks belonging to the syndicates and the borrowers of the loans. The dispute is likely to be resolved largely in favour of the bank.

A lawsuit is pending with the Tax Authority in connection with the company Immobiliare Borgo Palazzo Srl, a wholly-owned subsidiary of the subsidiary Sinergia Seconda S.r.L. following a claim of “non-operating status” raised following an assessment. The courts of first and second instance rejected the Tax Authority’s claims and the latter has filed an appeal before the Supreme Court. No allowances have been set aside given the positive results already achieved in the proceedings of first and second instance and the regulatory reforms that have been enacted in the meantime.

**Significant changes in the Issuer's financial or business position**

Between the date of approval of the Base Prospectus and the reporting date of the latest report and consolidated financial statements approved by the Issuer and audited, *i.e.* as at 31 December 2014, no event had occurred, which caused significant changes in the Issuer's financial and business position.

## 8. MATERIAL CONTRACTS

At the date of the Prospectus, the Issuer and the Banca Popolare di Sondrio Group companies have not implemented, signed and/or planned material contracts other than those entered into in the normal course of their typical activities that could affect the Issuer's ability to meet its obligations to holders of the financial instruments to be issued.

## 9. RECENT DEVELOPMENTS

*Supervisory Review and Evaluation Process - SREP*

In November 2015, the outcome of supervisory review and evaluation process (SREP) 2015 performed in respect of BPS according to article 97 of CRD IV Directive has been notified to BPS. The ECB has required BPS, to maintain, on a consolidated basis, a minimum Common Equity Tier 1 capital ratio of 9.25%, as that ratio is defined in CRR.

As at 30 September 2015 BPS's consolidated CET1 ratio, inclusive of the 9 months net income and after the deduction of accrued dividends, was:- 10,25% phased-in CET1 ratio;

- 10,11% fully-phased CET1 ratio.

The ECB also required BPS, to maintain at all times, on a consolidated basis liquid assets sufficient to meet the liquidity requirement as set out in Article 412 of CRR, to reinforce the arrangements, processes, mechanisms and strategies and in order to ensure full and continued compliance with the general framework set out in the CRD IV Package.

*Proceeding converting BPS into a joint-stock company*

On 20 January 2015, the Italian Council of Ministers approved Law Decree No. 3 of 24 January 2015 entitled "Urgent measures for the banking system and investment" (the "Decree 3/2015"). On 25 March 2015, Law No. 33 dated 24 March 2015 was published in the Official Gazette, which converted the Decree 3/2015 into Italian law.

Article 1 of the Decree 3/2015 provides for the reform of cooperative banks (banche popolari). In particular, Article 29 of the Consolidated Banking Act has been amended to introduce a new paragraph 2 bis, which states that the total assets of a cooperative bank cannot exceed €8 billion. New paragraph 2 ter of Article 29 of the Consolidated Banking Act states that if the total assets of a cooperative bank exceed this threshold, the cooperative bank will be required to change its corporate form by converting into a joint-stock company.

In the event of conversion into a joint-stock company, the Decree 3/2015 provides cooperative banks the option to amend their by-laws to include a ceiling on voting rights of shareholders at General Meetings, provided that the ceiling is not less than 5% of the bank's share capital with voting rights, for a maximum period of 24 months from the date of entry into force of the Law N. 33 dated 24 March 2015.

The Bank of Italy issued on 9 June 2015 the implementing provisions of Law No. 33 dated 24 March 2015, including the provisions in relation to the mandatory conversion from cooperative bank to joint-stock company. Cooperative banks with assets which exceed €8 billion will have 18 months starting from 27 June 2015, being the date on which the Bank of Italy's implementing provisions entered into force, to convert into joint-stock companies.

In observance of the Decree 3/2015, in July 2015 BPS has started the process for the transformation in a joint stock company.In this respect, on 8 October 2015, the Board of Directors of BPS, following consultation with the Board of Auditors, approved the plan of initiatives that are intended to comply with the requirement provided under Decree 3/2015 together with, inter alia, a first set of amendments to the by-laws aimed at assuring compliance with the regulations in force. The extraordinary general meeting of BPS that will be called to examine the proposal of transformation and adaptation of the by-laws of BPS is scheduled for the beginning of autumn 2016, provided that it could be anticipated or deferred, subject to any specific reasons due to unforeseen events.

*Preliminary results for the year 2015*

On 10 February 2016, the Issuer published the 2016 Press Release regarding Banca Popolare di Sondrio S.c.p.A.'s consolidated preliminary results for the year ended 31 December 2015. Such results have been reviewed and approved by the Issuers' Board of Directors. According to the information included in the 2016 Press Release, 2015 results confirm a strong performance from both a profitability and a capital perspective, and reflect the ability of Banca Popolare di Sondrio Group to continue operating on a standalone basis in the future, and to further develop its products and offerings to the customers and the regions it serves. The 2015 annual report will be discussed and approved during the March 2016 meeting of the Board of Directors.

A copy of the 2016 Press Release is incorporated by reference in this Prospectus (see "*Information Incorporated by Reference*" above).

## THE GUARANTOR

### Introduction

**POPSO Covered Bond S.r.l. has been established as a special purpose vehicle for the purpose of guaranteeing the Covered Bonds.**

The Guarantor was incorporated in the Republic of Italy as a limited liability company incorporated under Article 7-*bis* of Law 130, with Fiscal Code, VAT number and registration number with the Register of Enterprises of Treviso no. 04620230260.

The Guarantor was incorporated on 11 September 2013 with the denomination of SPV Covered Bond 4 S.r.l. (and enrolled in Register of Enterprises of Treviso on 13 September 2013) and subsequently changed its denomination in POPSO Covered Bond S.r.l. from 14 May 2014 by a resolution of the Quotaholder's of 8 May 2014. The duration of POPSO Covered Bond S.r.l. shall be until 2100.

BPS with the 60 per cent of the quota capital of POPSO Covered Bond S.r.l., controls POPSO Covered Bond S.r.l..

POPSO Covered Bond S.r.l. has its registered office at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy and the telephone number of the registered office is 0039/0438360900 and the fax number is 0039/0438360962.

The authorised, issued and paid in quota capital of POPSO Covered Bond S.r.l. is Euro 10,000.

### Business Overview

The exclusive purpose of the POPSO Covered Bond S.r.l. is to purchase from banks, against payment, receivables and securities also issued in the context of a securitisation, in compliance with Article 7-*bis* of Law 130 and the relevant implementing provisions, by means of subordinated loans granted or guaranteed also by the selling banks, as well as to issue guarantees for the covered bonds issued by such banks or other entities.

POPSO Covered Bond S.r.l., indeed, will grant the Covered Bonds Guarantee to the benefit of the Covered Bondholders, of the counterparts of derivatives contracts entered into with the purpose to cover the risks inherent the purchased credits and securities and of the counterparts of other ancillary contracts, as well as to the benefit of the payment of the other costs of the transaction, with priority in respect of the reimbursement of the others loans, pursuant to paragraph 1 of Article 7-*bis* of Law 130.

Since the date of its incorporation, POPSO Covered Bond S.r.l. has not engaged in any business other than the purchase of the Portfolio and the entering into of the Programme Documents and other ancillary documents.

So long as any of the Covered Bonds remain outstanding POPSO Covered Bond S.r.l. shall not, without the consent of the Representative of the Covered Bondholders, incur any other indebtedness for borrowed moneys or engage in any business (other than acquiring and holding the assets backing the Covered Bonds Guarantee, assuming the Subordinated Loan, issuing the Covered Bonds Guarantee and entering into the Programme Documents to which it is a party), pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person or convey or transfer its property or assets to any person (otherwise than as contemplated in the Conditions or the Intercreditor Agreement) or guarantee any additional quota.

POPSO Covered Bond S.r.l. will covenant to observe, *inter alia*, those restrictions which are detailed in the Intercreditor Agreement.

### Administrative, Management and Supervisory Bodies

The directors of the Guarantor are:

| NAME AND SURNAME | OFFICE HELD IN THE GUARANTOR | OFFICES HELD IN OTHER COMPANIES |
|---|---|---|
| **Gianpietro Macoggi** | **President and Managing Director** | Analyst at Banca Popolare di Sondrio S.c.p.A. |
| **Carlo Trombetta** | **Director** | Consultant at Banca Popolare di Sondrio S.c.p.A. |
| **Paolo Gabriele** | **Managing Director** | Director at Finanziaria Internazionale Securitisation Group S.p.A. |

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 Securitsation Vehicles Management S.r.l. ("**SVM**") and two by BPS. No Board of Statutory Auditors has been appointed as of the date of this Base Prospectus.

The business address of each member of the Board of Directors and Board of Statutory Auditors is POPSO Covered Bond S.r.l., Via V. Alfieri, 1, 31015 Conegliano (TV), Italy.

**Conflicts of interest**

There are no potential conflicts of interest between the duties of the directors and their private interest or other duties.

**Quotaholders**

The quotaholders of POPSO Covered Bond S.r.l. (hereafter together the "**Quotaholders**") are as follows:

BPS, 60 per cent of the quota capital;

SVM, 40 per cent of the quota capital.

BPS, with the 60 per cent of the quota capital controls POPSO Covered Bond S.r.l.. In order to avoid any abuse, certain mitigants have been inserted in the Quotaholders' Agreement, as better described in the following paragraph.

**The Quotaholders' Agreement**

The Quotaholders' Agreement contain *inter alia* a call option in favour of BPS to purchase from SVM and a put option in favour of SVM to sell to BPS, the quota of POPSO Covered Bond S.r.l. held by SVM and provisions in relation to the management of the Guarantor. Each option may only be exercised from latest of the Expiry Date and the Programme Maturity Date.

In addition the Quotaholders' Agreement provides that no Quotaholder of POPSO Covered Bond S.r.l. will approve the payments of any dividends or any repayment or return of capital by POPSO Covered Bond S.r.l. prior to the date on which all amounts of principal and interest on the Covered Bonds and any amount due to the Other Creditors have been paid in full.

**Financial Information concerning the Guarantor's Assets and Liabilities, Financial Position, and Profits and Losses**

The financial year of the Guarantor ends on 31 december of each calendar year. The first financial statements are referred to the year ended on 31 December 2013.

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).

Mr. Alberto De Luca has been appointed to perform the audit of the financial statements of the Guarantor for the year ended on 31 December 2013. KPMG S.p.A. has been appointed to perform the audit of the financial statements of the Guarantor for the year ended on 31 December 2014. Such financial statements, together with the auditor's reports and the accompanying notes are incorporated by reference into this Base Prospectus (see Section "*Information incorporated by reference*" above).

*Capitalisation and Indebtedness Statement*

The capitalisation of POPSO Covered Bond S.r.l. as at the date of this Base Prospectus is as follows: 10.000 Euro.

*Quota capital Issued and authorised*

BPS has a quota of Euro 6.000 Euro and SVM has a quota of Euro 4.000 Euro, each fully paid up.

*Total capitalisation and indebtedness*

Save for the foregoing and for the Covered Bonds Guarantee and the Subordinated Loan, in accordance with the Subordineted Loan Agreement, at the date of this document, POPSO Covered Bond S.r.l. has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

***Auditors***

In respect of the statutory financial statements of POPSO Covered Bond S.r.l. as at and for the year ended 31 December 2013 an audited report has been delivered by Mr. Alberto De Luca with offices in Piazzetta P. Modin, 4, 35129 Padova, Italy. Mr. Alberto De Luca is registered in the register held by the *Ordine dei Dottori Commercialisti* of Treviso and in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992 ("**Decree No. 88**").

In respect of the statutory financial statements of POPSO Covered Bond S.r.l. as at and for the year ended 31 December 2014 an audited report has been delivered by KPMG S.p.A. with offices in Via Rosa Zalivani, 2, 31100 Treviso, Italy. KPMG S.p.A., which is the current auditor of the Guarantor, is registered in the Register of Certified Auditors held by the Ministery for Economy and Finance – Stage general accounting office, at no. 70623 and in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Decree No. 88. KPMG S.p.A. is also a member of Assirevi, the Italian association of auditing firms.

## 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 Covered Bond Guarantee.

Pursuant to the Bank of Italy Regulations, the asset monitor must be an independent auditor and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer and the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed also to the Board of Statutory Auditors *(collegio sindacale)* of the Issuer.

BDO Italia S.p.A. a *società per azioni* 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, and included in the Register of Certified Auditors held by the Ministery for Economy and Finance – Stage general accounting office, at No. 167911.

Pursuant to an engagement letter entered into on 22 July 2014, the Issuer has appointed the Asset Monitor in order to perform, subject to receipt of the relevant information from the Issuer, specific monitoring activities concerning, *inter alia,* (i) the compliance with the eligibility criteria set out under MEF Decree with respect to the Assets and Integration Assets included in the Portfolios; (ii) the compliance with the limits on the transfer of the Assets set out under MEF Decree and the Bank of Italy Regulations; (iii) the effectiveness and adequacy of the risk protection provided by any swap agreement entered into in the context of the Programme; (iv) the arithmetical accuracy of the calculations performed by the Test Calculation Agent in respect of the Statutory Tests, and (v) the completeness, thruthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of the CRR.

The engagement letter reflects the provisions of the Bank of Italy Regulations in relation to the procedures and proportionality principles applicable to the conduct of the monitoring activities by the Asset Monitor, the reports to be prepared and submitted by the Asset Monitor also to the Board of Statutory Auditors *(collegio sindacale)* of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

Furthermore, on 22 July 2014, *inter alios*, the Issuer, the Test Calculation Agent, the Asset Monitor, the Guarantor and the Representative of the Covered Bondholders entered into the Asset Monitor Agreement, as more fully described under "*Description of the Programme Documents — Asset Monitor Agreement*", below.

# OVERVIEW OF THE PROGRAMME DOCUMENTS

## Covered Bond Guarantee

On 22 July 2014, the Guarantor, the Issuer and the Representative of the Covered Bondholders entered into the Covered Bond Guarantee pursuant to which the Guarantor agreed to issue, for the benefit of the Covered Bondholders and the Other Issuer Creditors, a first demand, unconditional, irrevocable and autonomous guarantee to support payments of interest and principal under the Covered Bonds issued by the Issuer under the Programme and other payments due to the Other Issuer Creditors. Under the Covered Bond Guarantee the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become due and payable but which would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Covered Bond Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the Securitisation and Covered Bond Law, Decree No. 310 and the Bank of Italy Regulations.

The Representative of the Covered Bondholders will enforce the Covered Bond Guarantee: (i) following the occurrence of an Issuer Event of Default and subject to any applicable grace periods, by serving an Issuer Default Notice on the Issuer and the Guarantor; and (ii) following the occurrence of a Guarantor Event of Default and subject to any applicable grace periods, by serving a Guarantor Default Notice on the Guarantor.

Following the service of an Issuer Default Notice by the Representative of the Covered Bondholders, payment of the Guaranteed Amounts shall be made by the Guarantor on the dates scheduled and for the amounts determined in accordance with the Guarantee Priority of Payments.

Under the Covered Bond Guarantee, the parties have agreed that, should a resolution pursuant to article 74 of the Consolidated Banking Act be issued in respect of the Issuer, although such event constitutes an Issuer Event of Default, the consequences thereof will only apply during the Suspension Period. Following an Article 74 Event:

(i) the Representative of the Covered Bondholders will serve an Issuer Default Notice on the Issuer and the Guarantor, specifying that an Article 74 Event has occurred and that such event may be temporary; and

(ii) in accordance with Decree No. 310, the Guarantor shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the Suspension Period at their relevant due date *provided that* it shall be entitled to claim any such amounts from the Issuer.

The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders to the Issuer, the Guarantor and the Asset Monitor of an Article 74 Event Cure Notice, informing such parties that the Article 74 Event has been revoked.

Upon the termination of the Suspension Period the Issuer shall again be responsible for meeting the payment obligations under the Covered Bonds.

Under the Covered Bond Guarantee, the parties thereto have also agreed that, upon enforcement of the Covered Bond Guarantee, the Guarantor shall be entitled to request from the Issuer — also prior to any payments are effected by the Guarantor under the Covered Bond Guarantee — an amount up to the Guaranteed Amounts, in order to secure the Issuer obligations to the subrogation right of the Guarantor. Any sum so received or recovered from the Issuer will be used to make payments in accordance with the Covered Bond Guarantee. The parties have also agreed that the Guarantor shall no longer be entitled request to the Issuer payment of such amounts if a Guarantor Default Notice is delivered by the Representative of the Covered Bondholders or the Covered Bonds have been otherwise accelerated pursuant to the Conditions.

The service of a Guarantor Default Notice by the Representative of the Covered Bondholders will result in the acceleration of the right of the Covered Bondholders of each Series of Covered Bonds issued to receive payment of the Guaranteed Amounts and the Representative of the Covered Bondholders will demand the immediate payment by the Guarantor of all Guaranteed Amounts. Payments made by the Guarantor following the service of a Guarantor Event of Default shall be made *pari passu* and on a *pro-rata* basis to the Covered Bondholders of all outstanding Series of Covered Bonds, in accordance with the Post-Enforcement Priority of Payments.

Pursuant to the terms of the Covered Bond Guarantee, the recourse of the Covered Bondholders and the Other Issuer Creditors to the Guarantor under the Covered Bond Guarantee will be limited to the Guarantor Available Funds.

Furthermore, under the Covered Bond Guarantee, the parties have agreed that as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer or following the delivery of an Issuer Default Notice to the Issuer and the Guarantor, the Guarantor (or the Representative of the Covered 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 Covered Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds.

To the extent that the Guarantor makes, or there is made on its behalf, a payment of any amount under the Covered Bond Guarantee, the Guarantor will be fully and automatically subrogated to the Covered Bondholders' and Other Issuer Creditors' rights against the Issuer pursuant to article 2900 *et seq.* of the Italian Civil Code.

*Governing law*

The Covered Bond Guarantee is governed by Italian law.

**Subordinated Loan Agreement**

On 30 May 2014, the Seller (in its capacity as Subordinated Lender) and the Guarantor entered into a Subordinated Loan Agreement pursuant to article 7-*bis* of the Securitisation and Covered Bond Law under which the Seller granted or will grant to the Guarantor a term loan facility in an aggregate amount equal to the Total Commitment, for the purposes of funding the purchase by the Guarantor of Eligible Assets and/or Top-Up Assets from the Seller pursuant to the terms of the Master Loans Purchase Agreement and the Cover Pool Management Agreement.

Pursuant to the Subordinated Loan Agreement, the Subordinated Lender has acknowledged its undertakings (i) pursuant to the Cover Pool Management Agreement, to transfer further Eligible Assets and/or Top-Up Assets to the Guarantor and to make available to the Guarantor further Term Loans in order to fund the purchase of such assets, and (ii) pursuant to the Master Loans Purchase Agreement, to make available to the Guarantor further Term Loans in order to fund any settlement amounts of the purchase price of the Initial Portfolio or any New Portfolio which may be due by the Guarantor under the Master Loans Purchase Agreement.

The obligation of the Seller (in its capacity as Subordinated Lender) to advance a Term Loan to the Guarantor under the Subordinated Loan Agreement will be off-set against the obligation of the Guarantor to pay to the Seller the purchase price for the Eligible Assets and Top-Up Assets funded by means of the Term Loan.

On each Guarantor Payment Date and subject to the Subordinated Lender having paid to the Guarantor any shortfall amount, the Guarantor will pay to the Subordinated Lender the amount of the Premium, if any, payable to such Subordinated Lender on the relevant Guarantor Payment Date in accordance with the applicable Priority of Payments and the terms of the Subordinated Loan Agreement.

Interest and Premium, if any, payable in respect of a Term Loan shall be payable on each Guarantor Payment Date following the Drawdown Date (as defined under each Subordinated Loan Agreement) of that Term Loan, subject to the relevant Priority of Payments.

Prior to the delivery of an Issuer Default Notice, each Term Loan shall be repaid on each Guarantor Payment Date subject to the written request of the Subordinated Lender and the Issuer, according to the Pre Issuer Event of Default Principal 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.

Following the service of an Issuer Default Notice, the Term Loans shall be repaid within the limits of the Guarantor Available Funds subject to the repayment in full (or, prior to the service of a Guarantor Default Notice, the accumulation of funds sufficient for the purpose of such repayment) of all Covered Bonds.

Upon occurrence of an Issuer Event of Default, any amount payable by the Guarantor to the Subordinated Lender pursuant to the Subordinated Loan Agreement shall be considered automatically offset against the amounts due by the Subordinated Lender as a result of the enforcement of the Guarantee.

*Governing law*

The Subordinated Loan Agreement is governed by Italian law.

**Master Loans Purchase Agreement**

On 30 May 2014 the Seller and the Guarantor entered into the Master Loans Purchase Agreements, pursuant to which, the Seller will assign and transfer to the Guarantor, and the Guarantor will purchase, without recourse (*pro soluto*) from the Seller, an Initial Portfolio and New Portfolios of Eligible Assets and Top-Up Assets that shall form part of the Cover Pool, in accordance with articles 4 and 7-*bis* of the Securitisation and Covered Bond Law and article 2 of Decree No. 310.

Under each Master Loans Purchase Agreement, upon satisfaction of certain conditions set out therein, the Seller (i) may or shall, as the case may be, assign and transfer, without recourse (*pro soluto*), to the Guarantor and the Guarantor shall purchase, without recourse (*pro soluto*) from the Seller, New Portfolios which shall form part of the Cover Pool held by the Guarantor, if such transfer is required under the terms of the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Tests or with the 15 per cent threshold limit with respect to Top-Up Assets provided for by Decree No. 310 and the Bank of Italy Regulations; and (ii) may transfer New Portfolios to the Guarantor, and the Guarantor shall purchase from the Seller such New Portfolios, in order to supplement the Cover Pool in connection with the issuance of further Series of Covered Bonds under the Programme in accordance with the Programme Agreement.

In addition to (i) and (ii) above, under the terms and subject to the conditions of the Master Loans Purchase Agreement, prior to the delivery to the Issuer and the Guarantor of an Issuer Default Notice, the Seller may transfer New Portfolios to the Guarantor, which will fund the purchase price thereof through the principal collections then standing to the credit of the Collection Account.

The Purchase Price payable for the Initial Portfolio has been determined pursuant to the Master Loans Purchase Agreement. Under the Master Loans Purchase Agreement the relevant parties thereto have acknowledged that the Purchase Price for the Initial Portfolio shall be funded through the proceeds of the first Term Loan under the relevant Subordinated Loan Agreement. The Purchase Price for each New

Portfolio will be equal to the aggregate amount of the Individual Purchase Price of all Receivables comprised in such New Portfolio pursuant to the provisions of the Master Loans Purchase Agreement.

In case the Purchase Price is paid with the principal collections then standing to the credit of the Collection Account and, upon the settlement procedure set out above, the Guarantor is required to pay amounts to the Seller in excess of the Purchase Price already paid, such amounts will be deducted from the amounts due to the Seller as repayment of the outstanding Term Loans and, to the extent no such amounts are available, through the proceeds of an appropriate Term Loan to be made available by the Seller as Subordinated Lender pursuant to the relevant Subordinated Loan Agreement.

The Seller has sold to the Guarantor, and the Guarantor has purchased from the Seller, the Receivables comprised in the Initial Portfolio, which meet the Common Criteria (as described in detail in the section headed "*Description of the Cover Pool*") and the relevant specific criteria (as described in detail under each relevant Master Loans Purchase Agreement). Receivables comprised in any New Portfolio to be transferred under the relevant Master Loans Purchase Agreement shall meet, in addition to the Common Criteria, the relevant specific criteria and/or any further criteria.

Pursuant to the Master Loans Purchase Agreement, prior to the occurrence of an Issuer Event of Default, the Seller will have the right to repurchase individual Receivables (including Defaulted Receivables) transferred to the Guarantor under the Master Loans Purchase Agreement.

After the service of an Issuer Default Notice, the Guarantor will, prior to disposing of the Eligible Assets or Top-Up Assets pursuant to the terms of the Cover Pool Management Agreement, offer to sell the Eligible Assets to the Seller at a price equal to the minimum purchase price of the relevant Eligible Assets as determined pursuant to the Cover Pool Management Agreement. If the Guarantor should subsequently propose to transfer such assets for a price lower than the minimum purchase price as determined pursuant to the Cover Pool Management Agreement, it shall again offer such assets to the Seller on the same terms and conditions offered by such third parties before entering into a transfer agreement with the latter.

*Governing law*

The Master Loan Purchase Agreement is governed by Italian law.

**Warranty and Indemnity Agreement**

On 30 May 2014, the Seller and the Guarantor entered into a Warranty and Indemnity Agreement pursuant to which the Seller has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself, the Portfolio transferred and to be transferred by it pursuant to the Master Loans Purchase Agreement, the Real Estate Assets over which the relevant Mortgages are established and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the relevant Portfolio.

The Warranty and Indemnity Agreement contains representations and warranties given by the Seller as to matters of law and fact affecting the Seller including, without limitation, that the Seller validly exists as a legal entity, has the corporate authority and power to enter into the Programme Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

The Warranty and Indemnity Agreement sets out certain representations and warranties in respect of the Portfolio to which it relates, including, *inter alia*, that, as of the date of execution of each Warranty and Indemnity Agreement, the Receivables comprised in the Initial Portfolio (i) are valid, in existence and in compliance with the criteria set forth under the Master Loans Purchase Agreement, and (ii) relate to

Mortgage Loan Agreements which have been entered into, executed and performed by the Seller in compliance with all applicable laws, rules and regulations.

Pursuant to the Warranty and Indemnity Agreement, the relevant Seller has agreed to indemnify and hold harmless the Guarantor, its officers or agents or any of its permitted assigns from and against any and all damages, losses, claims, costs and expenses awarded against, or incurred by such parties which arise out of or result from, *inter alia*, any representation and warranty given by the Seller under or pursuant to the relevant Warranty and Indemnity Agreement being false, incomplete or incorrect.

*Governing law*

The Warranty and Indemnity Agreement is governed by Italian law.

**Servicing Agreement**

On 30 May 2014, the Servicer and the Guarantor entered into the Servicing Agreement, pursuant to which the Guarantor has appointed Banca Popolare di Sondrio S.c.p.A. as Servicer of the Receivables. The Servicer will act as the "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento*" pursuant to the Securitisation and Covered Bond Law and will be responsible for the receipt of the Collections acting as agent (*mandatario con obbligo di rendiconto*) of the Guarantor. In such capacity, the Servicer shall also be responsible for ensuring that such operations comply with the provisions of articles 2, paragraph 3, letter (c), and 2, paragraphs 6 and 6-*bis* of the Securitisation and Covered Bond Law.

Pursuant to the Servicing Agreement the Servicer will transfer the interest and principal collections with respect to the Receivables to the Collection Account held with the Account Bank within the immediately following Business Day.

Under the Servicing Agreement the Servicer may delegate to third parties, to carry out on behalf of the Guarantor and in accordance with the Servicing Agreement and the Credit and Collection Policy the management, administration, collection and recovery activities with respect to the Receivables transferred by the Seller to the Guarantor.

The Servicer has undertaken to deliver to the Guarantor, the Issuer, the Representative of the Covered Bondholders, the Guarantor Calculation Agent, the Test Calculation Agent, the Issuer Paying Agent, the Guarantor Paying Agent, and the Corporate Servicer, the Monthly Servicer's Report prepared substantially in the form of Schedule 2, part I, of the Servicing Agreement or in the form as may be agreed between the parties thereto.

The Servicer has undertaken to deliver to, *inter alios*, the Guarantor, the Account Bank, the Representative of the Covered Bondholders, the Guarantor Calculation Agent, the Test Calculation Agent, the Asset Monitor, the Issuer Paying Agent, the Corporate Servicer and the Rating Agency, the Quarterly Servicer's Report prepared substantially in the form of Schedule 2, part II, of the Servicing Agreement or in the form as may be agreed between the parties thereto.

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 in relation to the respective responsibilities.

The Guarantor may terminate the Servicer's appointment and appoint a successor servicer or service provider if certain events occur (each, a " **Servicer Termination Event**"): namely:

(i) failure (not attributable to *force majeure*) to deposit or pay any amount required to be paid or deposited which failure continues for a period of 10 Business Days following receipt of a written notice from the Guarantor requiring the relevant amount to be paid or deposited;

(ii) failure to observe or perform duties under specified clauses of the Servicing Agreement and the continuation of such failure for a period of 10 Business Days following receipt of written notice from the Guarantor (*provided that* a failure ascribable to any delegate of the Servicer shall not constitute a Servicer Termination Event);

(iii) an Insolvency Event occurs with respect to the Servicer;

(iv) it becomes unlawful for the Servicer to perform or comply with any of its obligations under the Servicing Agreement;

(v) 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;

*Governing law*

The Servicing Agreement is governed by Italian law.

**Programme Agreement**

For a description of the Programme Agreement, see "*Subscription and Sale*".

**Intercreditor Agreement**

On 22 July 2014, the Guarantor and the Other Creditors entered into the Intercreditor Agreement, as amended from time to time. 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 Covered Bondholders will be entitled, in the interest of the Covered 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 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 Covered Bondholders and, in general, to the Other Creditors are limited recourse obligations of the Guarantor; and that the Covered Bondholders and the Other 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 Default Notice, to comply with all directions of the Representative of the Covered Bondholders, acting pursuant to the Conditions, in relation to the management and administration of the Cover Pool.

*Governing law*

The Intercreditor Agreement is governed by Italian law.

**Asset Monitor Agreement**

On 22 July 2014, the Issuer, the Guarantor, the Asset Monitor, the Test Calculation Agent and the Representative of the Covered Bondholders entered into the Asset Monitor Agreement, whereby each of the Issuer and the Guarantor has appointed the Asset Monitor to perform the services set out therein — please see "*The Asset Monitor*" below.

The appointment by the Guarantor will become effective only subject to, and with effect from, the delivery of an Issuer Default Notice, *provided that*, in case the Issuer Event of Default consists of an Article 74 Event, the Asset Monitor will provide the services to the Guarantor up to the date on which the Representative of the Covered Bondholder will have delivered an Article 74 Event Cure Notice.

Pursuant to the Asset Monitor Agreement, the Asset Monitor has agreed to the Issuer and, upon delivery of an Issuer Default Notice, to the Guarantor, to verify, subject to due receipt of the information to be provided by the Test Calculation Agent to the Asset Monitor, the arithmetic accuracy of the calculations performed by the Test Calculation Agent in relation to the Statutory Tests, the Asset Coverage Test and the Amortisation Test carried out pursuant to the Cover Pool Management Agreement, with a view to confirming whether such calculations are accurate.

In the Asset Monitor Agreement, the Asset Monitor has acknowledged to perform its services also for the benefit and in the interests of the Guarantor (to the extent it will carry out the services under the appointment of the Issuer) and the Covered Bondholders and accepted that upon delivery of an Issuer Default Notice, it will receive instructions from, provide its services to, and be liable *vis-à-vis* the Guarantor or the Representative of the Covered Bondholders on its behalf, so that the delivery of an Issuer Default Notice shall entail no termination of the Asset Monitor Agreement.

In addition, on or prior to each relevant date as set out in the Asset Monitor Agreement, the Asset Monitor has undertaken to deliver to the Guarantor, the Test Calculation Agent, the Guarantor Calculation Agent, the Representative of the Covered Bondholders, the Servicer and the Issuer the Asset Monitor Report (as defined under the Asset Monitor Agreement).

The Issuer or the Guarantor (as the case may be) may, until the occurrence of an Issuer Event of Default without any prior approval of the Representative of the Covered Bondholders and following the occurrence of an Issuer Event of Default with the prior approval of the Representative of the Covered Bondholders, revoke the appointment of the Asset Monitor, in either case by giving not less than three months' (or earlier, in the event of a breach of warranties and covenants) written notice to the Asset Monitor (with a copy to the Issuer or the Guarantor (as the case may be) and Representative of the Covered Bondholders and the Test Calculation Agent). The Asset Monitor may resign from its appointment under the Asset Monitor Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Covered Bondholders may agree) prior written notice of termination to the Issuer, the Guarantor, the Test Calculation Agent and the Representative of the Covered Bondholders subject to and conditional upon certain conditions set out in the Asset Monitor Agreement.

*Governing law*

The Asset Monitor Agreement is governed by Italian law.

**Cash Allocation, Management and Payments Agreement**

On 22 July 2014, the Guarantor, the Issuer, the Seller, the Servicer, the Account Bank, the Guarantor Calculation Agent, the Test Calculation Agent, the Issuer Paying Agent, the Guarantor Paying Agent, the Cash Manager, the Corporate Servicer and the Representative of the Covered Bondholders entered into 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, Collection Account, the Reserve Fund Account and the Guarantor Payments 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 pursuant to the terms of the Cash Allocation, Management and Payments Agreement;

(ii) the Guarantor Paying Agent or the Issuer Paying Agent, as the case may be, has agreed to provide the Guarantor with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payments Agreement;

(iii) the Guarantor Calculation Agent has agreed to provide the Guarantor with calculation services; and

(iv) the Cash Manager has agreed to provide the Guarantor with investment services.

The Guarantor may (with the prior approval of the Representative of the Covered Bondholders) revoke the appointment of any Agent under the Cash Allocation, Management and Payment Agreement by giving not less than three months' (or earlier, in the event of a breach of warranties and covenants by the relevant Agent) written notice to the relevant Agent (with a copy to the Representative of the Covered Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. Any 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 Covered Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Covered Bondholders and the Issuer subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payments Agreement.

*Governing law*

The Cash Allocation, Management and Payments Agreement is governed by Italian law.

**Cover Pool Management Agreement**

On 22 July 2014, the Issuer, the Guarantor, the Asset Monitor, the Guarantor Calculation Agent, the Test Calculation Agent, the Seller and the Representative of the Covered Bondholders entered into the Cover Pool Management Agreement, pursuant to which they have agreed certain terms regulating, *inter alia*, the performance of the Tests with respect to the Cover Pool and the purchase and sale by the Guarantor of assets included in the Cover Pool.

Under the Cover Pool Management Agreement, starting from the Issue Date of the first Series of Covered Bonds and until the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Final Terms, the Seller has undertaken to procure that on any Test Calculation Date each of the Statutory Tests and Asset Coverage Test is met with respect to the Cover Pool. In addition, on each Test Calculation Date following the service of an Issuer Default Notice (and on any date on which the Amortisation Test is to be performed) (provided that, in case the Issuer Event of Default consists of an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 Event Cure Notice), but prior to service of a Guarantor Default Notice, the Test Calculation Agent shall verify that the Amortisation Test is met with respect to the Cover Pool.

The Test Calculation Agent shall verify if each of the Statutory Tests and Asset Coverage Test is met on each Test Calculation Date and, to the extent that on any such Test Calculation Date any of the Statutory Tests and Asset Coverage Test was breached, on any following Monthly Calculation Date until the end of the relevant Test Grace Period. Pursuant to the Cover Pool Management Agreement, the "*Attività Finanziarie Deteriorate*" are not considered for the calculation of the Statutory Tests.

The Test Calculation Agent has agreed to prepare and deliver to Issuer, the Seller, the Guarantor, the Guarantor Calculation Agent, the Representative of the Covered Bondholders and the Asset Monitor, not later than the Test Calculation Date (or Monthly test Calculation Date, as applicable) a report setting out the calculations carried out by it in respect to the Statutory Tests, the Asset Coverage Test and (to the extent carried out pursuant to Clause 3.1 (*General undertaking to ensure Amortisation Test is met*) of the Cover Pool Management Agreement) the Amortisation Test and other information such as, *inter alia*, the Top-up Assets Limits (the "**Test Performance Report**"), it being understood that the Test Performance Report shall be provided no later than the Monthly Test Calculation Date in case of occurrence of any event described under Clauses 4.2 and 4.5 of the Asset Monitor Agreement. Such Test Performance Report shall specify the amount of Top-Up Assets in relation to the Seller, the occurrence of a breach of the Statutory Tests and/or the Asset Coverage Test and/or the Amortisation Test and the Portfolio with respect to which a shortfall has occurred, identified on the basis of the Seller which transferred it to the Guarantor.

The Test Calculation Agent shall verify each Test on each Test Calculation Date and, to the extent that on any such Test Calculation Date the Asset Coverage Test was breached, on any following Monthly Calculation Date until the end of the relevant Test Grace Period.

If the Test Calculation Agent notifies the breach of any Test in accordance with Clause 4.2 (*Breach of Tests*) of the Cover Pool Management Agreement, during the period starting on the date on which the breach is notified by the Test Calculation Agent and ending on the 1st (first) following Test Calculation Date (the "**Test Grace Period**"), the Guarantor will purchase Eligible Assets and/or Top-Up Assets, to be transferred by the Issuer in an aggregate amount sufficient to ensure, also taking into account the information provided by the Test Calculation Agent in the Test Performance Report notifying the relevant breach, 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 provided that, in accordance with Clause 4.5 of the Cover Pool Management Agreement, failure to remedy the Test will trigger an Issuer Event of Default only to the extent that on the end of the relevant Test Grace Period, the relevant breach has not been remedied in accordance with Clause 4.3 (*Grace Period and Remedy of Tests*) of the Cover Pool Management Agreement during the applicable Test Grace Period.

The parties to the Cover Pool Management Agreement have acknowledged that, at any time prior to the delivery of an Issuer Default Notice, the aggregate amount of Top-Up Assets included in the Cover Pool may not exceed 15 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 (including 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 to report such calculation 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, during the 2nd (second) following Calculation Period, transfer to the Guarantor New Portfolio(s) of Eligible Assets in an aggregate amount at least equal to the Relevant Top-Up Asset Excess; 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) following Calculation Date immediately following the Test Calculation Date in which any such Test Performance Report has been delivered, upon repayment by the Guarantor of any Term Loan outstanding under the Subordinated Loan Agreement, in accordance with the Pre-Issuer Event of Default Principal Priority of Payments.

The purchase price of New Portfolio(s) of Eligible Assets so transferred shall be financed (i) in accordance with the provisions of Clause 3.4 (*Cessione di Nuovi Portafogli finanziati con i Fondi Disponibili in Conto Capitale*) of the Master Loans Purchase Agreement or (ii) if the sums standing to the credit of the Collection Account are not sufficient to fund the purchase price of such New Portfolio(s) of Eligible Assets, through the proceeds of Term Loan(s) advanced by the Seller to the Guarantor pursuant to the Subordinated Loan Agreement. It is understood that, until the Relevant Top-Up Assets Excess is cured pursuant to the provisions of the Cover Pool Managament Agreement, the Relevant Top-Up Assets Excess would not be computed for the purposes of the calculation of the Statutory Tests.

The Parties have also acknowledged and agreed that, 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 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 shall newly apply upon delivery of an Article 74 Cure Notice.

For the purpose of allowing the Guarantor to fund the purchases referred to above:the Issuer, in its capacity as Subordinated Lender, has undertaken to advance to the Guarantor a Term Loan in accordance with the relevant Subordinated Loan Agreement in an amount equal to the purchase price to be paid by the Guarantor for the Eligible Assets and/or Top-Up Assets to be transferred by the Issuer. For the avoidance of doubt, the Issuer acknowledges and agrees that the Total Commitment amount set out from time to time under the Subordinated Loan Agreement shall under no circumstances be construed as a limitation with respect to the Issuer's obligations to advance the Term Loans due to the Guarantor in order to fund the purchase price for the relevant Eligible Assets and Top-Up Assets.

Following the notification by the Test Calculation Agent that:

(a) on a given Test Calculation Date, the Statutory Tests and/or of the Asset Coverage Test and/or the Amortisation Test have been breached; and

(b) after the end of the relevant Test Grace Period, the relevant breach has not been remedied in accordance with Clause 4.3 (*Grace Period and Remedy of Tests*) of the Cover Pool Management Agreement during the applicable Test Grace Period,

then the Representative of the Covered Bondholders will deliver, as the case may be:

(i) an Issuer Default Notice to the Issuer and the Guarantor; or

(ii) a Guarantor Default Notice on the Guarantor, if an Issuer Default Notice has already been served (provided that, should such Issuer Default Notice consist of an Article 74 Event, it has not served an Article 74 Event Cure Notice) and the Amortisation Test is breached.

Upon receipt of an Issuer Default Notice or a Guarantor Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool. The Issuer will not issue further Series of Covered Bonds following the breach of Tests which have not been cured or otherwise remedied.

After the service of an Issuer Default Notice on the Issuer and the Guarantor, but prior to the service of a Guarantor Default Notice, the Guarantor (also through the Servicer, pursuant to article 2.5.2 of the Servicing Agreement) will sell, refinance or otherwise liquidate the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with this Clause 5, subject to the rights of pre-emption in favour of the Issuer to buy such Eligible Assets and, if applicable, Top-Up Assets pursuant to the Master Loans Purchase Agreement, provided that, in case of the Issuer Event of Default consists of an Article 74 Event, such provisions will only apply for as long as the Representative of the Covered Bondholders will have delivered an Article 74 Event Cure Notice.

The Eligible Assets to be sold or liquidated will be selected from the Cover Pool on a random basis by the Servicer on behalf of the Guarantor and so to ensure that the ratio between the aggregate Outstanding Principal Balance of the Cover Pool and the Outstanding Principal Amount of all Series of Covered Bonds remains unaltered both prior to and following the sale or liquidation of the relevant Selected Assets and repayment of the Earliest Maturing Covered Bonds (any such Eligible Assets, together with any relevant Top-Up Assets, the "**Selected Assets**").

Before offering Selected Assets for sale or liquidating them, the Guarantor shall ensure that the Selected Assets have an aggregate Outstanding Principal Balance which is as close as possible to:

(a) the Outstanding Principal Amount in respect of the Earliest Maturing Covered Bonds, multiplied by 1+ (Negative Carry Factor x (days to maturity of the relevant Series of Covered Bonds/365)); *minus*

(b) amounts standing to the credit of the Collection Account, the Payment Account and the Reserve Fund Account; *minus*

(c) the principal amount of any Top-Up Assets consisting of deposits,

excluding, with respect to items (b) and (c) above, all amounts to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the applicable Priority of Payments (the "**Required Outstanding Principal Balance**").

The Guarantor through the Portfolio Manager will offer the Selected Assets for sale or liquidate them for the best price or proceeds reasonably available but in any event for an amount not less than the Required Outstanding Principal Balance (the "**Required Outstanding Principal Balance Amount**").

If the Selected Assets have not been sold or otherwise liquidated in an amount equal to the Required Outstanding Principal Balance Amount by the date which is six months prior to, as applicable, the Maturity Date (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or the Extended Maturity Date (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date) of the Earliest Maturing Covered Bonds, and the Guarantor does not have sufficient other funds standing to the credit of the Collection Account, the Payment Account and the Reserve Fund Account 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 through the Portfolio Manager will offer the Selected Assets for sale or liquidate them for the best price reasonably available notwithstanding that such price may be less than the Required Outstanding Principal Balance Amount and provided that the Guarantor will sell or liquidate further Selected Assets as are necessary to generate proceeds at least equal to the Required Outstanding Principal Balance Amount.

With respect to any sale or liquidation to be carried out, the Guarantor shall instruct the Portfolio Manager (as defined below) - 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 any Top-Up Assets included in the Selected Assets before any Eligible Assets are sold in accordance herewith.

The Guarantor may offer for sale or otherwise liquidate part of any portfolio of Selected Assets (a "**Partial Portfolio**"). Except in circumstances described under the Cover Pool Management Agreement, the sale price or liquidation proceeds of the Partial Portfolio (as a proportion of the 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.

Upon the service of an Issuer Event of Default on the Issuer and the Guarantor, the Guarantor will through a tender process (to be carried out by the Guarantor Corporate Servicer on behalf of the Guarantor) appoint a portfolio manager (the "**Portfolio Manager**") of recognised standing on a basis intended to incentivise the Portfolio Manager to achieve the best proceeds for the sale or liquidation of the Selected Assets (if such terms are commercially available in the market) and to advise it in relation to the sale to purchasers (except where the Issuer is buying the Selected Assets in accordance with its right of pre-emption under the Master Loans Purchase Agreement) or liquidation of the Selected Assets. The terms of the agreement giving effect to the appointment of the Portfolio Manager in accordance with such tender, as well as the terms and conditions of the sale of the Selected Assets, shall be approved by the Representative of the Covered

Bondholders, provided however that the Representative of the Covered Bondholders shall never be responsible against any person whatsoever for the selection of, and the performance of the activities entrusted with, the Portfolio Manager so appointed.

Following the delivery of an Issuer Default Notice consisting of an Article 74 Event, the obligation of the Guarantor to sell or liquidate Selected Assets, as described above, shall cease to apply starting from the date on which the Representative of the Covered Bondholders delivers to the Issuer, the Seller, the Guarantor and the Asset Monitor an Article 74 Event Cure Notice in accordance with the provisions of the Covered Bond Guarantee.

Following the delivery by the Representative of the Covered Bondholders of a Guarantor Default Notice, the Guarantor shall immediately sell or liquidate all assets included in the Cover Pool in accordance with the procedures described above and the proceeds thereof will be applied as Guarantor Available Funds, *provided that* the Guarantor (or, in the absence, the Representative of the Covered Bondholders) will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale or liquidation is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

*Governing law*

The Cover Pool Management Agreement is governed by Italian law.

**The Swap Agreements**

**Liability Swap Agreements**

The Guarantor may enter into one or more Liability Swap Agreements on or about the Issue Date of a Series of Covered Bonds with one or more Liability Swap Providers to hedge certain interest rate, currency and other risks in respect of amounts payable by the Guarantor in respect of the Series of Covered Bonds issued on that Issue Date. The aggregate notional amount of the Liability 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 Liability Swap Agreements, on each Guarantor Payment Date, it is expected that the Guarantor will pay to the Liability 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, the Liability Swap Provider would pay to the Guarantor on the payment dates elected in the relevant confirmation 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.

It is intended that each Liability Swap Agreement would 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 Series of Covered Bonds as specified in the relevant Liability Swap Agreement.

**Asset Swap Agreements**

Some of the Mortgage Loans in the portfolio purchased by the Guarantor from each Seller from time to time will pay a variable rate of interest and other Mortgage Loans will pay a fixed rate of interest. The Guarantor may enter into an Asset Swap Agreement to mitigate variations between the rate of interest payable on the Mortgage Loans in the Portfolio and EURIBOR and to 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 the Rating Agency below the rating(s) specified in the relevant Swap

Agreement (in accordance with the criteria of the Rating Agency), 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 Rating Agency in order to maintain the rating of the Covered Bonds, or

(c) procuring another entity, with the ratings meeting the 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.

***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 "**Credit Support Annex**"). The Credit Support Annex 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 Credit Support Annex, will transfer collateral (“**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 any Priority 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 22 July 2014, the Guarantor and the Representative of the Covered Bondholders entered into a mandate agreement (the "**Mandate Agreement**"), pursuant to which the Representative of the Covered Bondholders shall be authorised, subject to a Guarantor Default Notice being delivered to the Guarantor or upon failure by the Guarantor to exercise its rights under the Programme Documents and, subject to certain conditions, to exercise, in the name and on behalf of the Guarantor, in the interest of the Covered Bondholders and for the benefit of the Other Creditors all the Guarantor's right with reference to certain Programme Documents.

*Governing law*

The Mandate Agreement is governed by Italian law.

**Deed of Pledge**

On 22 July 2014, the Guarantor, the Representative of the Covered Bondholders and the Other Creditors entered into the Deed of Pledge under which, without prejudice and in addition to any security, guarantee and other right provided by the Securitisation and Covered Bond Law and the Deed of Charge, securing the discharge of the Guarantor's obligations to the Covered Bondholders and the Other Creditors, the Guarantor has pledged in favour of the Covered Bondholders and the Other Creditors all monetary claims and rights and all the amount arising (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Guarantor is or will be entitled to from time to time pursuant to certain Programme Documents, with the exclusion of the Cover Pool and the Collections. The security created pursuant to the Deed of Pledge will become enforceable upon the service of a Guarantor Default Notice.

*Governing law*

The Deed of Pledge is governed by Italian law.

**Deed of Charge**

On 22 July 2014, the Guarantor entered into the Deed of Charge with the Representative of the Covered Bondholders pursuant to which, without prejudice and in addition to any security, guarantees and other rights provided by the Securitisation and Covered Bond Law and the Deed of Pledge securing the discharge of the Guarantor's obligations to the Covered Bondholders and the Other Creditors, the Guarantor has charged and assigned in favour of the Representative of the Covered Bondholders as trustee for the Covered Bondholders and the Other Creditors all of its right, title, benefit and interest under the Swap Agreements, including the benefit of any guarantees thereunder, and right or title on or to any asset subject to English law. The security created pursuant to the Deed of Charge will become enforceable upon the service of a Guarantor Default Notice.

*Governing law*

The Deed of Charge is governed by English law.

**Corporate Services Agreement**

On 30 May 2014, the Corporate Servicer and the Guarantor have entered into a corporate services agreement with the Corporate Servicer (the "**Corporate Services Agreement**"), pursuant to which the Corporate Servicer has agreed to provide certain corporate and administrative services to the Guarantor

*Governing law*

The Corporate Services Agreement is governed by Italian law.

**Quotaholders' Agreement**

For a description of the Quotaholders' Agreement, see "*The Guarantor*".

# 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 Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Representative of the Covered Bondholders of an Issuer Default Notice on the Issuer and on the Guarantor or, if earlier, following the occurrence of a Guarantor Event of Default, service by the Representative of the Covered Bondholders of a Guarantor Default Notice on the Guarantor.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders, as follows:

- the Covered Bond Guarantee provides credit support to the Issuer;
- the Statutory Tests and the Asset Coverage Test are periodically performed with the intention of ensuring that the Cover Pool is at all times sufficient to repay the Covered Bonds;
- the Amortisation Test is periodically performed, following the occurrence of an Issuer Event of Default and service of an Issuer Default Notice on the Issuer and the Guarantor, for the purpose of testing the asset coverage of the Guarantor's assets in respect of the Covered Bonds;
- a Reserve Fund Account will be established which will build up over time, in order to ensure that the Guarantor will have sufficient funds set aside to fulfil its obligation to pay interest accruing with respect to the Covered Bonds or the Liability Swap Agreements; and
- the swap agreements that may be entered into in order to hedge certain interest rate, currency or other risks, in respect of amounts received and amounts payable by the Guarantor.

Certain of these factors are considered more fully in the remainder of this section.

**Guarantee**

The Covered Bond Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts when they become due for payment in respect of all Covered Bonds issued under the Programme.

See "*Cashflows*" further, as regards the payment of amounts payable by the Guarantor to Covered Bondholders and the Other Issuer Creditors following the occurrence of an Issuer Event of Default.

**Compliance with the Tests**

Under the terms of the Cover Pool Management Agreement, the Issuer must ensure that, on each Test Calculation Date prior to service of an Issuer Default Notice, the Cover Pool is in compliance with the Tests described below. If on any Test Calculation Date the Cover Pool is not in compliance with the Tests, then the Seller will sell Eligible Assets or Top-Up Assets to the Guarantor for an amount sufficient to allow the Tests to be met on the next following Test Calculation Date, in accordance with the Master Loans Purchase Agreements and the Cover Pool Management Agreement, to be financed through the proceeds of the Subordinated Loan to be granted by Seller.

***Statutory Tests***

The Statutory Tests are intended to ensure that the Guarantor can meet its obligations under the Covered Bond Guarantee. In order to ensure that the statutory tests provided for under Article 3 of Decree No. 310 (the "**Statutory Tests**") are satisfied and that the Cover Pool is at all times sufficient to repay the Covered Bonds, the Seller must ensure that the three tests set out below are satisfied on each Calculation Date.

Pursuant to the Cover Pool Management Agreement, the "*Attività Finanziarie Deteriorate*" will not be considered for the calculation of the Statutory Tests.

***Nominal Value Test***

The outstanding aggregate principal balance of the Eligible Cover Pool from time to time owned by the Guarantor (for the avoidance of doubts, this amount includes the aggregate amounts standing to the credit of the Collection Account, the Reserve Fund Account and the Guarantor Payments Account (in relation to the principal component only)) up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the relevant Priority of Payments shall be at least equal to, or higher than, the Euro Equivalent amount of the aggregate principal notional amount of all Covered Bonds at the same time outstanding (the "**Nominal Value Test**").

***Net Present Value Test***

The Issuer and the Seller must ensure, and the Test Calculation Agent shall verify, on each Test Calculation Date or Monthly Test Calculation Date, as the case may be, that the Net Present Value Test is met with respect to the Cover Pool.

The Net Present Value of the Eligible Cover Pool shall be at least equal to, or higher than, the Net Present Value of the Euro Equivalent amount of the Outstanding Covered Bonds (the "**NPV Test**") where

**"Net Present Value of the Eligible Cover Pool**" means on each Test Calculation Date and/or Monthly Test Calculation Date, an amount equal to the algebraic sum of:

(i) the product of

(A) the applicable Discount Factor; and

(B) the expected future principal and future interest payments to be received by the Guarantor under or in respect of the Eligible Cover Pool (it being understood that such future principal and interest payments in respect of any Mortgage Loan for which the LTV exceed the percentage limit set forth under article 2, paragraph 1, of the Decree 310 will be considered up to an amount that, takes into account the Latest Valuation relating to that Mortgage Loan, allows compliance with such percentage limit); plus

(ii) the product of

(a) the applicable Discount Factor; and

(b) the expected payments to be made or received by the Guarantor under or in respect of the Swap Agreements; *minus*

(iii) the product of

(1) the applicable Discount Factor; and

(2) any amount expected to be paid by the Guarantor in priority to the Swap Agreements in accordance with the relevant Priorities of Payments; plus

(iv) any principal payment actually received by the Guarantor in respect of the Receivables and not yet applied under the relevant Priority of Payments;

"**Net Present Value of the Covered Bonds**" means on each Test Calculation Date and/or Monthly Test Calculation Date, an amount equal to the product of (i) the applicable Discount Factor and (ii) the expected principal and interest payments due in respect of the Euro Equivalent amount of the outstanding Series of Covered Bonds issued under the Programme;

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

"**Swap Curve**" means the term structure of interest rates used by the Servicer in accordance with the best market practice and calculation based on market instruments.

***Interest Coverage Test***

The Net Interest Collections from the Eligible Cover Pool shall be at least equal to, or higher than, the interest payments scheduled to be due in respect of all the Outstanding Principal balance of all the Covered Bonds (the "**Interest Coverage Test**"), where:

"**Net Interest Collections from the Eligible Cover Pool**" means, on each Test Calculation Date and/or Monthly Test Calculation Date, an amount equal to the positive difference between:

(i) the sum of

(A) interest payments received, or expected to be received, by the Guarantor under or in respect of the Eligible Cover Pool in each and all respective Calculation Periods (including, for the avoidance of doubt, any amount of interest to be realised from the investment into Eligible Investments of principal collections arising from the expected amortisation of the Eligible Cover Pool in each and all respective Calculation Periods and it being understood that the interest payments expected to be received in respect of any Mortgage Loan for which the LTV exceed the percentage limit set forth under article 2, paragraph 1, of the Decree 310, will be considered up to an amount that, takes into account the Latest Valuation relating to that Mortgage Loan, allows compliance with such percentage limit) and any amount of interest accrued on the Collection Account, the Reserve Fund Account and the Guarantor Payments Account and any additional cash flows expected to be deposited in the Collection Account, the Reserve Fund Account and the Guarantor Payments Account in each and all respective Calculation Periods;

(B) any amount to be received by the Guarantor as payments under the Swap Agreements prior to or on each and all respective Guarantor Payment Dates; and

(C) any other amount to be received by the Guarantor as payments owed under the Swap Agreements; and

(ii) the payments (in relation to the interest component only) to be effected in accordance with the relevant Priority of Payments, by the Guarantor in priority to any amount to be paid on the Covered Bonds, and including payments under the Swap Agreements on each and all respective Guarantor Payment Dates.

***Asset Coverage Test***

In addition to the Statutory Tests, starting from the Initial Issue Date and until the earlier of:

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

(b) the date on which an Issuer Default Notice is served on the Guarantor,

the Test Calculation Agent shall verify on each Test Calculation Date and, to the extent that on any such Test Calculation Date the Asset Coverage Test was breached, on any following Monthly Test Calculation Date until the end of the relevant Test Grace Period, as the case may be, the Adjusted Aggregate Loan Amount (as defined below) is at least equal to the Euro Equivalent amount of the aggregate Outstanding Principal Balance of the Covered Bonds (the "**Asset Coverage Test**").

For the purpose of the Asset Coverage Test, "**Adjusted Aggregate Loan Amount**" means an amount calculated in accordance with the following formula:

**A+B+C + D -Y-W - H - Z**

where

"***A***" is equal to the lower of (i) and (ii),

where:

(i) is the aggregate of the "**LTV Adjusted Principal Balance**" of each Mortgage Loan in the Eligible Cover Pool as at any given date, calculated as the lower of:

(1) the actual Outstanding Principal Balance of the relevant Mortgage Loan in the Eligible Cover Pool as at the last day of the immediately preceding Collection Period; and

(2) the Latest Valuation relating to that Residential Mortgage Loan as at such date multiplied by M (where M is equal to (a) 80 per cent for all Mortgage Loans that are up to 90 days In Arrears or not In Arrears, (b) 40 per cent for all Residential Mortgage Loans that are more than 90 days In Arrears but are not yet Defaulted Receivables and (c) zero for all Defaulted Receivables),

*minus*

the aggregate of the following deemed reductions to the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool if any of the following occurred during the immediately preceding Collection Period:

(A) a Residential Mortgage Loan or any security relating thereto was, during the immediately preceding Calculation Period, in breach of the representations and warranties contained in the Warranty and Indemnity Agreement and the Seller has not indemnified the Guarantor or otherwise cured such breach, to the extent required by the terms of the Warranty and Indemnity Agreement (any such Residential Mortgage Loan an "**Affected Loan**"). In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the LTV Adjusted Principal Balance of the relevant Affected Loans (as calculated on the last day of the immediately preceding Calculation Period); and/or

(B) the Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Loans Purchase Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding

Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Calculation Period in respect of such Residential Mortgage Loan (such financial loss to be calculated by the Test Calculation Agent without double counting with the reduction under (A) above and to be set off against any amount paid (in cash or in kind) to the Guarantor by the Seller and/or the Servicer to indemnify the Guarantor for such financial loss) (any such loss a "**Breach Related Loss**");

AND

(ii) is the aggregate "**Asset Percentage Adjusted Principal Balance**" of the Residential Mortgage Loans in the Eligible Cover Pool as at any given date which in relation to each Residential Mortgage Loan shall be calculated as the lower of (1) the actual Outstanding Principal Balance of the relevant Residential Mortgage Loan as calculated on the last day of the immediately preceding Collection Period, and (2) the Latest Valuation relating to that Residential Mortgage Loan as at such date multiplied by N (where N is equal to (a) 100 per cent for all Residential Mortgage Loans that are ~~less~~ up to 90 days In Arrears or not In Arrears, (b) 40 per cent for Residential Mortgage Loans that are more than 90 days In Arrears but are not yet Defaulted Receivables and (c) zero for all Defaulted Receivables),

*minus*

the aggregate sum of (1) the Asset Percentage Adjusted Principal Balance of any Affected Loan(s), calculated as described in item (i)(A) above and/or (2) any Breach Related Losses, calculated as described in item (i)(B) above,

the result of which multiplied by the Asset Percentage.

It being understood that in the event the Issuer chooses not to apply such other percentage figure of the Asset Percentage lower than 88 per cent (as defined under item (b) of the relevant definition), this will not result in a breach of the Asset Coverage Test.

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 New Portfolio sold after the Collection Period End Date and prior to the relevant Test Calculation Date (or Monthly 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 Loans Purchase Agreement for the purposes of the purchase of the New Portfolio by the Guarantor 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.

"***B***" is equal to the aggregate amount of all sums standing to the credit of the Collection Account, the Reserve Fund Account and the Guarantor Payments Account as at the end of the immediately preceding Calculation Period which have not been applied in accordance with the relevant Priority of Payments up to a maximum nominal amount which cannot exceed, taking into account "C" below, 15 per cent of the nominal amount of the aggregate Cover Pool as at such date;

"***C***" is equal to the aggregate Outstanding Principal Balance of any Top Up Assets and/or Eligible Investments as the end of the immediately preceding Calculation Period (without duplication with the amounts standing to the credit of the Accounts under "B" above) and up to a maximum nominal amount which cannot exceed, taking into account "B" above, 15 per cent of the nominal amount of the aggregate Cover Pool as at such date;

"***D***" stands for the aggregate Outstanding Principal Balance of any Eligible Assets other than Mortgage Loans.

"***Y***" is equal to the Potential Set-Off Amount;

"***W***" is equal to the Commingling Amount;

"***H***" is equal to the aggregate amount of the principal instalment of each Mortgage Loan which have been deferred in accordance with a Payment Holiday, as long as the relevant Mortgage Loan has a Payment Holiday;

"***Z***" means the amount resulting from the product of (i) the weighted average remaining maturity of all Covered Bonds then outstanding expressed in days and divided by 365, (ii) the Euro Equivalent amount of the aggregate Outstanding Principal Balance of the Covered Bonds, and (iii) the Negative Carry Factor;

"**Asset Percentage**" means, on any Test Calculation Date and/or Monthly Test Calculation Date and/or on any other date on which the Asset Coverage Test is to be performed under the Cover Pool Management Agreement or under other Programme Documents, as the case may be, the lower of (a) 88 per cent and (b) such lower percentage figure determined by the Issuer on behalf of the Guarantor in accordance with the Rating Agency's methodologies (after procuring the level of *overcollateralization* in order to comply with the Asset Coverage Test following such change), notified using the *pro-forma* notice attached under Schedule 1 of the Cover Pool Management Agreement to the Guarantor, the Guarantor Calculation Agent, the Servicer, the Rating Agency, the Asset Monitor and the Representative of the Covered Bondholders and published in the relevant Investor Report as the new Asset Percentage.

"**Payment Holiday**" means in respect of a Mortgage Loan, the period of deferral of the payment of its interest and/or principal instalments in accordance with (i) 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, or (ii) the agreement reached by the Servicer and the Debtors.

***Amortisation Test***

The Amortisation Test is intended to ensure that, following an Issuer Event of Default, the service of an Issuer Default Notice on the Issuer and on the Guarantor (but prior to service on the Guarantor of a Guarantor Default Notice), the Cover Pool contains sufficient assets to enable the Guarantor to meet its obligations under the Covered Bond Guarantee. The Amortisation Test will be considered met if, on the relevant Test Calculation Date, the Amortisation Test Aggregate Loan Amount is an amount at least equal to the Euro Equivalent amount of the Outstanding Principal Amount of the issued Covered Bonds as calculated on the relevant Test Calculation Date. 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 if such breach is not remedied by the Seller (or failing which, the Issuer) in accordance with Clause 4.3 (Grace Period and Remedy of Tests) of the Cover Pool Management Agreement during the applicable Test Grace Period, a Guarantor Default Notice will be served by the Representative of the Covered Bondholders on the Guarantor causing the acceleration of the Covered Bonds and a demand for enforcement of the Covered Bond Guarantee. The Test Calculation Agent, whilst Covered Bonds are outstanding, will immediately notify the Representative of the Covered Bondholders of any breach of the Amortisation Test. Following a Guarantor 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 Test Calculation Date and/or Monthly Test Calculation Date, as the case may be, as follows:

**A + B + C – Z**

where,

"**A**" stands for the aggregate "**Adjusted Outstanding Principal Balance**" of each Residential Mortgage Loan in the Cover Pool as at the relevant Calculation Date, which shall be the lower of:

(i) the actual Outstanding Principal Balance of each Residential Mortgage Loan as calculated on the last day of the immediately preceding Collection Period multiplied by M and

(ii) the Latest Valuation relating to that Residential Mortgage Loan multiplied by M,

where M is equal to (a) 100 per cent, for all Mortgage Loans that are up to three months In Arrears or not In Arrears, (b) 85 per cent for all Mortgage Loans that are more than three months In Arrears but are not yet Defaulted Receivables and (c) 70 per cent for all Defaulted Receivables,

*minus*

the aggregate sum of the following deemed reductions to the aggregate Outstanding Principal Balance of the Residential Mortgage Loans in the Eligible Cover Pool if any of the following occurred during the immediately preceding Collection Period:

(I) a Residential Mortgage Loan was, in the immediately preceding Collection Period, an Affected Loan. In this event, the aggregate Outstanding Principal Balance of the Residential Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Outstanding Principal Balance of the relevant Affected Loans (as calculated on the last day of the immediately preceding Collection Period) multiplied by M (where M is equal to (a) 100 per cent, for all Residential Mortgage Loans that are up to three months In Arrears or not In Arrears, (b) 85 per cent for all Residential Mortgage Loans that are more than three months In Arrears but are not yet Defaulted Receivables and (c) 70 per cent for all Defaulted Receivables; and/or

(II) the Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Loans Purchase Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Outstanding Principal Balance of the Residential Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Collection Period) 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 in respect of such Residential Mortgage Loan (such financial loss to be calculated by the Test Calculation Agent without double counting with the reduction under (I) above and to be set off against any amount paid (in cash or in kind) to the Guarantor by the Seller and/or the Servicer to indemnify the Guarantor for such financial loss);

"**B**" stands for the aggregate of principal amount standing to the credit of the Collection Account, the Reserve Fund Account and the Guarantor Payments Account and the principal amount of any Top-Up Assets or Eligible Investment at the end of the preceding Collection Period;

"**C**" stands for the aggregate amount of all principal amounts collected by the Servicer in respect of the Eligible Cover Pool up to the end of the immediately preceding Collection Period which have not been provisioned as at the relevant Calculation Date to acquire further New Portfolio and/or Top Up Assets or otherwise provisioned in accordance with the Programme Documents; and

"**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 multiplied by the Negative Carry Factor.

***Reserve Fund Account***

The Reserve Fund Account is held in the name of the Guarantor for the purpose of setting aside, on each Guarantor Payment Date, the relevant Reserve Fund Amount. Such Reserve Fund Amount will be determined on each Calculation Date in an amount sufficient to ensure that, in the event that a payment is required to the Guarantor under the Covered Bond Guarantee, the Guarantor would have sufficient funds set aside and readily available to pay (A) interest accruing in respect of all outstanding Series of Covered Bonds during the immediately following Guarantor Payment Period (such that, (a) if Liability Swap Agreements are in place for a Series of Covered Bonds, such interest amounts accruing will be the higher of the amount due to the Liability Swap Provider or the amount due to the Covered Bondholders of such Series, (b) if Liability Swap Agreements are not in place for a Series of Covered Bonds, such interest amounts accruing will be the amount due the Covered Bondholders of such Series and (c) if Liability Swap Agreements are in place for a portion of a Series of Covered Bonds, such interest amounts accruing will be the sum of (i) for the portion of the Series covered by the Liability Swap Agreement, the higher of the amount due to the Liability Swap Provider and the amount due to the Covered Bondholders of such Series, and (ii) for the remaining portion, the interest amounts accruing will be the proportional amount due the Covered Bondholders of such Series) as calculated by the Guarantor Calculation Agent on or prior to each Calculation Date, *plus* (B) prior to the service of an Issuer Default Notice, the aggregate amount to be paid by the Guarantor on the second Guarantor Payment Date following the relevant Calculation Date in respect of the items (*First)(a)* to (*Third*) of the Pre- Issuer Event of Default Interest Priority of Payments, as calculated by the Guarantor Calculation Agent; *plus* (C) any additional amount that the Issuer has voluntarily resolved to accumulate as reserve in order to create an additional stock to procure that the Statutory Tests are met with respect to the Cover Pool.

## CASHFLOWS

As described above under "*Credit Structure*", until an Issuer 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:

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

(a) interest collected by the Servicer in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Calculation Date;

(b) all recoveries in the nature of interest and fees received by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Calculation Date;

(c) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts (excluding the Swap Collateral Cash Account and the Swap Collateral Securities Account) during the Collection Period preceding the relevant Calculation Date;

(d) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;

(e) any payment received on or immediately prior to such Guarantor Payment Date from any Swap Provider other than any Swap Collateral Excluded Amounts and any principal payments under the Swap Agreements;

(f) all interest amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;

(g) the Reserve Fund Amount standing to the credit of the Reserve Fund Account; and

(h) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds and other than any principal amounts) received by the Guarantor from any party to the Programme Documents; and

(i) interest amount recovered by the Guarantor 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:

(a) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Collection Account net of the amounts applied to purchase Eligible Assets and Top-Up Assets during the Collection Period preceding the relevant Calculation Date;

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

(c) all principal amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;

(d) the proceeds of any disposal of Eligible Assets and any disinvestments of Top-Up Assets;

(e) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;

(f) 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;

(g) any swap principal payable under the Swap Agreements other than any Swap Collateral Excluded Amounts;

(h) any amount paid under the Subordinated Loan and not repaid standing to the credit of the Collection Account;

(i) all the amounts allocated pursuant to item *Sixth* of the Pre-Issuer Event of Default Interest Priority of Payments; and

(j) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

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

Prior to service of an Issuer Default Notice on the Issuer and the Guarantor or service of a Guarantor Default Notice on the Guarantor, Interest Available Funds will be applied by or on behalf of the Guarantor on each Guarantor Payment Date in making the following payments and provisions (the "**Pre-Issuer Event of Default Interest Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *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;

(b) *Second*, to pay any amount due and payable to the Representative of the Covered Bondholders;

(c) *Third*, to pay, pari passu and pro rata, according to the respective amounts thereof, any amount due and payable to the Servicer, the Guarantor Calculation Agent, the Test Calculation Agent, the Corporate Servicer, the Asset Monitor, the Account Bank, the Guarantor Paying Agent, the Issuer Paying Agent, the Cash Manager and the Cover Pool Manager (if any);

(d) *Fourth*, to pay or to make provisions for (as the case may be) any amounts due and payable to any Swap Provider (including any termination payments due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting Party or the relevant Swap Provider has become a Sole Affected Party following the occurrence of a Downgrade Termination Event (as defined in the Liability Swap Agreement) or the Guarantor has become the Sole Affected Party following the occurrence of an Additional Termination Event in respect of the occurrence of any change in law of Securitisation and Covered Bond Law pursuant to Part 1(h)(ii) of the Liability Swap Agreement) other than the swap principal;

(e) *Fifth*, to transfer to the Reserve Fund Account the relevant Reserve Fund Amount;

(f) *Sixth*, to allocate to the Principal Available Funds an amount equal to the amounts, if any, allocated on the immediately preceding Guarantor Payment Date and on any preceding Guarantor Payment Date pursuant to item *First* of the Pre Issuer Event of Default Principal Priority of Payments, net of any amount already allocated under this item Sixth on any previous Guarantor Payment Date;

(g) *Seventh*, to pay any Base Interest due to the Subordinated Lender under the Subordinated Loan Agreement provided that the Statutory test and the Asset Coverage Test are satisfied on such Guarantor Payment Date;

(h) *Eighth*, to pay or to make provisions for (as the case may be) any payments due and payable by the Guarantor to any Swap Provider not paid under item Fourth above; and

(i) *Ninth*, to pay any Premium Interest due to the Subordinated Lender under the Subordinated Loan Agreement, provided that the Statutory Test and the Asset Coverage Test are satisfied on such Guarantor Payment Date.

For the avoidance of doubt, (i) the Guarantor shall, if necessary, make the payments set out under items First, paragraph (a), above also during each Interest Period and (ii) any Swap Collateral Excluded Amount will be paid to the relevant Swap Counterparty directly pursuant to the provisions of the Credit Support Annex and not under the Priority of Payments

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

Prior to service of an Issuer Default Notice on the Issuer and the Guarantor or service of a Guarantor Default Notice on the Guarantor, all Principal Available Funds will be applied by or on behalf of the Guarantor on each Guarantor Payment Date in making the following payments and provisions (the "**Pre-Issuer Event of Default Principal Priority of Payments**") (in each case only if and to the extent that payments of provisions of a higher priority have been made in full):

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

(b) *Second*, to acquire Eligible Asset or Top Up Asset (other than those funded through the proceeds of the Subordinated Loan);

(c) *Third*, to pay or to make provisions for (as the case may be) any swap principal due to any Swap Provider;

(d) *Fourth*, to repay the Subordinated Loan advanced by the Subordinated Lender under the Subordinated Loan Agreement, provided that the Statutory Tests and the Asset Coverage Test are complied with (after such payment) and the Subordinated Lender has requested the repayment of the Subordinated Loan pursuant to clause 6.5.1 of the Subordinated Loan Agreement; and

(e) *Fifth*, to the extent that the Subordinated Lender has not received amounts as repayment of the Subordinated Loan under item *Fourth* above, to deposit, pursuant to clause 6.5.2 of the Subordinated Loan Agreement, the relevant amounts in the Collection Account.

For the avoidance of doubt, any Swap Collateral Excluded Amount will be paid to the relevant Swap Counterparty directly pursuant to the provisions of the Credit Support Annex to the Swap Agreement and not under the Priority of Payments.

***Guarantee Priority of Payments***

On each Guarantor Payment Date after the service of an Issuer Default Notice on the Issuer and the Guarantor (but prior to the service of a Guarantor Default Notice), the Guarantor Available Funds shall be applied at the direction of the Guarantor in making the following payments or provisions in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *First*, (a) to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any Expenses of the Guarantor owed to third parties (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;

(b) *Second*, to pay any amount due and payable to the Representative of the Covered Bondholders;

(c) *Third*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Servicer, the Guarantor Calculation Agent, Test Calculation Agent, the Corporate Servicer, the Asset Monitor, the Account Bank, the Issuer Paying Agent, the Guarantor Paying Agent, the Cash Manager and the Cover Pool Manager (if any);

(d) *Fourth*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amounts, other than in respect of principal, due and payable on such Guarantor Payment Date or during the period commencing on (and including) such Guarantor Payment Date and ending on (but excluding) the immediately following Guarantor Payment Date (the "**Guarantor Payment Period**") (i) to any Swap Provider (including any termination payments due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting Party or the relevant Swap Provider has become a Sole Affected Party following the occurrence of a Downgrade Termination Event (as defined in the Liability Swap Agreement) or the Guarantor has become the Sole Affected Party following the occurrence of an Additional Termination Event in respect of the occurrence of any change in law of Securitisation and Covered Bond Law pursuant to Part 1(h)(ii) of the Liability Swap Agreement); and (ii) on the Covered Bonds;

(e) *Fifth*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amounts in respect of principal due and payable on such Guarantor Payment Date or during the immediately following Guarantor Payment Period (i) to any Swap Provider (including any termination payments due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting Party or the relevant Swap Provider has become a Sole Affected Party following the occurrence of a Downgrade Termination Event (as defined in the Liability Swap Agreementor the Guarantor has become the Sole Affected Party following the occurrence of an Additional Termination Event in respect of the occurrence of any change in law of Securitisation and Covered Bond Law pursuant to Part 1(h)(ii) of the Liability Swap Agreement); and (ii) on the Covered Bonds;

(f) *Sixth*, to deposit in the Reserve Fund Account any cash balances until the Covered Bonds have been repaid in full or sufficient amounts have been accumulated to pay outstanding Covered Bonds;

(g) *Seventh*, to pay any termination payments due and payable by the Guarantor to the Swap Providers not paid under item *Fourth* or *Fifth* above;

(h) *Eighth*, to pay to the Seller any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items above;

(i) *Ninth*, to pay any principal due and payable to the Subordinated Lender under the Subordinated Loan Agreement; and

(j) *Tenth*, to pay any Base Interest and Premium Interest due to the Subordinated Lender under the Subordinated Loan Agreement.

For the avoidance of doubt, (i) the Guarantor shall, if necessary, make the payments set out under items First, paragraph (a), above also during each Interest Period and (ii) any Swap Collateral Excluded Amount will be paid to the relevant Swap Counterparty directly pursuant to the provisions of the Credit Support Annex and not under the Priority of Payments.

**Post-Enforcement Priority of Payments**

Following the occurrence of a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor, the Guarantor Available Funds will be applied in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *First*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any Expenses of the Guarantor owed to third parties (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);

(b) *Second*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Representative of the Covered Bondholders and the remuneration due to any Receiver and any proper costs and expenses incurred by it;

(c) *Third*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Servicer, the Guarantor Calculation Agent, the Test Calculation Agent ,the Corporate Servicer, the Asset Monitor, the Account Bank, the Issuer Paying Agent, the Guarantor Paying Agent, the Cash Manager and the Cover Pool Manager (if any);

(d) *Fourth*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, (i) any amounts due and payable to any Swap Provider (including any termination payments due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting Party or the relevant Swap Provider has become a Sole Affected Party following the occurrence of a Downgrade Termination Event (as defined in the Liability Swap Agreement) or the Guarantor has become the Sole Affected Party following the occurrence of an Additional Termination Event in respect of the occurrence of any change in law of Securitisation and Covered Bond Law pursuant to Part 1(h)(ii) of the Liability Swap Agreement); and (ii) any interest and any Outstanding Principal Amount due under all outstanding Series of Covered Bonds;

(e) *Fifth*, to pay any termination payments due and payable by the Guarantor to any Swap Provider not paid under item *Fourth* above;

(f) *Sixth*, to pay to the Seller any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items above;

(g) *Seventh*, to pay any amount outstanding payable to the Subordinated Lender under the Subordinated Loan Agreement.

## DESCRIPTION OF THE COVER POOL

The Cover Pool is comprised of (i) the Portfolio, which is in turn comprised of Mortgage Loans and related collateral assigned to the Guarantor by the Seller in accordance with the terms of the Master Loans Purchase Agreement and (ii) any other Eligible Assets and Top-Up Assets held by the Guarantor.

The Initial Portfolio and each New Portfolio acquired by the Guarantor (the "**Portfolio**"), consists of Mortgage Loans sold by any the Seller to the Guarantor from time to time, in accordance with the terms of the Master Loans Purchase Agreement, as more fully described under "*Overview of the Programme Documents — Master Loans Purchase Agreements*".

For the purposes hereof:

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

"**New Portfolio**" means any portfolio of Receivables (other than the Initial Portfolio), comprising Eligible Assets, and/or Top-Up Assets which may be purchased by the Guarantor from any Seller pursuant to the terms and subject to the conditions of the Master Loans Purchase Agreement.

### Eligibility Criteria

The sale of Loans and their Related Security and the transfer of any other Eligible Asset or Top-Up Asset to the Guarantor will be subject to various conditions (the "**Eligibility Criteria**") being satisfied on the relevant Transfer Date (except as otherwise indicated). The Eligibility Criteria with respect to each asset type will vary from time to time but will at all times include criteria so that Italian law requirements are met.

The following assets (*attivi idonei* or "**Eligible Assets**") are considered eligible under Article 2, sub-paragraph 1, of Decree No. 310:

(a) residential mortgage loans that have an LTV that does not exceed 80 per cent and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed;

(b) commercial mortgage loans that have an LTV that does not exceed 60 per cent and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed;

(c) receivables owed by, securities issued by, or receivables or securities which have the 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 per cent 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 per cent 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 per cent is applicable in accordance with the Bank of Italy's prudential regulations for Banks — standardised approach;

(d) asset backed securities for which a risk weight not exceeding 20 per cent is applicable in accordance with the Bank of Italy's prudential regulations for Banks — standardised approach — *provided that* at least 95 per cent of the relevant securitised assets are:

(i) residential mortgage loans that have an LTV that does not exceed 80 per cent and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed;

(ii) commercial mortgage loans that have an LTV that does not exceed 60 per cent and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed;

(iii) receivables or securities satisfying the requirements indicated under item (c) above;

*provided that* the assets described under item (d)(ii) above may not amount to more than 10 per cent of the aggregate nominal value of the Cover Pool.

***Eligibility Criteria for Mortgage Loans***

Under the Master Loans Purchase Agreements, the Seller and the Guarantor have agreed the following common criteria (the "**Common Criteria**") (see "*Overview of the Programme Documents — Master Loans Purchase Agreements*" above) that will be applied in selecting the Mortgage Loans that will be transferred thereunder to the Guarantor:

Receivables arising from loans:

- which are, alternatively: (A) residential mortgage receivables (i) with a risk weight not higher than 35% and in respect of which the relevant principal amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80% of the value of the property, in accordance with Decree No. 310, or (ii) in case of a loan guaranteed by mortgage on more than one property, among which at least one is a residential property, in respect of which the relevant principal amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80% of the value of the residential property; or (B) commercial mortgage receivables (i) with a risk weight not higher than 50% and in respect of which the relevant principal amount outstanding added to the principal amount outstanding of any 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, or (ii) in case of a loan guaranteed by mortgage on more than one property, among which at least one is a commercial property, in respect of which the relevant principal amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 60% of the value of the commercial property;
- in relation to which the consolidation period applicable to the relevant mortgage has ended and the relevant mortgage is not subject to appeal pursuant to Article 67 of Royal Decree No. 267 of 16 March 1942 and, where applicable, Article 39, paragraph 4, of Legislative Decree No. 385 of 1 September 1993;
- which have been drawn or purchased by Banca Popolare di Sondrio S.c.p.A.;
- which are governed by Italian law;
- which are performing and in relation to which no instalments outstanding for more than 29 days from the due payment date subsist;
- which do not include any clauses limiting the possibility for Banca Popolare di Sondrio S.c.p.A. to assign the receivables arising thereunder or providing the debtor's consent for such assignment, Banca Popolare di Sondrio S.c.p.A. has obtained such consent;
- in respect of which the debtor has paid at least one instalment (also considering an interest instalment only);
- which provide for all payments on behalf of the debtor to be made in Euro;
- which have been fully disbursed;

- which have been granted to: (A) an individual ((B) a legal person (excluding public sector entities, local authorities and central administrations and central banks); or (C) more individuals or legal persons jointly;
- which bear a floating interest rate (including a floating interest rate with a cap) (determined from time to time by Banca Popolare di Sondrio S.c.p.A.) or a fixed or mixed or optional interest rate
- which are secured by a first lien, or any following lien, mortgage.

## DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

*The following is a general description of the Italian Securitisation and Covered Bond Law (as defined below) 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 summary is based on Italian Legislation as in effect on the date of this Base Prospectus, which may be subject to change, potentially with retroactive effect. This description will not be updated to reflect changes in laws. Accordingly, prospective Covered Bondholders should consult their own advisers as to the risks arising from Italian legislations that may affect any assessment by them of the Covered Bonds.*

### *The Securitisation and Covered Bond Law*

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- Article 7-*bis* and article 7-*ter* of the Law No. 130 of 30 April 1999 (as amended and supplemented from time to time, the "**Italian Securitisation and Covered Bond Law**");
- the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under Decree No. 310 (the "**MEF Regulation**");
- the C.I.C.R. Decree dated 12 April 2007; and
- Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (*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 Italian Securitisation and Covered Bond Law by adding two new articles, Articles 7-*bis* and 7-*ter*, which enable banks to issue covered bonds. Articles 7-*bis* and 7-*ter*, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

The Italian Securitisation and Covered Bond Law was further amended by Law Decree no. 145 of 23 December 2013 as converted with amendments into Law n. 9 of 21 February 2014 and by Law Decree no. 91 of 24 June 2014 as converted with amendments into Law No. 116 of 11 August 2014.

The Bank of Italy published 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 25 June 2014 of the 5$^{th}$ 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 have been abrogated.

The Bank of Italy Regulations among other things, regulate:

- the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;
- limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;
- criteria to be adopted in the integration of the assets constituting the cover pools;

- the identification of the cases in which the integration is permitted and its limits; and
- monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

***Basic structure of a covered bond issue***

The structure provided under Article 7-*bis* with respect to the issue of covered bonds may be summarised as follows:

- a bank transfers a pool of eligible assets (*i.e.* the cover pool) to an Article 7-*bis* special purpose vehicle (the "**SPV**");
- the bank grants the SPV a subordinated loan in order to fund the payment by the SPV of the purchase price due for the cover pool;
- the 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. The Guarantee is backed by the entire cover pool held by the SPV.

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 Italian Securitisation Law, thus basing the new structure on a well established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the SPV is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchaser of assets eligible for cover pools and the person giving guarantees in the context of covered bond transactions.

On 8 May 2015, the Ministerial Decree No. 53/2015 (the "**Decree 53/2015**") issued by the Ministry of Economy and Finance has been published in the Official Gazette of the Republic of Italy. The Decree 53/2015 provides for the implementation of Articles 106, paragraph 3, 112, paragraph 3, and 114 of the Consolidated Banking Act and Article 7-ter, paragraph 1-*bis* of the Securitisation and Covered Bond Law and came into force on 23 May 2015, repealing the Decree No. 29/2009. Pursuant to Article 7 of the Decree 53/2015, the assignee companies which guarantee covered bonds, belonging to a banking group as defined by Article 60 of the Consolidated Banking Act (such as POPSO Covered Bond S.r.l.), no longer have to be registered in the general register held by the Bank of Italy pursuant to Article 106 of the Consolidated Banking Act.

***The guarantee***

The MEF Regulation 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 covered bond holders, 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 amounts 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 and the hedging counterparties involved in the transaction.

In addition, Article 7-*bis* expressly provides that the claim for reimbursement of the loan granted to the SPV to fund the purchase of assets in the cover pool is subordinated to the rights of the covered bond holders and of the hedging counterparties and the other parties involved in the transaction.

*Exemption from claw-back*

Article 7-*bis* provides that the guarantee and the subordinated loan granted to fund the payment by the 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).

***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 Euro 250,000,000; and
- have a minimum total capital ratio of 9 per cent.

The Bank of Italy Regulations specify that the requirements above also apply to the bank acting as cover pool provider (in the case of structures in which separate entities act respectively as issuing bank and as cover pool provider).

The Bank of Italy Regulations furthermore provide that the total amount of eligible assets that a bank may transfer to cover pools in the context of covered bond transactions is subject to limitations linked to the tier 1 ratio and common equity tier 1 ratio of the individual bank (or of the relevant banking group, if applicable) as follows:

| **Ratios** | | **Transfer Limitations** |
|---|---|---|
| "A" range | – Tier 1 ratio≥ 9% | No limitation |
| | – Common Equity Tier 1 ratio ≥ 8% | |
| "B" range | – Tier 1 ratio ≥ 8% | Up to 60% of eligible assets may be transferred |
| | – Common Equity Tier 1 ratio ≥ 7% | |

| | | |
|---|---|---|
| "C" range | – Tier 1 ratio ≥ 7% | Up to 25% of eligible assets may be transferred |
| | – Common Equity Tier 1 ratio ≥ 6% | |

The Bank of Italy Regulations clarify that the ratios provided with respect to each range above must be satisfied jointly: if a bank does not satisfy both ratios with respect to a specific range, the range applicable to it will be the following, more restrictive, range. Accordingly, if a bank (or the relevant banking group) satisfies the "b" range 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.

***The Cover Pool***

For a description of the assets which are considered eligible for inclusion in a cover pool under Article 7-*bis*, see "*Description of the Cover Pool – Eligibility Criteria*".

Ratio between cover pool value and covered bond outstanding amount.

The MEF Regulation provides that the cover pool provider and the issuer must continually ensure that, throughout the transaction:

- the aggregate nominal value of the cover pool is at least equal to the nominal amount of the relevant outstanding covered bonds;
- the net present value of the cover pool (net of all the transaction costs borne by the SPV, including in relation to hedging arrangements) is at least equal to the net present value of the relevant outstanding covered bonds;
- the interest and other revenues deriving from the cover pool (net of all the transaction costs borne by the 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 s board of auditors, on an annual basis, a report detailing its monitoring activity and the relevant findings.

The Bank of Italy Regulations require banks to carry out the monitoring activities described above at least every 6 months with respect to each covered bond transaction. Furthermore, the internal auditors of banks must comprehensively review every 12-months the monitoring activity carried out with respect to each covered bond transaction, basing such review, among other things, on the evaluations supplied by the asset monitor.

In addition to the above, the Bank of Italy Regulations provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction carried out the completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of CRR.

In order to ensure that the monitoring activities above may be appropriately implemented, the Bank of Italy Regulations require that the entities participating in covered bond transactions be bound by appropriate contractual undertakings to communicate to the issuing bank, the cover pool provider and the entity acting as servicer in relation to the cover pool assets all the necessary information with respect to the cover pool assets and their performance.

***Substitution of assets***

The MEF Regulation and the Bank of Italy Regulations provide that, following the initial transfer to the cover pool, the eligible assets comprised in the cover pool may only be substituted or supplemented in order to ensure that the requirements described under "*Ratio between cover pool value and covered bond outstanding amount*", or the higher over-collateralisation provided for under the relevant covered bond transaction documents, are satisfied at all times during the transaction.

The eligible assets comprised in the cover pool may only be substituted or supplemented by means of:

- the transfer of further assets (eligible to be included in the cover pool in accordance with the criteria described above);
- the establishment of deposits held with banks ("**Qualified Banks**") which have their registered office in a member state of the European Economic Area or in Switzerland or in a state for which a 0 per cent risk weight is applicable in accordance with the prudential regulations' standardised approach; and
- the transfer of debt securities, having a residual life of less than one year, issued by the Qualified Banks.

The MEF Regulation and the Bank of Italy Regulations, 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.

***Taxation***

Article 7-*bis*, sub-paragraph 7, provides that any tax is due as if the granting of the subordinated loan and the transfer of the cover pool had not taken place and as if the assets constituting the cover pool were registered as on-balance sheet assets of the cover pool provider, *provided that*:

- the purchase price paid for the transfer of the cover pool is equal to the most recent book value of the assets constituting the cover pool; and
- the subordinated loan is granted by the same bank acting as cover pool provider.

The provision described above would imply, as a main consequence, that banks issuing covered bonds will be entitled to include the receivables transferred to the cover pool as on-balance receivables for the purpose of tax deductions applicable to reserves for the depreciation on receivables in accordance with Article 106 of Presidential Decree No. 917 of 22 December 1986.

# TAXATION

*The following summary 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 summary is based upon the laws and/or practice in force as at the date of this Base Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. This summary will not be updated to reflect changes in laws and if such a change occurs the information in this summary could become invalid.*

*Law Decree No. 66 of 24 April 2014, as converted with amendments by Law 23 June 2014, No. 89 ("**Decree No. 66**") has introduced new tax provisions amending certain aspects of the tax regime of the Covered Bonds as summarised below. In particular the Decree No. 66 has increased from 20 per cent to 26 per cent the rate of withholding and substitute taxes of interest accrued, and capital gains realised, as of 1 July 2014 on financial instruments (including the Covered Bonds) other than government bonds.*

*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.*

***Italian Tax Treatment of the Covered Bonds – General***

Legislative Decree No. 239 of 1 April 1996 ("**Decree. No. 239**") regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) from certain securities issued, *inter alia*, by Italian resident banks (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.

***Taxation of Interest***

*Italian Resident Covered Bondholders*

Pursuant to Decree No. 239, where the Italian resident holder of the Covered Bonds that qualify as *obbligazioni* or *titoli similari alle obbligazioni* who is the beneficial owner of such Covered Bonds, is:

(a) an individual holding Covered Bonds otherwise than in connection with entrepreneurial activity (unless he 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 according to Article 7 of Italian Legislative Decree No. 461 of 21 November, 1997, as amended, "**Decree No. 461**" – the "**Asset Management Option**"); or

(b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or *de facto* partnership not carrying out commercial activities or professional association; or

(c) a private or public institution not carrying out mainly or exclusively commercial activities (including the Italian state and public entities); or

(d) an investor exempt from Italian corporate income taxation.

Interest payments relating to the Covered Bonds are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Covered Bonds. All the above categories are qualified as "net recipients".

Where the resident holders of the Covered Bonds described above under (a) and (c) are engaged in an entrepreneurial activity to which the Covered Bonds are effectively connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due.

Pursuant to Decree No. 239, the *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called "SIMs"), fiduciary companies, *società di gestione del risparmio* (SGRs), stock brokers and other qualified entities resident in Italy, or by permanent establishments in Italy of banks or authorised intermediaries resident outside Italy ("**Intermediaries**" and each an "**Intermediary**"), that must intervene in any way in the collection of Interest or, also as transferees, in transfers or disposals of the Covered Bonds.

Where the Covered Bonds and the relevant coupons are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld:

(e) by any intermediary paying Interest to the Covered Bonds holders; or

(f) by the Issuer.

Payments of Interest in respect of Covered Bonds that qualify as *obbligazioni* or *titoli similari alle obbligazioni*, are not subject to the 26 per cent *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident companies or similar commercial entities or permanent establishments in Italy of foreign companies to which the Covered Bonds are effectively connected; (ii) Italian collective investment funds, SICAFs (*Società di investimento a capitale fisso*," SICAVs, Italian pension funds referred to in Legislative Decree No. 252 of 5 December, 2005 ("**Decree No. 252**"), Italian real estate funds created under Article 37 of the Financial Services Act and Article 14-*bis* of Law No. 86 dated 25 January 1994 (the "**Real Estate Funds**"), and Italian real estate SICAFs to which the provisions of Law Decree No. 351 apply ("**Real Estate SICAFs**"); and (iii) Italian resident individuals holding Covered Bonds not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Covered Bonds, to an authorised financial intermediary and have opted for the Asset Management Option. Such categories are qualified as "gross recipients".

To ensure payment of Interest in respect of the Covered Bonds without the application of *imposta sostitutiva*, gross recipients indicated above under (i) to (iii) must (a) be the beneficial owners of payments of Interest on the Covered Bonds and (b) timely deposit the Covered Bonds together with the coupons relating to such Covered Bonds directly or indirectly with an Intermediary.

Where the Covered Bonds and the relevant coupons are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld:

(g) by any intermediary paying Interest to Covered Bondholders; or

(h) by the Issuer,

and gross recipients that are Italian resident companies or similar commercial entities or permanent establishments in Italy of foreign companies to which the Covered Bonds are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Covered Bonds would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Covered Bondholder, also in the net value of production for purposes of regional tax on productive activities – IRAP) of beneficial owners who are Italian resident companies or similar commercial entities or permanent establishments in Italy of foreign companies to which the Covered Bonds are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Covered Bonds not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 26 per cent annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian collective investment funds, SICAFs and SICAVs are not subject to *imposta sostitutiva* on the Interest and other proceeds accrued during the holding period on the Covered Bonds, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent (the "**Collective Investment Fund Tax**").

Italian pension funds subject to the regime provided by Article 17 Decree No. 252, as subsequently amended, are not subject to *imposta sostitutiva.* They are subject to a 20 per cent annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds).

As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9% of the result of the relevant portfolio accrued at the end of the tax period, provided that such pension funds invest in certain medium long term financial assets as identified by the Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

According to the current regime provided by Law Decree No. 351 dated 25 September 2001 as subsequently amended ("**Law Decree No. 351**"), Law Decree No. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Real Estate Funds and Real Estate SICAFs are not subject to any substitute tax nor to any other income tax in the hands of the Real Estate Funds or the Real Estate SICAFs, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent..

*Non-Italian resident Covered Bondholders*

According to Decree No. 239, payments of Interest in respect of Covered Bonds that qualify as *obbligazioni* or *titoli similari alle obbligazioni* will not be subject to the *imposta sostitutiva* at the rate of 26 per cent provided that:

(a) the payments are made to non-Italian resident beneficial owners of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected;

(b) such beneficial owners are resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the "**White List States**") as currently listed in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or in a decree to be issued pursuant to of Article 11(4)(c) of Decree No. 239 (as amended by Legislative Decree No. 147 of 14 September 2015), or in any other decree or regulation that will be issued in the future to provide the list of such countries, including any country that will be deemed listed therein for the purpose of any interim rule (the "**New White List**"); and

(c) 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 timely met or complied with.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Covered Bonds made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Covered Bonds without the application of *imposta sostitutiva*, non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the Covered Bonds;

(b) timely deposit The Covered Bonds together with the coupons relating to such Covered Bonds directly or indirectly with an Italian resident bank or SIM or a permanent establishment in Italy of a non-Italian bank or investment firm, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and

(c) timely file with the relevant depository a self-assessment (*autocertificazione*) stating, *inter alia*, that he or she is resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information. Such self-assessment (*autocertificazione*) is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The self-assessment (*autocertificazione*) is not requested for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident Covered Bondholder to timely comply with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interests payments to such non-resident Covered Bondholder.

The *imposta sostitutiva* will be applicable to Interest accrued during the holding period when the Covered Bondholders are resident, for fiscal purposes, in countries which do not allow for a satisfactory exchange of information with Italy or who do not comply with the above mentioned requirement. The *imposta sostitutiva* may be reduced or reduced to zero under certain applicable double tax treaties entered into by Italy, subject to timely filing of required documentation.

**Payments made by the Guarantor**

The Italian tax authorities have never expressed their view on the Italian tax regime applicable to payments on Covered Bonds made by an Italian resident guarantor in a ruling available to the public. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not support such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Covered 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 subject to an advance withholding tax at a rate of 26 per cent pursuant to Presidential Decree of 1 April 1973, No. 600, as subsequently amended. Also in the case of payments to non-Italian resident, a final withholding tax may be applied at 26 per cent. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

**Capital Gains**

*Italian resident Covered Bondholders*

Pursuant to Decree No. 461, a 26 per cent capital gains tax (referred to as ‘‘*imposta sostitutiva*’’) is applicable to capital gains realised by Italian resident individuals, not engaged in entrepreneurial activities to which the Covered Bonds are connected, on any sale or transfer for consideration of the Covered Bonds or redemption thereof. In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the so called ‘‘tax declaration regime’’, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities, the 26 per cent *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised by Italian resident individuals not engaged in entrepreneurial activities pursuant to investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent of the capital losses realised from 1 January 2012 to 30 June 2014.

Alternatively to the tax declaration regime Covered Bondholders who are Italian resident individuals not engaged in entrepreneurial activities to which the Covered Bonds are connected, may elect to pay the 26% *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Covered Bonds (‘‘*risparmio amministrato*’’ regime). Such separate taxation of capital gains is allowed subject to (i) the Covered Bonds being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the so-called *risparmio amministrato* regime being timely made in writing by the relevant Covered Bondholder. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Covered Bonds, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the Covered Bondholder, deducting a corresponding amount from proceeds to be credited to the Covered Bondholder. Where a sale or transfer or redemption of the Covered Bonds results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Covered Bonds within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent of the capital losses realised from 1 January 2012 to 30 June 2014. Under the *risparmio amministrato* regime, the Covered Bondholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Special rules apply if the Covered Bonds are part of a portfolio managed in a regime of Asset Management Option (‘‘*risparmio gestito*’’ regime) by an Italian asset management company or an authorised intermediary. In that case, the capital gains realised upon sale, transfer or redemption of the Covered Bonds will not be subject to *imposta sostitutiva* on capital gains but will contribute to determine the taxable base of the Asset Management Tax applicable at the rate of 26 per cent. In particular, under the Asset Management Option, any appreciation of the Covered Bonds, even if not realised, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at yearend may be carried forward against appreciation accrued in each of the following years up to the fourth. Pursuant to Decree No. 66, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent of the relevant depreciations in value registered before 1 January 2012; (ii) 76.92 per cent of the depreciations in value registered from 1 January 2012 to 30 June 2014. Also under the Asset Management Option the realised capital gain is not requested to be included in the annual income tax return of the Covered Bondholder and the Covered Bondholder remains anonymous.

The capital gains realised by an Italian collective investment fund, a SICAF or a SICAV are not subject to *imposta sostitutiva* nor to any other income tax in the hands of the relevant Italian collective investment fund, SICAF or SICAV, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains accrued to Covered Bondholders who are Italian pension funds subject to the regime provided by Article 17 of Decree No. 252, as subsequently amended will be included in the computation of the taxable basis of Pension Fund Tax.

As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9% of the result of the relevant portfolio accrued at the end of the tax period, provided that such pension funds invest in certain medium long term financial assets as identified by the Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

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 Real Estate SICAFs are not subject to any substitute tax nor to any other income tax in the hands of the fund or the Real Estate SICAF.

Any capital gains realised by Italian resident individuals carrying out a commercial activity to which the Covered Bonds are connected or Italian resident companies or similar commercial entities or permanent establishments in Italy of non-Italian resident companies to which the Covered Bonds are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

*Non-Italian resident Covered Bondholders*

The 26 per cent final "*imposta sostitutiva*" may in certain circumstances be payable on capital gains realised upon sale for consideration or redemption of the Covered Bonds by non-Italian resident persons or entities without a permanent establishment in the Republic of Italy to which the Covered Bonds are effectively connected, if the Covered Bonds are held in the Republic of Italy.

However, pursuant to Article 23 of Decree No. 917, any capital gains realised by non-Italian residents Covered Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale for consideration or redemption of the Covered Bonds are exempt from taxation in Italy to the extent that the Covered Bonds are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-assessment (*autocertificazione*) of non-residence in Italy) with the Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Covered Bonds are deposited, even if the Covered Bonds are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Covered Bonds are not listed on a regulated market in Italy or abroad:

(a) pursuant to the provisions of Decree No. 461 non-Italian resident beneficial owners of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Covered Bonds if they are resident, for tax purposes in the White List State (or in the New White List, once effective). The same exemption applies in case the beneficial owners of the Covered Bonds are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State; and

(b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Covered Bonds are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Covered Bonds are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Covered Bonds.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected hold Covered Bonds with an Italian authorised financial intermediary and elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, in order to benefit from exemption from Italian taxation on capital gains such non-Italian residents may be required to file in time with the authorised financial intermediary appropriate documents which include *inter alia* a certificate of residence from the competent tax authorities of the country of residence of the non-Italian residents.

**Inheritance and gift tax**

Pursuant to Law Decree No. 262 of 3 October, 2006, converted with amendments by Law No. 286 of 24th November, 2006 and Law No. 296 of 27 December, 2006, the transfers of any valuable assets (including the Covered Bonds) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(a) 4 per cent if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);

(b) 6 per cent if the transfer if made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);

(c) 6 per cent if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and

(d) 8 per cent in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b), (c) and (d) on the value exceeding €1,500,000.

**Transfer tax**

According to Law Decree No. 248 of 31 December 2007, converted with amendments by Law No. 31 of 28 February 2008, transfer tax has been repealed.

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities may be subject to the registration tax as follows: a) public deeds and notarised deeds are subject to fixed tax at a rate of €200,00; and b) private deeds are subject to registration tax at a rate of €200,00 only in the case of use 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 a financial intermediary to a Covered Bondholder in respect of any Covered Bonds which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 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 Covered Bondholder is not an individual.

The stamp duty applies both to Italian resident and non-Italian resident Covered Bondholders, to the extent that Covered Bonds are held with an Italian-based financial intermediary.

**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 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 figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

**Tax Monitoring**

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 Presidential Decree No. 917 of 22 December 1986) 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 actual owner of the instrument.

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)* if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

**European Savings Directive**

On 3 June 2003, the Council of the European Union adopted the EU Directive No. 2003/48/EC regarding the taxation of savings income (the "**European Savings Directive**"). According to the European Savings Directive, each member State of the European Union (a "**Member State**") is required to provide to the Tax Authorities of other States of the European Union details of the interest payments by a person within its jurisdiction to individuals resident in that other State. However, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%..

In any case, the transitional period is to terminate at the end of the first full tax year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to, or collected by such a paying agent for an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in a Member State to, or collected by such a paying agent for an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above and requires Member States to adopt the national legislation necessary to comply with the Amending Directive by 1 January 2016. With the repeal of the EU Savings Directive, the Amending Directive would no longer have to be transposed. However, on 10 November 2015, the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the EU Savings Directive with effect from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States. The repeal of the Savings Directive is needed in order to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive No. 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive No. 2014/107/EU) and to save costs both for tax authorities and economic operators.

Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

**Implementation in Italy of the Savings Directive**

Italy has implemented the European Savings Directive through Legislative Decree No. 84 of 18 April 2005 (the "**Decree No. 84**"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 (including the case of interest accrued on the Certificates at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State or in certain associated territories of Member States, Italian paying agents (i.e., banks, investment firms ("*società di intermediazione mobiliare – SIM*"), fiduciary companies, Italian management company ("*società di gestione del risparmio – SGR*") resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, undertakings for collective investments in transferable securities ("**UCITS**").

Either payments of interest on the Covered Bonds or the realisation of the accrued interest through the sale of the Covered Bonds would constitute "payments of interest" under Article 6 of the European Savings Directive and, as far as Italy is concerned, Article 2 of Decree No. 84. Accordingly, such payments of interest arising out of the Covered Bonds would fall within the scope of the European Savings Directive.

## SUBSCRIPTION AND SALE

Covered Bonds may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Programme Agreement entered into, on 22 July 2014, between, *inter alia*, the Issuer, the Guarantor and the Dealer(s). 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. Any such agreement will, *inter alia*, make provision for the terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Covered Bonds.

### Selling restrictions

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State"**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date"**) it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer or distribution of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, (i) the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, (ii) the expression **Prospectus Directive** means Directive 2003/71/EC (and the amendments thereto, including the 2010 Amending Directive), and includes any relevant implementing measure in the Relevant Member State, and (iii) the expression "**2010 Amending Directive**" means the Directive 2010/73/EU.

### *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 that in accordance with an available exemption from registration under the Securities Act.

### *Japan*

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (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 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 Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and that such offers, sales and distributions have been and will be made in France only to 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*.

### *The Republic of Ireland*

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 not offered or sold and will not offer or sell any Covered Bonds except in conformity with the provisions of the Prospectus Directive and, where applicable, implementing measures in Ireland and the provisions of the Companies Acts 2014 of Ireland and every other enactment that is to be read together with any of those Acts;

(b) in respect of Covered Bonds issued by Banca Popolare di Sondrio which are not listed on a stock exchange and which do not mature within two years its action in any jurisdiction will comply with the then applicable laws and regulations of that jurisdiction, it will not knowingly offer to sell such Covered Bonds to an Irish resident, or to persons whose usual place of abode is Ireland, and that it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with such Covered Bonds. In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg, or Depository Trust Company (or any other clearing system recognised for this purpose by the Revenue Commissioners) and have a minimum denomination of £300,000 or its equivalent at the date of issuance;

(c) in respect of Covered Bonds issued by Banca Popolare di Sondrio which are not listed on a stock exchange and which mature within two years, such Covered Bonds must have a minimum denomination of €500,000 or US$500,000 or, in the case of Covered Bond which are denominated in a currency other than euro or US dollars, the equivalent in that other currency of €500,000 (such amount to be determined by reference to the relevant rate of exchange at the date of first publication of this Programme). In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg or Depository Trust Company (or any other clearing system recognised for this purpose by the Revenue Commissioners);

(d) it has only issued or passed on, and will only issue or pass on, any document received by it in connection with the issue of Covered Bonds to persons who are persons to whom the document may otherwise lawfully be issued or passed on;

(e) it has complied and will comply with all applicable provisions of S.I. No. 60 of 2007, the European Communities (Markets in Financial Instruments) Regulations 2007 and the provisions of the Investor Compensation Act 1998, as amended, with respect to anything done by it in relation to the Covered Bonds or operating in, or otherwise involving, Ireland is acting under and within the terms of an authorisation to do so for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of the European Union of 21 April 2004 and it has complied with any applicable codes of conduct or practice made pursuant to implementing measures in respect of the foregoing Directive in any relevant jurisdiction;

(f) it has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Central Bank Acts 1942-2013 (as amended) and any codes of conduct rules made thereunder; and

(g) It has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under the Irish Companies Act 2014 by the Central Bank of Ireland.

***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 24th February, 1998, as amended (the "**Financial Law**") and Article 34-*ter*, first paragraph, letter b, of CONSOB Regulation No. 11971 of 14 May 1999 (as amended from time to time) ("**Regulation No. 11971**"); or

(b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Law and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Law, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree no. 385 of 1st September, 1993, as amended (the "**Consolidated Banking Act**");

(b) in compliance with Article 129 of the Consolidated Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

**General**

Each Dealer 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 with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

## GENERAL INFORMATION

### Listing and Admission to Trading

This Base Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the *Commission de Surveillance du Secteur Financier* ("**CSSF**") in its capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Directive. Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base 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.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Base Prospectus and (ii) a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive.

### Authorisations

The update of the Programme has been duly authorised by the resolutions of the management board of the Issuer dated 10 November 2015 and a resolution of the board of directors of the Guarantor dated 3 December 2015. The giving of the Covered Bond Guarantee has been duly authorised by the resolutions of the board of directors of the Guarantor dated 23 May 2014 and 16 July 2014.

### 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 Base Prospectus, a significant effect on the financial position or profitability of the Issuer, its respective Subsidiaries or the Guarantor.

Please make reference to section "*The Issuer*" – Paragraph "*Legal and arbitration proceedings*" on page 162-163 of this Base Prospectus for further details in respect of the Issuer.

### Trend Information

Since 31 December 2014, there has been no material adverse change in the prospects of Banca Popolare di Sondrio and the Banca Popolare di Sondrio Group.

Since 31 December 2014, there has been no material adverse change in the prospects of the Guarantor.

### No Significant Change

There has been no significant change in the financial or trading position of Banca Popolare di Sondrio and Banca Popolare di Sondrio Group since 30 September 2015.

There has been no significant change in the financial or trading position of POPSO Covered Bond S.r.l. since 31 December 2014.

### 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 base prospectus under the Prospectus Directive, such

Covered Bonds will not have a denomination of less than Euro 100,000 (or, where the Covered Bonds are issued in a currency other than Euro, the equivalent amount in such other currency).

**Documents on Display**

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any weekday (except for Saturdays, Sundays and public holidays) for inspection at the registered office of the Issuer:

**Documents available for inspection**

For so long as the Programme remains in effect or any Covered Bonds shall be outstanding and admitted to trading on the regulated market of the Luxembourg Stock Exchange, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the registered office of the Luxembourg Listing Agent, namely:

(i) the Programme Documents;

(ii) the Issuer's memorandum of association (*Atto Costitutivo*) and by-laws (*Statuto*) as of the date hereof;

(iii) the Guarantor's memorandum of association (*Atto Costitutivo*) and by-laws (*Statuto*) as of the date hereof;

(iv) the 2016 Press Release;

(v) the Issuer condensed interim consolidated financial statements as at 30 September 2015;

(vi) the Issuer condensed interim consolidated financial statements in respect of the six months ended on 30 June 2015;

(vii) the Issuer's audited consolidated and separate (non-consolidated) annual financial statements in respect of the years ended on 31 December 2014;

(viii) the Issuer's audited consolidated and separate (non-consolidated) annual financial statements in respect of the years ended on 31 December 2013;

(ix) the Guarantor's audited annual financial statements and the relevant Auditor's report in respect of the year ended on 31 December 2014;

(x) the Guarantor's audited annual financial statements and the relevant independent Auditor's report in respect of the year ended on 31 December 2013;

(xi) the independent Auditor's report in respect of the Guarantor's audited annual financial statements in respect of the year ended on 31 December 2013;

(xii) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;

(xiii) any Final Terms relating to Covered Bonds which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. In the case of any Covered Bonds which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Covered Bondholders.

Copies of all such documents shall also be available to Covered Bondholders at the registered office of the Representative of the Covered Bondholders.

## Auditors

KPMG S.p.A. are the auditors of the Issuer and are registered in the Register of Certified Auditors held by the Ministery for Economy and Finance – Stage general accounting office, at no. 70623 and in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992 ("**Decree No. 88**"). KPMG S.p.A. is also a member of Assirevi, the Italian association of auditing firms. The offices of KMPG S.p.A. are located at Via Vittor Pisani, 25, Milan, 20124, Italy. KPMG S.p.A. audited and rendered an unqualified audit report on the consolidated financial statements of the Issuer as at and for the years ended 31 December 2013 and 31 December 2014.

Mr. Alberto De Luca has been appointed to perform the audit of the financial statements of the Guarantor for the year ended on 31 December 2013, with offices in Piazzetta P. Modin, 4, 35129 Padova, Italy. Mr. Alberto De Luca is registered in the register held by the *Ordine dei Dottori Commercialisti* of Treviso and in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Decree No. 88.

On 21 November 2014 KPMG S.p.A. were appointed as new auditors of the Guarantor for the years 2014-2016. KPMG S.p.A, audited and rendered an audit report on the financial statements of the Guarantor for the year ended on 31 December 2014.

## Material Contracts

Save for the Programme Documents described under section "*Overview of the Programme Document*" of this Base Prospectus, neither the Issuer nor the Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Covered Bondholders.

## 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 Tranche 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

"**Acceptance**" means the notice sent by the Guarantor to the Subordinated Lender, pursuant to clause 4.2 (*Accettazione*) of the Subordinated Loan Agreement, substantially in the form set out in schedule 2 (*Accettazione*) to the Subordinated Loan Agreement.

"**Account Bank**" means BNP Paribas Securities Services, Milan Branch, in its capacity as account bank, or any such other depositary institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement.

"**Account Bank Report**" means the report to be prepared and delivered by the Account Bank to the Guarantor, the Seller, the Representative of the Covered Bondholders, the Servicer, the Issuer and the Guarantor Calculation Agent, in accordance with the Cash Allocation, Management and Payments Agreement.

“**Account Bank Report Date**” means the date falling on 5th Business Day of each month.

"**Account Mandates**" means the resolutions, instructions and signature authorities relating to each of the Accounts, given in accordance with clause 4 (*Account Mandates*) of the Cash Allocation, Management and Payments Agreement.

"**Accounts**" means, collectively, the Guarantor Payments Account, the Collection Account, the Reserve Fund Account, the Collateral Cash Swap Account, the Collateral Securities Swap Account and any other account opened from time to time in connection with the Programme.

"**Adjusted Outstanding Principal Balance**" has the meaning ascribed to such term in clause 2.3.1 (*Nominal Value*) of the Cover Pool Management Agreement.

"**Affected Receivables**" has the meaning ascribe to such term under clause 8.1 (*Pagamento dell'Indennizzo*) of the Warranty and Indemnity Agreement.

"**Agents**" means each of the Account Bank, the Cash Manager, the Guarantor Calculation Agent, the Test Calculation Agent, the Issuer Paying Agent, the Guarantor Paying Agent and the Corporate Servicer.

"**Amortisation Test**" means the test which will be carried out pursuant clause 3 (*Amortisation Test*) of the Cover Pool Management Agreement in order to ensure, *inter alia,* that, on each Test Calculation Date following the delivery of an Issuer Default Notice (but prior to the service of a Guarantor Default Notice), the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the principal amount of the issued Covered Bonds as calculated on the relevant Test Calculation Date.

"**Amortisation Test Aggregate Loan Amount**" has the meaning ascribed to such term in clause 3.2 (*Amortisation Test Aggregate Loan Amount*) of the Cover Pool Management Agreement.

"**Arrangers**" means BNP Paribas and Finanziaria Internazionale Securitisation Group S.p.A..

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

"**Article 74 Event Cure Notice**" means the notice to be served by the Representative of the Covered Bondholders to the Issuer, the Seller, the Guarantor and the Asset Monitor informing that an Article 74 Event has been revoked.

"**Asset Coverage Test**" has the meaning ascribed to such term in clause 2.2.4 (*Asset Coverage Test*) of the Cover Pool Management Agreement.

"**Asset Coverage Test Verification**" has the meaning ascribed to such term in the Asset Monitor Agreement.

"**Asset Monitor Agreement**" means the asset monitor agreement entered into on or about the date hereof between, *inter alios*, the Asset Monitor and the Issuer.

"**Asset Monitor**" means BDO Italia S.p.A., acting in its capacity as asset monitor pursuant to the engagement letter entered into with the Issuer on or about the date hereof and the Asset Monitor Agreement.

"**Asset Monitor Report**" means the report to be prepared and delivered by the Asset Monitor to the Guarantor, the Test Calculation Agent, the Guarantor Calculation Agent, the Representative of the Covered Bondholders and the Issuer in accordance with the Asset Monitor Agreement.

"**Asset Monitor Report Date**" has the meaning ascribed to such term in clause 1.2 (*Other Definitions*) of the Asset Monitor Agreement.

"**Asset Percentage**" means, on any Test Calculation Date and/or Monthly Test Calculation Date and/or on any other date on which the Asset Coverage Test is to be performed under the Cover Pool Management Agreement or under other Programme Documents, as the case may be, the lower of (a) 88 per cent and (b) such lower percentage figure determined by the Issuer on behalf of the Guarantor in accordance with the Rating Agency's methodologies (after procuring the level of *overcollateralization* in order to comply with the Asset Coverage Test following such change), notified using the *pro-forma* notice attached under Schedule 1 of the Cover Pool Management Agreement to the Guarantor, the Guarantor Calculation Agent, the Servicer, the Rating Agency, the Asset Monitor and the Representative of the Covered Bondholders and published in the relevant Investor Report as the new Asset Percentage.

"**Asset Swap Agreements**" means any asset swap agreement that may be entered into between the Guarantor and a counterparty under the Asset Swap Agreement.

"**Asset Swap Provider**" means the counterparty under the Asset Swap Agreement that may be entered into.

"***Attività Finanziarie Deteriorate***" means any Receivable which has 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.

"**Authorised Signatory**" means, in relation to the Seller or any other person, any person who is duly authorised and in respect of whom the Guarantor has received a certificate signed by a director or another Authorised Signatory of the Seller or such other person setting out the name and signature of such person and confirming such person's authority to act.

"**Availability Period**" means the period starting on date of the signing of the Subordinated Loan Agreement and ending on the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the respective Final Terms.

"**Back-Up Servicer**" means the entity which may be appointed by the Guarantor, with the approval by Representative of the Covered Bondholders, pursuant to Clause 7 (*Back-Up Servicer*) of the Servicing Agreement.

"**Bank of Italy Regulations**" (*Regolamento della Banca d'Italia*) means the regulations relating to covered bonds contained in Part III, Chapter 3 of "*Disposizioni di vigilanza per le banche*" (*Circolare* No. 285 of 17 December 2013), as amended and supplemented from time to time.

"**Bankruptcy Law**" means Royal Decree No. 267 of 16 March 1942 as amended from time to time.

“**Base Interest**” means the interest payable by the Guarantor to the Subordinated Lender in accordance with the Subordinated Loan Agreement.

“**Beneficiaries**” has the meaning ascribed to such term in the Covered Bond Guarantee

“**BNP Paribas**” means BNP Paribas.

“**BNP Paribas, London Branch**” means BNP Paribas, London Branch.

"**BPS**" means Banca Popolare di Sondrio S.c.p.A.

"**Business Day**" means any day on which the Trans-European Automated Real Time Gross Transfer System (TARGET 2) (or any successor thereto) is open.

"**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.

"**Calculation Period**" means each Collection Period and, after the delivery of a Test Performance Report assessing that a breach of Test has occurred, each period beginning on (and including) the first day of the month and ending on (and including) the last day of the same calendar month until such time the relevant breach of Test has been cured or otherwise remedied in accordance with the Cover Pool Management Agreement).

"**Cash Allocation, Management and Payments Agreement**" means the cash allocation, management and payments agreement, entered into on or about the date hereof between, *inter alios*, the Guarantor, the Representative of the Covered Bondholders, the Issuer Paying Agent, the Cash Manager, the Guarantor Paying Agent, the Guarantor Calculation Agent, the Test Calculation Agent and the Account Bank.

"**Cash Manager**" means Banca Popolare di Sondrio S.c.p.A., acting as cash manager pursuant to the Cash Allocation, Management and Payments Agreement.

"**Cash Manager Report**" means the cash manager report provided by the Cash Manager in accordance with the Cash Allocation, Management and Payments Agreement.

"**Civil Code**" means the Italian civil code, enacted by Royal Decree No. 262 of 16 March 1942.

"**Clearstream**" means Clearstream Banking, société anonyme, Luxembourg.

"**Code of Civil Procedure**" means the Italian code of civil procedure, enacted by Royal Decree No. 1443 of 28 October 1940.

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

“**Collection Account**” means the Euro denominated account established in the name of the Guarantor with the Account Bank, IBAN IT 54 L 03479 01600 000800951300, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Collection Date**" means the last calendar day of March, June, September and December of each year.

"**Collection Period**" means each quarterly period commencing on (and including) the first calendar day of January, April, July and October of each year and ending on (and including) the last calendar day of March, June, September and December and, in the case of the first Collection Period, commencing on (and including) the Initial Valuation Date and ending on (and including) the last day of September 2014 (included).

"**Collections**" means all amounts received or recovered by the Servicer in respect of the Receivables comprised in the Cover Pool.

"**Commercial Assets**" means the Real Estate Assets with respect to Commercial Mortgage Loans.

"**Commercial Mortgage Loan**" means "*crediti ipotecari commerciali*" – as defined under article 1, sub-paragraph 1, letter (c) of Decree 310 – having the features set forth under article 2, sub-paragraph 1, letter (b) of Decree 310.

"**Commercial Mortgage Loan Agreement**" means any mortgage loan agreement out of which Receivables arise and secured by mortgage over Commercial Assets.

"**Commingling Amount**" " means (a) if no Issuer Downgrading Event has occurred or is outstanding an amount equal to 0 (zero) or (b) if an Issuer Downgrading Event has occurred and is outstanding, an amount calculated by the Issuer on a monthly basis equal to the maximum of the total amount of Collections and Recoveries expected to be credited to the Collection Account on the following 6 (six) calendar months and considering a 10 per cent cumulative prepayment ratio.

"**Commission Regulation No. 809/2004**" means the Commission Regulation (EC) No. 809/2004 of 29 April 2004, implementing the Prospectus Directive, as supplemented and amended from time to time.

"**Common Criteria**" means the criteria listed in schedule 2 (*Criteri Comuni per la selezione ed identificazione dei Crediti*) to the Master Loans Purchase Agreement.

"**Conditions**" means the terms and conditions of the Covered Bonds and "**Condition**" means a clause of them.

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

"**Consolidated Banking Act**" means Legislative Decree No. 385 of 1 September 1993 as amended and supplemented from time to time.

"**Corporate Servicer**" means Securitisation Services S.p.A., acting in its capacity as corporate servicer of the Guarantor pursuant to the Corporate Services Agreement.

"**Corporate Services Agreement**" means the corporate services agreement entered into on or about 30 May 2014, between the Guarantor and the Corporate Servicer, pursuant to which the Corporate Servicer will provide certain administration services to the Guarantor.

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

"**Covered Bond Guarantee**" means the guarantee issued by the Guarantor for the purpose of guaranteeing the payments due by the Issuer to the Covered Bondholders and the Other Issuer's Creditors, in accordance with the provisions of the Securitisation and Covered Bond Law, Decree 310 and the Bank of Italy Regulations.

"**Covered Bond Instalment Amount**" means the principal amount of a Series of Covered Bonds to be redeemed on a Covered Bond Instalment Date as specified in the relevant Final Terms.

"**Covered Bond Instalment Date**" means a date on which a principal instalment is due on a Series of Covered Bonds as specified in the relevant Final Terms.

"**Covered Bond Instalment Extension Determination Date**" means, with respect to any Covered Bond Instalment Date, the date falling seven Business Days after such Covered Bond Instalment Date.

"**Covered Bondholders**" means the holders of each Series of Covered Bonds.

"**Cover Pool**" means the cover pool constituted by, collectively, any Eligible Assets and Top-Up Assets held by the Guarantor in accordance with the provisions of the Securitisation and Covered Bond Law, the Decree No. 310 and the Bank of Italy Regulations.

"**Cover Pool Management Agreement**" means the cover pool management agreement entered into on or about the date hereof between, *inter alios*, the Issuer, the Guarantor, the Seller, the Test Calculation Agent, the Asset Monitor and the Representative of the Covered Bondholders.

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended and supplemented from time to time.

"**Credit and Collection Policy**" means the procedures for the management, collection and recovery of the Receivables attached as schedule 1 (*Procedure di Riscossione*) to the Servicing Agreement.

"**Criteria**" means, collectively, the Common Criteria, the Specific Criteria and any Further Criteria.

"**Dealer(s)**" means BNP Paribas, London Branch and any other entity which may be nominated as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 6 (*Form of Dealer Accession Letter)* to the Programme Agreement.

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

"**Decree 239**" means Legislative Decree number 239 of 1 April 1996.

"**Decree 310**" means the ministerial decree No. 310 of 14 December 2006 issued by the Ministry of the Economy and Finance.

"**Decree 461**" means the Legislative Decree number 461 of 21 November 1997, as amended from time to time.

"**Deed of Charge**" means the English law deed of charge entered into between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and the Other Creditors) in order to charge the rights arising under the Swap Agreements.

"**Deed of Pledge**" means the Italian law deed of pledge entered into, on or about the date hereof, between, *inter alios*, the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and of the Other Creditors).

"**Defaulted Receivable**" means any Receivables which has been for at least 180 consecutive days In Arrears, or which has been classified as a *credito in sofferenza* pursuant to the Servicing Agreement .

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

"**Delinquent Loan**" means any Mortgage Loan in relation to which there are 1 (one) or more Delinquent Receivables.

"**Delinquent Receivable** means any Receivable in respect of which there are 1 (one) or more Instalments due and not paid by the relevant Debtor for more than 30 days and which has not been classified as Defaulted Receivable.

"**Determination Date**" has the meaning given to it in the applicable Final Terms.

"**Documentation**" means any documentation relating to the Receivables comprised in the Cover Pool.

"**Drawdown Date**" means the date on which a Term Loan is advanced under the Subordinated Loan Agreement during the Availability Period.

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

"**Early Termination Amount**" has the meaning ascribed to such term in the Terms and Conditions.

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

(i) the Residential Mortgage Loans;

(ii) the Commercial Mortgage Loans;

(iii) the Public Entity Receivables; and

(iv) the Public Entity Securities.

“**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 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, para. 1, of the 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 country 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 – standardised approach), **(i)** whose short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "F1" by Fitch and **(ii)** whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least “A" by Fitch or any other lower rating that do not affect the current rating of the outstanding Covered Bonds, *provided however that* any such bank qualifies for the “credit quality step 1” pursuant to article 129, let. (c) of the CRR unless (a) it is an entity in the european union and (b) the exposure vis-à-vis such bank have a maturity not exceeding 100 (one-hundred) days, in which case it may qualify for the “credit quality step 2” pursuant to Article 129, let. (c) of the CRR.

"**Eligible Investment**" means any senior (unsubordinated) debt securities or other debt instruments (including without limitation, commercial paper, certificate of deposits and bonds) which:

a) are denominated in Euro;

b) have a maturity not exceeding the next following Eligible Investment Maturity Date or which are repayable on demand at par together with accrued and unpaid interest, without penalty;

c) (except in case of deposits) are in the form of bonds, notes, commercial papers or other financial instruments (i) rated at least A and/or F1 by Fitch, if the relevant maturity is up to the earlier of the next Eligible Investment Maturity Date and 30 calendar days, or (ii) rated AA- and/or F1+ by Fitch, if the relevant maturity is up to mature the earlier of the next Eligible Investment Maturity Date and 365 calendar days; or

d) in the case of a deposits, to the extent that such deposit are held by (i) an Eligible Institution at its branch located in the Republic of Italy or in the United Kingdom if the relevant maturity is up to the earlier of the next Eligible Investment Maturity Date and 30 calendar days or (ii) any depository institution located in the Republic of Italy or in the United Kingdom rated AA- and/or F1+ by Fitch, if the relevant maturity is up to mature the earlier of the next Eligible Investment Maturity Date and 365 calendar days,

provided that (i) such Eligible Investment shall not prejudice the rating assigned to each Series of Covered Bond and shall provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount), (ii) in any event such debt securities or other debt instruments do not consist, in whole or in part, actually or potentially of credit-linked notes or similar claims nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in asset-backed securities, irrespective of their subordination, status, or ranking at any time, and (iii) the relevant exposure qualifies for the "credit quality step 1" pursuant to article 129, let. (c) of the CRR or, in case of exposure *vis-à-vis* an entity in the european union which has a maturity not exceeding 100 (one-hundred) days, it may qualify for "credit quality step 2" pursuant to Article 129, let. (c) of the CRR.

"**Eligible Investment Maturity Date**" means the third Business Days before each Guarantor Payment Date.

"**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 single currency of member states of the European Union which adopt the single currency introduced in accordance with the treaty establishing the European Community.

"**Euroclear**" means Euroclear Bank S.A./N.V..

"**Euro Equivalent**" means has the meaning ascribed to such term in clause 1.2 (*Other Definitions*) of the Cover Pool Management Agreement.

"**European Economic Area**" means the region comprised of member states of the European Union which adopt the Euro in accordance with the Treaty.

"**Excess Receivables**" means, in relation to the Cover Pool and on each Test Calculation Date, those Receivables the aggregate Outstanding Principal of which is equal to: (i) any amount by reason of which the Portfolios comprised in the Cover Pool are in excess (as nominal value, interest coverage and net present value) of any Eligible Assets necessary to satisfy all Tests on the relevant Test Calculation Date; minus (ii) the aggregate Outstanding Principal of those Receivables indicated by the Servicer as Affected Receivables pursuant to the provisions of clause 8.1 (*Payment of Indemnity*) of the Warranty and Indemnity Agreement.

"**Expenses**" means any documented fees, costs, expenses and taxes required to be paid to any third party creditors (other than the Covered Bondholders, the Other Issuer's Creditors and the Other Creditors) arising in connection with the Programme, and required to be paid (as determined in accordance with the Corporate Services Agreement) in order to preserve the existence of the Guarantor or to comply with applicable laws and legislation.

"**Expenses Account**" means the Euro denominated account established in the name of the Guarantor with the Expenses Account Bank, IBAN IT 12 V 01030 61621 000001331796, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Expenses Account Bank**" means Banca Monte dei Paschi di Siena S.p.A. in its capacity of account bank for the Expenses Account and the Quota Capital Account or any such other depositary institution as may be appointed pursuant to the Programme Documents.

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

"**Extended Instalment Date**" means the date on which a principal instalment in relation to a Series of Covered Bonds becomes due and payable pursuant to the extension of the relevant Covered Bond Instalment Date as specified in the relevant Final Terms.

"**Extended Maturity Date**" means the date on which final redemption payments in relation to a specific Series of Covered Bonds becomes due and payable pursuant to the extension of the relevant Maturity Date in accordance with the relevant Final Terms.

"**Extension Determination Date**" means, with respect to any Series of Covered Bonds, the date falling seven Business Days after (and including) the Maturity Date of such Series of Covered Bonds.

"**Extraordinary Resolution**" has the meaning ascribed to such term in the Rules of Organisation of the Covered Bondholders.

"**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 Issue Date of the applicable Series of Covered Bonds.

"**Final Maturity Date**" means the date on which all the Series of Covered Bond are redeemed in full or cancelled.

"**Financial Law Consolidation Act**" means Legislative Decree number 58 of 24 February 1998 as amended from time to time.

“**First Guarantor Payment Date**” means 22 October 2014.

"**First Interest Period**" means, in relation to any Term Loan, the period starting on the relevant Drawdown Date and ending on the First Guarantor Payment Date.

"**First Issue Date**" means the date of issuance of the first Series of Covered Bonds.

"**Fitch**" means Fitch Ratings Limited.

"**FSMA**" means the Financial Service and Markets Act 2000.

"**Further Criteria**" means the criteria identified in accordance with clause 2.4.3 (*Criteri Ulteriori*) of the Master Loans Purchase Agreement.

"**Guaranteed Amounts**" means the amounts due from time to time from the Issuer to (i) the Covered Bondholders with respect to each Series of Covered Bonds (excluding any additional amounts payable to the Covered Bondholders under Condition 9(a) (*Gross-up by the Issuer*) and (ii) the Other Issuer Creditors pursuant to the relevant Programme Documents.

"**Guaranteed Obligations**" means the Issuer's payments obligations with respect to the Guaranteed Amounts.

"**Guarantee Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied, on each Guarantor Payment Date following the delivery of an Issuer Default Notice, but prior to the delivery of a Guarantor Default Notice, in accordance with the terms of the Intercreditor Agreement.

"**Guarantor**" means POPSO Covered Bond S.r.l., acting in its capacity as guarantor pursuant to the Covered Bond Guarantee.

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

"**Guarantor Calculation Agent**" means Securitisation Services S.p.A. acting as guarantor calculation agent, or any such other institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement.

"**Guarantor Default Notice**" means the notice to be delivered by the Representative of the Covered Bondholders to the Guarantor upon the occurrence of a Guarantor Event of Default.

"**Guarantor Event of Default**" means any of the following events or circumstances:

(i) *Non-payment*: following delivery of an Issuer Default Notice, the Guarantor fails to pay any interest and/or principal due and payable under the Covered Bond 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 or redemptiont, 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 letter (i) above) which is not remedied within 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Guarantor; or

(iv) *Breach of Amortisation Test*: following the service of an Issuer Default Notice (provided that, in case the Issuer Event of Default consists of an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 event Cure Notice), the Amortisation Test is breached and is not remedied within the Test Grace Period; or

(v) *Invalidity of the Covered Bond Guarantee*: the Covered Bond Guarantee is not in full force and effect or it is claimed by the Guarantor not to be in full force and effect.

"**Guarantor Paying Agent**" means BNP Paribas Securities Services, Milan Branch, acting in its capacity as guarantor paying agent, or any such other institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement.

"**Guarantor Payments Account**" means the Euro denominated account established in the name of the Guarantor and held with the Account Bank, IBAN IT 08 N 03479 01600 000800951302 or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Guarantor Payment Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 22nd day of January, April, July and October of each year or, if such day is not a Business Day, the immediately following Business Day and the First Guarantor Payment Date will be 22 October 2014; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Covered Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Final Terms and the Intercreditor Agreement.

"**Guarantor Payment Period**" means any period commencing on (and including) a Guarantor Payment Date and ending on (but excluding) the immediately following Guarantor Payment Date.

"**Guarantor's Rights**" means the Guarantor's rights under the Programme Documents.

"**IFRS**" means the International Financial Reporting and Accounting Standards issued by the International Accounting Standard Board (IASB).

“**In Arrears**” means, in respect of any Mortgage Loans, any amount which has become due and payable by the relevant obligor or guarantor but has remained unpaid for more than five consecutive Business Days.

"**Individual Purchase Price**" means, with respect to each Receivable transferred pursuant to the Master Loans Purchase Agreements: (i) the *Ultimo Valore di Iscrizione in Bilancio* (as defined under the Master Definition Agreement) of the relevant Receivable minus all principal and interest collections (with respect only to the amounts of interest which constitute the *Ultimo Valore di Iscrizione in Bilancio* ) received by the Seller with respect to the relevant Receivables from the date of the most recent financial statements of the Seller up to the relevant Transfer Date (included) and increased of the amount of interest accrued and not yet collected on such Receivables during the same period; or, at the option of the Seller (ii) such other value, as indicated by the Seller in the Transfer Notice, as will allow the Seller to consider each duty or tax due as if the relevant Receivables had not been transferred for the purpose of article 7-bis, sub-paragraph 7, of the Securitisation and Covered Bond Law.

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

“**Initial Valuation Date**” means 31 May 2014, at 24.00 a.m.

"**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 Covered 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 or corporation or such proceedings are otherwise initiated against such company, entity or corporation and, in the opinion of the Representative of the Covered 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 or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the 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 Italian Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation, merger, corporate reorganization or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered 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.

"**Insolvency Official**" means the official receiver appointed in the context of any insolvency procedure which may be opened following the occurrence of an Insolvency Event.

"**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 or consists of an Interest Instalment only.

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

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

"**Intercreditor Agreement**" means the intercreditor agreement entered into on or about the date hereof between the Guarantor and the Other Creditors.

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

(a) interest collected by the Servicer in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Calculation Date;

(b) all recoveries in the nature of interest and fees received by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Calculation Date;

(c) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts (excluding the Swap Collateral Cash Account and the Swap Collateral Securities Account) during the Collection Period preceding the relevant Calculation Date;

(d) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;

(e) any payment received on or immediately prior to such Guarantor Payment Date from any Swap Provider other than any Swap Collateral Excluded Amounts and any principal payments under the Swap Agreements;

(f) all interest amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;

(g) the Reserve Fund Amount standing to the credit of the Reserve Fund Account; and

(h) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds and other than any principal amounts) received by the Guarantor from any party to the Programme Documents; and

(i) interest amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

"**Interest Coverage Test**" has the meaning ascribed to such term in clause 2.2.3 (*Interest Coverage Test*) of the Cover Pool Management Agreement.

"**Interest Instalment**" means the interest component of each Instalment.

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

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

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

"**Investors Report Date**" means 2 Business Day after each Guarantor Payment Date.

"**Investors Report**" means the report to be prepared and delivered by the Guarantor Calculation Agent on or prior to the Investors Report Date, to the Issuer, the Guarantor, the Seller, the Representative of the Covered Bondholders, the Rating Agency, the Servicer, the Guarantor Paying Agent and the Issuer Paying Agent, setting out certain information with respect to the Covered Bond and the Cover Pool.

"**Issue Date**" has the meaning ascribed to such term, with respect to each Series of Covered Bonds, in the relevant Final Terms.

"**Issuer**" means Banca Popolare di Sondrio S.c.p.A., acting in its capacity as issuer pursuant to the Programme Agreement.

"**Issuer Default Notice**" means the notice to be delivered by the Representative of the Covered Bondholders to the Issuer and the Guarantor upon the occurrence of an Issuer Event of Default.

"**Issuer Downgrading Event**" means the Issuer being downgraded below "BBB+" and "F2" by the Rating Agency.

"**Issuer Event of Default**" means any of the following events and circumstances:

(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 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 or redemption, as the case may be; or

(ii) *Breach of other obligation*: a material breach by the Issuer of any obligation under or in respect of the Covered Bond (of any Series or Tranche outstanding) or any of the Programme Documents to which it is a party occurs which is not remedied within 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer; or

(iii) *Cross-default*: any of the events described in paragraphs (i) to (ii) above occurs in respect of any other Series of Covered Bonds; or

(iv) *Insolvency*: an Insolvency Event occurs with respect to the Issuer; or

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

(vi) *Cessation of business*: the Issuer ceases to carry on its primary business; or

(vii) *Breach of Tests*: any of the Tests are breached and are not remedied within the Test Grace Period.

"**Issuer's Investor Report**" means the investor report provided by the Test Calculation Agent in accordance with the Cash Allocation, Management and Payments Agreement.

"**Issuer's Investor Report Date**" means the date which falls three Business Days prior to the Guarantor Payment Date falling in January and July of each year, it being understood that the first Issuer's Investor Report Date will be on 19$^{th}$ January 2015.

"**Issuer Paying Agent**" means BPS, acting in its capacity as issuer paying agent, or any such other institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement.

"**Latest Valuation**" means, at any time with respect to any Real Estate Asset the most recent valuation of the relevant property performed in accordance with the Bank of Italy's "Regulations for supervision of banks" (Circular No. 285 of 17 December 2013, as from time to time amended).

"**Liabilities**" means in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, 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 in this definition.

"**Liability Swap Agreements**" means the swap agreements entered into on or about each Issue Date between the Guarantor and a Liability Swap Provider.

"**Liability Swap Provider**" means any entity acting as a liability swap provider to the Guarantor pursuant to a Liability Swap Agreement.

"**LIBOR**" means the London inter-bank offered rate.

"**Loan Event of Default**" means any of the events specified as such in clause 8 (*Eventi Rilevanti - Decadenza dal Beneficio del Termine*) of the Subordinated Loan Agreement.

“**Luxembourg Listing Agent**” means BNP Paribas Securities Services, Luxembourg Branch.

"**LTV**" means, with respect to a Mortgage Loan, the Loan-to-Value ratio, determined as the ratio between the value of the relevant Mortgage Loan and the value of a Real Estate Asset as calculated in accordance with the applicable Prudential Regulations.

"**Mandate Agreement**" means the mandate agreement entered into on or about the date hereof between the Representative of the Covered Bondholders and the Guarantor.

"**Margin**" has the meaning ascribed to such term under the Final Terms.

"**Master Definitions Agreement**" means means the master definitions agreement entered into on or about the date hereof between, *inter alia*, the Issuer, the Guarantor and the other parties to the Programme.

"**Master Loans Purchase Agreement**" means the master loans purchase agreement entered into on 30 May 2014 between the Guarantor and the Seller.

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

"**Maximum Guaranteed Amount**" has the meaning ascribed to such term in the Covered Bond Guarantee.

"**Member State**" means a member State of the European Union.

"**Monte Titoli**" means Monte Titoli S.p.A., a *società per azioni* having its registered office at Piazza 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 Law Consolidated Act.

"**Monte Titoli Mandate Agreement**" means the agreement entered into on or about the First Issue Date between the Issuer and Monte Titoli.

"**Monthly Collection Period**" means each monthly period beginning on the first day of each month (included) and ending on the last day of each month (included), except that the first Monthly Collection Period shall commence on the Valuation Date (included) and end to 31st July 2014 (included).

"**Monthly Servicer's Report**" means the monthly report prepared by the Servicer on each Monthly Servicer’s Report Date and containing details on the Collections of the Receivables during the relevant Collection Period, prepared in accordance with the Servicing Agreement and delivered by the Servicer, *inter alios*, to the Guarantor and the Asset Monitor.

"**Monthly Servicer's Report Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the tenth calendar day of each month of each year, or if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Covered Bondholders.

“**Monthly Test Calculation Date**” means, following the delivery of a Test Performance Report assessing that a breach of Test has occurred, the 19th day of the month immediately following the date of such Test Performance Report and, thereafter, the 19th day of each month until the end of the relevant Test Grace Period in accordance with the Cover Pool Management Agreement, or, if any such day is not a Business Day, the immediately following Business Day.

"**Mortgage Loan Agreement**" means any Residential Mortgage Loan Agreement or Commercial Mortgage Loan Agreement, as the case may be, out of which the Receivables arise.

"**Mortgage Loan**" means a Residential Mortgage Loan or a Commercial Mortgage Loan, as the case may be.

"**Mortgages**" means the mortgage security interests (*ipoteche*) created on the Real Estate Assets or the Commercial Assets, as the case may be, pursuant to Italian law in order to secure claims in respect of the Receivables.

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of 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 “0.5%” or such higher percentage procured by the Issuer on behalf of the Guarantor and notified to the Representative of the Covered Bondholders and to the Test Calculation Agent.

"**Net Present Value Test**" has the meaning ascribed to such term in clause 2.2.2 (*Net Present Value*) of the Cover Pool Management Agreement.

"**Net Present Value**" has the meaning ascribed to such term in clause 2.4 (*Net Present Value Test*) of the Cover Pool Management Agreement.

"**New Portfolio**" means any portfolio (other than the Initial Portfolio), comprising Eligible Assets and Top-Up Assets, which may be purchased by the Guarantor from the Seller pursuant to the terms and subject to the conditions of the Master Loans Purchase Agreement.

"**Nominal Value**" has the meaning ascribed to such term in clause 2.3.1 (*Nominal Value*) of the Cover Pool Management Agreement.

"**Nominal Value Test**" has the meaning ascribed to such term in clause 2.2.1 (*Nominal Value Test*) of the Cover Pool Management Agreement.

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

"**Offer Date**" means, with respect to each New Portfolio, the date falling 5 (five) Business Days prior to each Transfer Date, pursuant to clause 3.1 (*Offerta*) of the Master Loans Purchase Agreement.

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

“**Optional Redemption Date**” shall have the meaning ascribed to it under the Conditions.

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

"**Other Creditors**" means the Issuer, the Seller, the Subordinated Lender, the Servicer, the Representative of the Covered Bondholders, the Guarantor Calculation Agent, the Test Calculation

Agent, the Corporate Servicer, the Issuer Paying Agent, the Guarantor Paying Agent, the Account Bank, the Asset Monitor, the Asset Swap Providers, the Liability Swap Provider, the Portfolio Manager (if any), the Cash Manager and any other creditors which may, from time to time, be identified as such in the context of the Programme.

"**Other Issuer Creditors**" means any entity - other than the Issuer - acting as Issuer Paying Agent, any Liability Swap Provider, the Asset Monitor and any other Issuer's creditor which may from time to time be identified as such in the context of the Programme.

"**Outstanding Principal**" means, on any given date and in relation to any Receivable, the sum of all (i) Principal Instalments due but unpaid at such date; and (ii) the Principal Instalments not yet due at such date.

"**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:

(i) the principal amount of such Series or, where applicable, all such Series upon issue; *minus*

(ii) the aggregate amount of all principal which has been repaid prior to such date in respect of such Series or, where applicable, all such Series and, solely for the purposes of Title II (*Meetings of the Covered Bondholders*) of the Rules of the Organisation of Covered Bondholders, the principal amount of any Covered Bonds in such Series of (where applicable) all such Series held by, or by any Person for the benefit of, the Issuer or the Guarantor.

"**Outstanding Principal Balance**" means on any date, (i) 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 at such date, and (ii) in relation to the Covered Bonds, the aggregate nominal principal amount outstanding of such Covered Bonds at such date as the case may be.

"**Parent Company**" means Banca Popolare di Sondrio S.c.p.A. as parent company of the Banca Popolare di Sondrio Group.

"**Paying Agents**" means the Issuer Paying Agent and the Guarantor Paying Agent.

"**Payment Holiday**" means in respect of a Mortgage Loan, the period of deferral of the payment of its interest and/or principal instalments in accordance with (i) 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, or (ii) the agreement reached by the Servicer and the Debtors.

"**Payments Report**" means the report to be prepared and delivered by the Guarantor Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement on each Calculation Date.

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

"**Portfolio**" means, in respect of each Seller, collectively, the Initial Portfolio and any New Portfolios which has been purchased and will be purchased by the Guarantor pursuant to the Master Loans Purchase Agreement.

"**Portfolio Manager**" means the entity appointed as such in accordance with clause 5.6 (*Portfolio Manager*) 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 on each Guarantor Payment Date, following the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

"**Post Default Notice Report**" means the report setting out all the payments to be made on the following Guarantor Payment Date under the Post-Enforcement Priority of Payments which, following the occurrence of a Guarantor Event of Default and the delivery of a Guarantor Default Notice, shall be prepared and delivered by the Guarantor Calculation Agent in accordance with the Cash Allocation, Management and Payments Agreement.

"**Potential Set-Off Amount**" means (a) if no Issuer Downgrading Event has occurred or is outstanding an amount equal to 0 (zero) or (b) if an Issuer Downgrading Event has occurred and is outstanding, an amount of the Cover Pool that could potentially be set-off by the relevant Debtors against any credit owed by any such Debtor towards the Seller. Such amount will be calculated by the Test Calculation Agent (based on the aggregate information provided by the Servicer) on a quarterly basis on each Test Calculation Date and/or Monthly Test Calculation Date and/or on each other date on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Management Agreement or any other Programme Documents.

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

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

"**Premium Interest**" means the premium payable by the Guarantor to the Seller in accordance with the Subordinated Loan Agreement, as determined thereunder.

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

(a) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Collection Account net of the amounts applied to purchase Eligible Assets and Top-Up Assets during the Collection Period preceding the relevant Calculation Date;

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

(c) all principal amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;

(d) the proceeds of any disposal of Eligible Assets and any disinvestments of Top-Up Assets;

(e) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;

(f) 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;

(g) any principal payment payable under the Swap Agreements other than any Swap Collateral Excluded Amounts;

(h) any amount paid under the Subordinated Loan and not repaid, standing to the credit of the Collection Accounts;

(i) all the amounts allocated pursuant to item *Sixth* of the Pre-Issuer Event of Default Interest Priority of Payments ; and

(j) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

"**Principal Instalment**" means the principal component of each Instalment.

"**Priority of Payments**" means each of the Pre-Issuer Event of Default Interest Priority of Payments, the Pre-Issuer Event of Default Principal Priority of Payments, the Guarantee Priority of Payments and the Post-Enforcement Priority of Payments.

"**Privacy Law**" means the Italian Legislative Decree number 196 of 30 June 2003, as subsequently amended, modified or supplemented, together with any relevant implementing regulations as integrated from time to time by the Autorità Garante per la Protezione dei Dati Personali.

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

"**Programme Agreement**" means the programme agreement entered into on or about the date hereof between, *inter alios*, the Guarantor, the Seller, the Issuer, the Representative of the Covered Bondholders and the Dealers.

"**Programme Amount**" means €5,000,000,000.

"**Programme Documents**" means the Master Loans Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Programme Agreement, each Subscription Agreement, the Cover Pool Management Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Covered Bond Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Conditions, the Deed of Pledge, the Deed of Charge, the Master Definitions Agreement, each Final Terms and any other agreement which will be entered into from time to time in connection with the Programme.

"**Programme Maturity Date**" means the date falling 10 years after the First Issue Date.

“**Programme Resolution**" has the meaning given in the Rules of the Organisation of Covered Bondholders attached to the Conditions.

"**Prospectus**" or “**Base Prospectus**” means the prospectus prepared in connection with the issue of the Covered Bonds and the establishment and any update of the Programme, as supplemented from time to time.

"**Prospectus Directive**" means Directive 2003/71/EC of 4 November 2003, as amended from time to time.

**“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 amended and supplemented from time to time.

"**Public Entities**" means:

(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 per cent is applicable in accordance with the Bank of Italy's prudential regulations for banks — standardised approach;

(ii) public entities, located outside the European Economic Area or Switzerland, for which 0 (zero) per cent 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 per cent is applicable in accordance with the Bank of Italy's prudential regulations for banks — standardised approach.

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

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

**"Put Option Notice"** means a notice of exercise relating to the put option contained in Condition 7 (f) (*Redemption at the option of the Covered Bondholders*), substantially in the form set out in schedule 5 to the Cash Allocation, Management and Payments Agreement, or such other form which may, from time to time, be agreed between the Issuer and the Issuer Paying Agent or Guarantor Paying Agent, as the case may be.

"**Quarterly Servicer's Report**" means the quarterly report delivered by the Servicer on each Quarterly Servicer’s Report Date and containing details on the Collections of the Receivables during the relevant Collection Periods prepared in accordance with the Servicing Agreement and delivered by the Servicer to, *inter alios*, the Guarantor, the Corporate Servicer, the Guarantor Calculation Agent, the Representative of the Covered Bondholders and the Rating Agency.

"**Quarterly Servicer's Report Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 13th calendar day of January, April, July and October of each year or if such day is not a Business Day, the immediately following Business Day and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Covered Bondholders.

"**Quotaholders' Agreement**" means the agreement entered into on or about the date hereof, between BPS, SVM, the Guarantor and the Representative of the Covered Bondholders.

"**Quotaholders**" means SVM and BPS.

"**Quota Capital**" means the quota capital of the Guarantor, equal to Euro 10,000.00.

"**Quota Capital Account**" means the Euro denominated account established in the name of the Guarantor with the Expenses Account Bank, IBAN IT 16 T 01030 61621 000001317709 for the deposit of the Quota Capital.

"**Rating Agency**" means Fitch.

"**Real Estate Assets**" means the real estate properties which have been mortgaged in order to secure the Receivables and each of them the “**Real Estate Asset**”.

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

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

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

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

(iv) all rights in relation to any amount paid pursuant to any Insurance Policy or guarantee in respect of the Mortgage Loans of which the Seller is the beneficiary or is entitled pursuant to any liens (*vincoli*);

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

"**Receiver**" means any receiver, manager or administrative receiver appointed in accordance with clause 7 (*Appointment of Receiver*) of the Deed of Charge.

"**Records**" means the records prepared pursuant to clause 10.1 (*Duty to maintain Records*) of the Cash Allocation, Management and Payments Agreement.

"**Recoveries**" means any amounts received or recovered by the Servicer in accordance with the terms of the Servicing Agreement, in relation to any Defaulted Receivable and any Delinquent Receivable.

"**Representative of the Covered Bondholders**" means Securitisation Services S.P.A., acting in its capacity as representative of the Covered Bondholders pursuant to the Intercreditor Agreement, the Programme Agreement, the Deed of Pledge, the Deed of Charge, the Conditions and the Final Terms of each Series of Covered Bonds.

"**Reserve Fund Account**" means the Euro denominated account established in the name of the Guarantor with the Account Bank IBAN IT 31 M 03479 01600 000800951301, or such other substitute account as may be opened in accordance with the Cash Allocation Management and Payments Agreement.

"**Reserve Fund Amount**" means, on each Guarantor Payment Date, an amount equal to the sum of:

(i) (A) interest accruing in respect of all outstanding Series of Covered Bonds during the immediately following Guarantor Payment Period (such that, (a) if Liability Swap Agreements are in place for a Series of Covered Bonds, such interest amounts accruing will be the higher of the amount due to the Liability Swap Provider or the amount due to the Covered Bondholders of such Series, (b) if Liability Swap Agreements are not in place for a Series of Covered Bonds, such interest amounts accruing will be the amount due the Covered Bondholders of such Series and (c) if Liability Swap Agreements are in place for a portion of a Series of Covered Bonds, such interest amounts accruing will be the sum of (i) for the portion of the Series covered by the Liability Swap Agreement, the higher of the amount due to the Liability Swap Provider and the amount due to the Covered Bondholders of such Series, and (ii) for the remaining portion, the interest amounts accruing will be the proportional amount due the Covered Bondholders of such Series) as calculated by the Guarantor Calculation Agent on or prior to each Calculation Date, *plus* (B) prior to the service of an Issuer Default Notice, the aggregate amount to be paid by the Guarantor on the second Guarantor Payment Date following the relevant Calculation Date in respect of the items (*First)(a)* to (*Third*) of the Pre- Issuer Event of Default Interest Priority of Payments, as calculated by the Guarantor Calculation Agent; *plus*

(ii) any additional amount that the Issuer has voluntarily resolved to accumulate as reserve in order to create an additional stock to procure that the Statutory Tests are met with respect to the Cover Pool.

"**Residential Assets**" means the Real Estate Assets with respect to Residential Mortgage Loans.

"**Residential Mortgage Loan**" means "*crediti ipotecari residenziali*" – as defined under article 1, sub-paragraph 1, letter (b) of Decree 310 – having the features set forth under article 2, sub-paragraph 1,letter (a) of Decree 310.

"**Residential Mortgage Loan Agreement**" means any mortgage loan agreement out of which Receivables arise and secured by mortgage over Residential Assets.

**"Retention Amount**" means Euro 30.000.

"**Rules of the Organisation of the Covered Bondholders**" or "**Rules**" means the rules of the Organisation of the Covered Bondholders attached as exhibit to the Conditions of the Covered Bonds.

"**Secured Creditors**" means, collectively, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Issuer, the Seller, the Subordinated Lender, the Servicer, the Guarantor Calculation Agent, the Test Calculation Agent, the Corporate Servicer, the Issuer Paying Agent, the Guarantor Paying Agent, the Account Bank, the Asset Monitor, any Asset Swap Provider(s), any Liability Swap Provider(s), the Portfolio Manager (if any), the Cash Manager, together with any other entity acceding to the Intercreditor Agreement.

"**Securities Account**" means the account which will be opened in the name of the Guarantor with the Account Bank, upon purchase by the Guarantor from the Seller of Eligible Assets and/or Top-Up Assets represented by bonds, debentures, notes or other financial instruments in book entry form in accordance with and subject to the conditions of the Cash, Allocation and Payments Agreement.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended and supplemented from time to time.

"**Securitisation and Covered Bond Law**" means Law No. 130 of 30 April 1999 as amended from time to time.

"**Security Interest**" means:

(i) any mortgage, charge, pledge, lien, privilege (*privilegio speciale*) or other security interest 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 or any sum owed or payable to any person; or

(iii) any other type or preferential arrangement having a similar effect.

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

"**Seller**" means BPS pursuant to the Master Loans Purchase Agreement.

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

"**Servicer**" means BPS, in its capacity as servicer pursuant to the Servicing Agreement.

"**Servicer Termination Event**" means any of the events set out under clause 8.1 (*Casi di revoca del mandato del Servicer*) of the Servicing Agreement, which allows the Guarantor to terminate the Servicer's appointment and appoint a Substitute Servicer pursuant to the Servicing Agreement.

"**Servicing Agreement**" means the servicing agreement entered into on 30 May 2014 between the Guarantor, the Issuer and the Servicer.

"**Sole Affected Party**" means an Affected Party as defined in the relevant Swap Agreement which at the relevant time is the only Affected Party under such Swap Agreement.

"**Specific Criteria**" means (i) with respect to the Initial Portfolio, the criteria listed in schedule 3 (*Criteri Specifici in relazione al Portafoglio Iniziale*) to the Master Loans Purchase Agreement; or (ii) with respect to each New Portfolio, the criteria listed in Annex A of the relevant Transfer Notice of the New Portfolio.

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

"**Specified Office**" means with respect to the Account Bank and Guarantor Paying Agent Via Ansperto, 5, 20123 Milan, Italy, with respect to the Cash Manager, Test Calculation Agent and Issuer Paying Agent Piazza Garibaldi, 16, 23100 Sondrio, Italy, and with respect to the Guarantor Calculation Agent and Corporate Servicer Via V. Alfieri, 1, 31015 Conegliano (TV), Italy.

"**Stabilisation Manager**" means each Dealer or any other person acting in such capacity in accordance with the terms of the Programme Agreement.

"**Statutory Tests**" means such tests provided for under article 3 of Decree 310 and namely: (i) the Nominal Value Test, (ii) the Net Present Value Test and (iii) the Interest Coverage Test, as further defined under clause 2 (*Statutory Tests and Asset Coverage Tests*) of the Cover Pool Management Agreement.

"**Statutory Test Verification**" has the meaning ascribed to such term in the Asset Monitor Agreement.

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

"**Subordinated Lender**" means BPS, in its capacity as such pursuant to the Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into on 30 May 2014 between the Subordinated Lender and the Guarantor.

"**Subscription Agreements**" means each subscription agreement entered into on or about the Issue Date of each Series of Covered Bonds between each Dealer and the Issuer.

"**Subsidiary**" has the meaning ascribed to such term in Article 2359 of the Italian Civil Code.

"**Substitute Servicer**" means the successor to the Servicer which may be appointed by the Guarantor, upon the occurrence of a Servicer Termination Event, pursuant to clause 8.4 (*Sostituto del Servicer*) of the Servicing Agreement.

"**Swap Agreements**" means, collectively, each Asset Swap Agreement, Liability Swap Agreement and any other swap agreement that may be entered into in connection with the Programme.

"**Swap Basic Term Modification**" means any amendment to any of the Programme Documents aimed at: (i) altering the Priority of Payments by affecting the position of the Swap Provider if compared to the position of the Covered Bondholders, (ii) changing a payment date under the Swap Agreement; (iii) providing a reduction or cancellation or increase in the payments due under the Swap Agreement; (iv) altering the currency for each relevant payment under the Swap Agreement; (v) extending the termination date under the Swap Agreement and (vi) modifying this definition.

"**Swap Collateral**" means the collateral which may be transferred by the Swap Providers to the Guarantor in support of its obligations under the Swap Agreements.

"**Swap Collateral Account**s" means collectively the Swap Collateral Cash Account, the Swap Collateral Securities Account and any swap collateral cash account, any swap collateral securities account and any other collateral account that may be opened, in name and on behalf of the Guarantor, with an account bank on which each Swap Collateral in the form of cash and/or securities and will be posted in accordance with the relevant Swap Agreement.

"**Swap Collateral Cash Account**" means the Euro denominated collateral account established in the name of the Guarantor with the Account Bank, IBAN IT 36 Q 03479 01600 000800951305, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Swap Collateral Excluded Amounts**" means at any time, the amounts of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor or, as the case may be, the Issuer including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.

"**Swap Collateral Securities Account**" means the Euro denominated account established in the name of the Guarantor with the Account Bank, No. 951301, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Swap Providers**" means, collectively, the Asset Swap Providers, the Liability Swap Providers and the providers of any other swap agreements entered into in connection with the Programme.

"**SVM**" means SVM Securitisation Vehicles Management S.R.L. in its capacity as quataholder of the Guarantor.

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

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

"**Tests**" means, collectively, the Statutory Tests, the Asset Coverage Test and the Amortisation Test.

"**Test Calculation Agent**" means Banca Popolare di Sondrio S.c.p.A., acting as test calculation agent or any other institution that, from time to time, may be appointed as such pursuant to the Cash Allocation, Management and Payments Agreement.

“**Test Calculation Date**” means the date which falls 3 (three) Business Days prior to each Guarantor Payment Date or, if that day is not a Business Day, the immediate following Business Day. The first Test Calculation Date will fall on October 2014.

"**Test Grace Period**" means the period starting from the Test Calculation Date on which the breach of a 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 Test Calculation Date or, after the occurrence of a breach of Test, on each Monthly Test Calculation Date, by the Test Calculation Agent pursuant to the terms of the Cover Pool Management Agreement.

"**Top-Up Assets**" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree 310, each of the following assets:

(i) deposits held with banks which qualify as Eligible Institution and have their registered office in the European Economic Area or Switzerland or in a country for which a 0 per cent 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 1 (one) year.

"**Total Commitment**" with respect to the Subordinated Lender, has the meaning ascribed to such term under the Subordinated Loan Agreement.

"**Trade Date**" means the date on which the issue of the relevant Series of Covered Bonds is priced.

"**Tranche**" means the tranche of Covered Bonds issued under the Programme to which each Final Terms relates, each such tranche forming part of a Series.

"**Transfer Agreement**" means any subsequent transfer agreement for the purchase of each New Portfolio entered into in accordance with the terms of the Master Loans Purchase Agreement.

"**Transfer Date**" means: (a) with respect to the Initial Portfolio, the date designated by the Seller in the Master Loan Purchase Agreement; and (b) with respect to the New Portfolios, the date designated by the Seller in the relevant Transfer Notice.

"**Transfer Notice**" means, in respect to each New Portfolio, such transfer notice which will be sent by the Seller and addressed to the Guarantor in the form set out in schedule 5 (*Modello di proposta di cessione di Nuovi Portafogli*) to the Master Loans Purchase Agreement.

"**Treaty**" means the treaty establishing the European Community.

"**Usury Law**" means the Law number 108 of 7 March 1996 as amended from time to time together with Decree number 394 of 29 December 2000 which has been converted in law by Law number 24 of 28 February 2001 as amended from time to time.

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

“**Valuation Date**” means (a) with reference to the Initial Portfolio, the Initial Valuation Date and (b) with reference to New Portfolios, the date indicated as such in the relevant Transfer Notice.

"**Warranty and Indemnity Agreement**" means the warranty and indemnity agreement entered into on 30 May 2014 between the Seller and the Guarantor.

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